

Apollo Medical Holdings, Inc.
Form 10-Q
June 18, 2010

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

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED April 30, 2010

OR

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

COMMISSION FILE NUMBER: 000-25809

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

Delaware
(State or other jurisdiction of
incorporation or organization)

20-8046599
(I.R.S. Employer
Identification Number)

450 N. Brand Blvd., Suite 600
Glendale, California 91203
(Address of principal executive offices)

(818) 507-4617
Issuer's telephone number:

(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

“ No ”

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer “

Accelerated filer “

Non-accelerated filer “

Smaller reporting company x

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

As of June 10, 2010, there were 27,424,661 shares of the registrant’s common stock, \$0.001 par value per share, issued and outstanding.

APOLLO MEDICAL HOLDINGS, INC.

INDEX TO FORM 10-Q FILING

FOR THE THREE MONTHS ENDED APRIL 30, 2010 AND 2009

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

	As of April 30, 2010	As of January 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 504,540	\$ 665,737
Accounts receivable, net	653,672	457,517
Receivable from officers	23,483	23,483
Due from affiliate	3,650	2,850
Prepaid expenses	22,821	30,165
Total current assets	1,208,166	1,179,751
Deferred commission cost	104,687	114,063
Property and equipment - net	13,189	11,627
TOTAL ASSETS	\$ 1,326,042	\$ 1,305,441
LIABILITIES AND STOCKHOLDERS' DEFICIT:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 95,426	\$ 104,252
Total current liabilities	95,426	104,252
Convertible notes, net	1,247,784	1,247,582
Total liabilities	1,343,210	1,351,834
STOCKHOLDERS' DEFICIT:		
Preferred stock, par value \$0.001 ; 5,000,000 shares authorized; none issued	-	-
Common Stock, par value \$0.001; 100,000,000 shares authorized, 27,424,661 and 27,041,328 shares issued and outstanding as on April 30, 2010 and January 31, 2010	27,424	27,041
Additional paid-in-capital	969,166	939,483
Accumulated deficit	(1,241,873)	(1,241,031)
Total	(245,283)	(274,508)
Non-controlling interest	228,115	228,115
Total stockholders' deficit	(17,168)	(46,393)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 1,326,042	\$ 1,305,441

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

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED APRIL 30, 2010 AND 2009
(UNAUDITED)

	For three month periods ended April 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (843)	\$ (106,921)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,006	10,338
Bad debt expense	(60,647)	462
Issuance of shares for services	30,066	-
Shares to be issued for service	-	94,500
Amortization of deferred commission cost	9,376	-
Amortization of debt discount	202	-
Changes in assets and liabilities:		
Accounts receivable	(135,510)	(14,045)
Prepaid financing cost	-	7,062
Prepaid expenses	7,344	-
Accounts payable and accrued liabilities	(8,824)	(8,860)
Net cash used in operating activities	(155,830)	(17,464)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment	(4,568)	-
Due from related parties	(800)	-
Net cash used in investing	(5,368)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of notes payable	-	(7,477)
Net cash used in financing activities	-	(7,477)
NET DECREASE IN CASH & CASH EQUIVALENTS	(161,197)	(24,941)
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	665,737	84,161
CASH & CASH EQUIVALENTS, ENDING BALANCE	\$ 504,540	\$ 59,220
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid during the quarter	\$ 71	\$ 2,582
Taxes paid during the quarter	\$ 1,600	\$ 1,600

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

APOLLO MEDICAL HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Apollo Medical Holdings, Inc. (“Apollo” or the “Company”) is a leading provider of hospitalist services in the Greater Los Angeles, California area. Hospitalist medicine is organized around the admission and care of patients in an inpatient facility such as a hospital or skilled nursing facility and is focused on providing, managing and coordinating the care of hospitalized patients. Apollo Medical Holdings, Inc. operates as a medical management holding company that focuses on managing the provision of hospital-based medicine through a wholly owned subsidiary-management company, Apollo Medical Management, Inc. (“AMM”). Through AMM, the Company manages affiliated medical groups, which presently consist of ApolloMed Hospitalists (“AMH”) and Apollo Medical Associates (“AMA”). AMM operates as a Physician Practice Management Company (“PPM”) and is in the business of providing management services to Physician Practice Companies (“PPC”) under Management Service Agreements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Apollo in accordance with U.S. generally accepted accounting principles for interim financial statements. The statements consist solely of the management company, Apollo Medical Holdings, Inc. prior to August 1, 2008. Commencing with the Company’s third quarter on August 1, 2008, and concurrent with the execution of the Management Services Agreement, the statements reflect the consolidation of AMM and AMH, in accordance with EITF 97-2, Application of FASB Statement No. 94 and APB Opinion No. 16 to Physician Management Entities and Certain Other Entities with Contractual Management Agreements. In management’s opinion, all adjustments, consisting of normal recurring adjustments necessary for the fair presentation of the results of the interim periods are reflected herein. Operating results for the three month period ended April 30, 2010 are not necessarily indicative of future financial results.

The condensed consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain all of the information that is included in the annual financial statements and notes of the Company. The condensed consolidated financial statements and notes presented herein should be read in conjunction with the financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended January 31, 2010.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Reclassification

Certain comparative amounts have been reclassified to conform to the three month periods ended April 30, 2010 and 2009.

Fair Value of Financial Instruments

Statement of financial accounting standard No. 107(ASC 825), Disclosures about fair value of financial instruments, requires that the Company disclose estimated fair values of financial instruments. The carrying amounts reported in the statements of financial position for assets and liabilities qualifying as financial instruments are a reasonable estimate of fair value.

Credit and Supply Risk

The Company's case rate and capitation revenues, reported by Apollo's affiliate, AMH, are governed by contractual agreements with medical groups/IPA's and hospitals. As a result, receivables from this business are generally fully collected. The Company does face issues related to the timing of these collections, and the Company must assess the level of earned but uncollected revenue to which it is entitled at each period end. The Company does face collection issues with regard to its fee-for-service revenues. One is the estimation of the amount to be received from each billing since the Company invoices on a Medicare schedule and each of many providers remits payment on a reduced schedule. The Company has to estimate the amount it will ultimately receive from each billing and properly record revenue. With a wide variety of contract terms and providers, the Company's revenue is not concentrated or dependent on a specific contract. No individual contract with our clients provides more than 15 percent of reported revenues.

Recently Issued Accounting Pronouncements

In October 2009, the FASB issued ASU 2009-13, "Multiple-Deliverable Revenue Arrangements," now codified under FASB ASC Topic 605, "Revenue Recognition", ("ASU 2009-13"). ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-13 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. Management is currently evaluating the potential impact of ASU2009-13 on our financial statements.

In October, 2009, the FASB issued ASU 2009-15, "Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing," now codified under FASB ASC Topic 470 "Debt", ("ASU 2009-15"), and provides guidance for accounting and reporting for own-share lending arrangements issued in contemplation of a convertible debt issuance. At the date of issuance, a share-lending arrangement entered into on an entity's own shares should be measured at fair value in accordance with Topic 820 and recognized as an issuance cost, with an offset to additional paid-in capital. Loaned shares are excluded from basic and diluted earnings per share unless default of the share-lending arrangement occurs. The amendments also require several disclosures including a description and the terms of the arrangement and the reason for entering into the arrangement. The effective dates of the amendments are dependent upon the date the share-lending arrangement was entered into and include retrospective application for arrangements outstanding as of the beginning of fiscal years beginning on or after December 15, 2009. Management is currently evaluating the potential impact of ASU 2009-15 on our financial statements.

In January 2010, FASB issued ASU No. 2010-01- Accounting for Distributions to Shareholders with Components of Stock and Cash. The amendments in this Update clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend for purposes of applying Topics 505 and 260 (Equity and Earnings Per Share). The amendments in this update are effective for interim and annual periods ending on or after December 15, 2009, and should be applied on a retrospective basis. The adoption of this ASU did not have a material impact on its consolidated financial statements.

In January 2010, FASB issued ASU No. 2010-02 – Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification. The amendments in this Update affect accounting and reporting by an entity that experiences a decrease in ownership in a subsidiary that is a business or nonprofit activity. The amendments also affect accounting and reporting by an entity that exchanges a group of assets that constitutes a business or nonprofit activity for an equity interest in another entity. The amendments in this update are effective beginning in the period that an entity adopts SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51.” If an entity has previously adopted SFAS No. 160 as of the date the amendments in this update are included in the Accounting Standards Codification, the amendments in this update are effective beginning in the first interim or annual reporting period ending on or after December 15, 2009. The amendments in this update should be applied retrospectively to the first period that an entity adopted SFAS No. 160. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

In January 2010, FASB issued ASU No. 2010-06 – Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 that requires new disclosure as follows: 1) Transfers in and out of Levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). This update provides amendments to Subtopic 820-10 that clarifies existing disclosures as follows: 1) Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. 2) Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. These disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company is currently evaluating the impact of this ASU, however, the Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In February 2010, FASB issued ASU No. 2010-9 – Amendments to Certain Recognition and Disclosure Requirements. This update addresses certain implementation issues related to an entity’s requirement to perform and disclose subsequent-events procedures, removes the requirement that public companies disclose the date of their financial statements in both issued and revised financial statements. According to the FASB, the revised statements include those that have been changed to correct an error or conform to a retrospective application of U.S. GAAP. The amendment is effective for interim and annual reporting periods in fiscal year ending after June 15, 2010. The Company does not expect the adoption of this ASU to have a material impact on the Company’s consolidated financial statements.

Stock-based compensation

On October 17, 2006 the Company adopted SFAS No. 123R (ASC 718), “Share-Based Payment, an Amendment of FASB Statement No. 123.” As of the date of this report the Company has no stock based incentive plan in effect.

Basic and Diluted Earnings Per Share

Earnings per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128, ASC 260), "Earnings per share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Net income (loss) per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic net income per share is based upon the weighted average number of common shares outstanding. Diluted net income (loss) per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Cash and Cash Equivalents

Cash and cash equivalents at April 30, 2010 was \$504,540 and included cash in bank representing the Company's current operating account and \$486,216 in a brokerage money market account. The \$18,324 balance in the Company's operating account is insured by the FDIC.

Revenue Recognition

The Company recognizes Case Rate, Hourly and Capitation revenue when persuasive evidence of an arrangement exists, service has been rendered, the service rate is fixed or determinable, and collection is reasonable assured. Fee for Service revenues are recorded at amounts reasonably assured to be collected. The determination of reasonably assured collections is based on historical Fee for Service collections as a percent of billings. The provisions are adjusted to reflect actual collections in subsequent periods.

The estimation and the reporting of patient responsibility revenues is highly subjective and depends on the payer mix, contractual reimbursement rates, collection experiences, judgment and other factors. The Company's fee arrangements are with various payers, including managed care organizations, hospitals, insurance companies, individuals, Medicare and Medicaid.

3. Uncertainty of ability to continue as a going concern

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has an accumulated deficit of \$1,241,873 as of April 30, 2010. Net Cash Flow used by Operating Activities for the three months ended April 30, 2010 was \$155,830.

The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

To date the Company has funded its operations from both internally generated cash flow and external sources, and the proceeds available from the private placement provide funds for near-term operations and growth. The Company will pursue additional external capitalization opportunities, as necessary, to fund its long-term goals and objectives.

4. Accounts Receivable

Accounts Receivable is stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is provided for those accounts receivable considered to be uncollectible, based upon historical experience and management's evaluation of outstanding accounts receivable at each quarter end. As of April 30, 2010,

Accounts Receivable totals \$653,672, net of a provision for bad debt expense of \$50,329, and represents amounts invoiced by AMH. Accounts Receivable was \$457,517, net of the provision for bad debt expense of \$110,976, on January 31, 2010.

5. Other Receivables

Other receivables total \$23,483 and represent amounts due the Company from two officers.

6. Due from affiliate

Due from affiliate totals \$3,650 and \$2,850 as of April 30, 2010 and January 31, 2010, respectively, and represents amounts due from AMA, an unconsolidated Affiliate of the Company.

7. Prepaid Expenses

Prepaid Expenses of \$22,821 and \$30,165 as of April 30, 2010 and January 31, 2010, respectively, are amounts prepaid for medical malpractice insurance and Director's and Officer's insurance.

8. Deferred Commission Cost

Unamortized financing cost of \$104,687 on April 30, 2010 and \$114,063 as of January 31, 2010 represent the financing cost associated with 10% Senior Subordinated Callable Convertible Notes due January 31, 2013, \$125,000 paid by the Company on the closing of the placement on October 16, 2009 (see Note 11).

9. Property and Equipment

Property and Equipment consists of the following as of :

	April 30,2010	January 31, 2010
Website	\$ 4,568	\$
Computers	13,912	13,912
Software	138,443	138,443
Machinery and equipment	50,815	50,815
Gross Property and Equipment	207,738	203,170
Less accumulated depreciation	(194,549)	(191,543)
Net Property and Equipment	\$ 13,189	\$ 11,627

Capital expenditures totaled \$4,568 at AMM in the quarter ended April 30, 2010 for the development of a Company web site.

Depreciation expense was \$3,006 and \$10,338 for the three month periods ended April 30, 2010 and 2009, respectively.

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following as of:

	April 30, 2010	January 31, 2010
Accounts payable	\$ 30,778	\$ 32,460
D&O insurance payable	2,751	8,210
Accrued interest	31,250	
Accrued professional fees		22,141
Accrued payroll and income taxes	30,647	41,441
Total	\$ 95,426	\$ 104,252

11. Long-term Debt

The Company's long-term debt consisted of the following at April 30, 2010 and January 31, 2010

	April 30, 2010	January 30, 2010
Subordinated Borrowings:		
10% Senior Subordinated Convertible Notes due January 31, 2013	\$ 1,247,784	\$ 1,247,582
Total long-term debt	\$ 1,247,784	\$ 1,247,582
Less: Current Portion	-	-
Total	\$ 1,247,784	\$ 1,247,582

Subordinated Borrowings

10% Senior Subordinated Callable Convertible Notes due January 31, 2013

On October 16, 2009, the Company issued \$1,250,000 of its 10% Senior Subordinated Callable Convertible Notes. The net proceeds of \$1,100,000 will be used for the repayment of existing debt, acquisitions, physician recruitment and other general corporate purposes. The notes bear interest at a rate of 10% annually, payable semi annually on January 31 and July 31. The Notes mature and become due and payable on January 31, 2013 and rank senior to all other unsecured debt of the Company.

The 10% Notes were sold through an Agent in the form of a Unit. Each Unit was comprised of one 10% Senior Subordinated Callable Note with a par value \$25,000, and one five-year warrant to purchase 25,000 shares of the Company's common stock. The purchase price of each Unit was \$25,000, resulting in gross proceeds of \$1,250,000.

In connection with the placement of the subordinated notes, the Company paid a commission of \$125,000 and \$25,000 of other direct expenses. The agent also received five-year warrants to purchase up to 250,000 shares of the Common Stock at an initial exercise price of \$0.25 per share. The agent also received 100,000 shares of restricted common stock for pre-transaction advisory services and due diligence. The commission of \$125,000 paid at closing, is accounted for as prepaid financing cost and will be amortized over a forty-month period through January 31, 2013, the maturity date of the notes. The \$25,000 of other direct expenses were paid at closing and reported as financing costs in the Operating Statement in the year ended January 31, 2010. In addition, financing costs included \$4,000 related to the value of the 100,000 shares granted to the Placement Agent.

The 10% Notes are convertible any time prior to January 31, 2013. The initial conversion rate is 200,000 shares of the Company's common stock per \$25,000 principal amount of the 10% Notes (Subject to certain events). This represents an initial conversion price of \$0.125 per share of the Company's common stock.

On or after January 31, 2012, the Company may, at its option, upon 60 days notice to both the Note-holder's and the placement agent, redeem all or a portion of the notes at a redemption price in cash equal to 102% of the principal amount of the notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date.

The Warrants attached to the Units are exercisable into shares of Common Stock at an initial exercise price of \$0.125. The Warrants have a five-year term and expire on October 31, 2014. These warrants were estimated to have a fair value of \$2,653 using the Black-Scholes pricing model which was recorded as unamortized warrant discount on granted date and \$2,216 as of April 30, 2010.

In connection with this offering, the Company also issued warrants to purchase 250,000 shares of our common stock to the placement agent which were estimated to have a fair value of \$2,200 using the Black-Scholes pricing model and was recorded as unamortized warrant discount on granted date. These warrants have an exercise price of \$0.25 per share, are exercisable immediately upon issuance and expire five years after the date of issuance.

The Company recorded interest expense of \$ 31,250 related to these notes for the three months ended April 30, 2010. No interest related to these subordinated borrowings was reported for the quarter ended April 30, 2009.

12. Related Party Transactions

During the four months ended April 30, 2010 and 2009, the Company generated revenue of \$105,000 and \$56,491, respectively, by providing management services to ApolloMed Hospitalists (AMH), an affiliated company with common ownership interest. Commencing August 1, 2008, the management services fee income reported by AMM was eliminated in consolidation against similar costs recorded at AMH.

13. Non-Controlling Interest

The Company recorded AMH owner ship interest in the accompanying financial statements as Non-Controlling Interest of \$228,115 at April 30, 2010 and January 31, 2010.

14. Stockholder's Equity

In the first quarter ended April 30, 2010, the Company issued 383,333 common shares, bringing the total outstanding shares to 27,424,661 at April 30, 2010. A total of 350,000 shares were issued to Kanehoe Advisors and 33,333 shares were issued to Suresh Nihalani, a director. The total shares of 383,333 were valued at \$30,066 based on the fair value of shares at issuance dates.

The Company issued a total of 1,171,108 common shares in the twelve months ended January 31, 2010, including 266,665 shares in the second quarter ended July 31, 2009, 826,666 shares in the third quarter ended October 31, 2009, and 77,777 shares in the fourth quarter ended January 31, 2010. The 266,665 shares were issued on May 14, 2009 to nine holders of convertible notes that had exercised their conversion rights. Of the 826,666 shares, 716,666 were issued to officers and directors, 100,000 shares were issued to the Placement Agent for advisory services and 10,000 shares were issued to an employee. The 77,777 shares issued in the fourth quarter were to Suresh Nihalani, a Director of the Company.

Warrants outstanding:

No warrants were issued by the Company in the quarter ended April 30, 2010.

	Aggregate intrinsic value	Number of warrants
Outstanding at January 31, 2010	\$ —	2,125,803
Granted	—	-
Exercised	—	—
Cancelled	—	—
Outstanding at April 30, 2010	\$ —	2,125,803

Exercise Price	Warrants outstanding	Weighted average remaining contractual life	Warrants exercisable	Weighted average exercise price
\$ 1.100	470,470	0.54	470,470	\$ 1.10
\$ 1.500	155,333	1.49	155,333	\$ 1.50
\$ 0.250	1,250,000	4.50	1,250,000	\$ 0.25
\$ 0.250	250,000	4.50	250,000	\$ 0.25

15. Commitments and Contingency

On March 15, 2009, the Company entered into a Consulting Agreement with Kaneohe Advisors LLC (Kyle Francis) under which Mr. Francis would become the Company's Executive Vice President, Business Development and Strategy. Under the terms of the Agreement, Mr. Francis will be paid \$8,000 per month. In addition, Mr. Francis received 350,000 shares of restricted stock at the date of the Agreement and is entitled to 350,000 additional restricted shares on the first and second anniversaries of the Agreement, provided the Agreement is not terminated. The initial 350,000 shares, along with 50,000 shares granted to Mr. Francis in the year ended January 2009, were issued in the third quarter ended October 31, 2009. On March 15, 2010, the first anniversary of the Consulting Agreement, Mr. Francis was granted an additional 350,000 shares (see Note 14).

On October 27, 2008, the Company entered into a Board of Director's Agreement with Suresh Nihalani. The Company will issue a stock award of 400,000 shares to Mr. Nihalani, under the terms of the Director's Agreement, which shares will be issued ratably over a thirty-six month period commencing December 2008. The shares will be released to Mr. Nihalani on a monthly basis during his tenure as a Director. The distribution of shares will continue as long as Mr. Nihalani serves on the Board, but will cease when Mr. Nihalani is no longer is a Director. Mr. Nihalani was issued 33,333 shares in the quarter just ended on April 30, 2010 (see Note 14)

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

The following management's discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in this Quarterly Report. In addition, reference is made to our audited consolidated financial statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our most recent Annual Report on Form 10-K for the year ended January 31, 2009, filed with the Securities and Exchange Commission (SEC) on May 18, 2009.

In this Quarterly Report, unless otherwise expressly stated or the context otherwise requires, "Apollo," "we," "us" and "our" refer to Apollo Medical Holdings, Inc., a Delaware corporation, and its wholly-owned subsidiary-management company, Apollo Medical management, Inc., and affiliated medical groups. Our affiliated professional organizations are separate legal entities that provide physician services in California and with which we have management agreements. For financial reporting purposes we consolidate the revenues and expenses of all our practice groups that we own or manage because we have a controlling financial interest in these practices based on applicable accounting rules and as described in our accompanying financial statements. Also, unless otherwise expressly stated or the context otherwise requires, "our affiliated hospitalists" refer to physicians employed or contracted by either our wholly-owned subsidiaries or our affiliated professional organizations. References to "practices" or "practice groups" refer to our subsidiary-management company and the affiliated professional organizations of Apollo that provide medical services, unless otherwise expressly stated or the context otherwise requires.

The following discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding future events and the future results of Apollo that are based on management's current expectations, estimates, projections, and assumptions about our business. Words such as "may," "will," "could," "should," "target," "potential," "project," "expects," "anticipates," "intends," "plans," "believes," "sees," "estimates" and variations of such similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors, including, but not limited to, those discussed in our most recent Annual Report on Form 10-K, including the section entitled "Risk Factors", as well as those discussed from time to time in the Company's other SEC filings and reports. In addition, such statements could be affected by general industry and market conditions. Such forward-looking statements speak only as of the date of this Quarterly Report or, in the case of any document incorporated by reference, the date of that document, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this Report, or for changes made to this document by wire services or Internet service providers. If we update or correct one or more forward-looking statements, investors and others should not conclude that we will make additional updates or corrections with respect to other forward-looking statements.

Overview

We are a leading provider of hospitalist services in the Greater Los Angeles, California area. Hospitalist medicine is organized around the admission and care of patients in an inpatient facility such as a hospital or skilled nursing facility and is focused on providing, managing and coordinating the care of hospitalized patients.

Results of Operations and Operating Data

Three Months Ended April 30, 2010 vs. Three Months Ended April 30, 2009

Net revenues for the three months ended April 30, 2010 of \$802,885 increased \$301,702, or 60 percent, over net revenues of \$501,183 reported for the three months ended April 30, 2009. Net revenues are comprised of net billings by AMH under the various fee structures from health plans, medical groups/IPA's and hospitals, and income from service fee agreements. Increase was attributable to new hospital contracts, increased same-market area growth and expansion of services with existing medical group clients at new hospitals.

Physician practice salaries, benefits and other expenses for the three months ended April 30, 2010 were \$674,686, at 84% of net revenues compared to \$419,554 for the three months ended April 30, 2009, at 84% of net revenues. Cost of Services includes the payroll and consulting costs of the physicians, all payroll related costs, costs for all medical malpractice insurance and physician privileges. Increase in physician costs were attributable to start-up losses at new hospital contracts and expansions of services at new hospitals in the quarter.

General and administrative expenses include all salaries, benefits, supplies and operating expenses, not specifically related to the day-to-day operations of our physician group practices, including billing and collections functions, and our corporate management and overhead. General and administrative expenses were \$85,192, at 11% of net revenues, for the three months ended April 30, 2010. General and Administrative expenses were \$172,562 for the three months ended April 30, 2009, at 34% of net revenues. In the first quarter of 2010, the Company recorded non-cash compensation expenses of \$30,066, related to the issuance of shares for service, compared to \$94,500 of such non-cash costs in the first quarter of 2009. In addition, the Company recorded a favorable write-down of its bad debt reserve of \$60,647 compared to \$462 increase in bad debt reserve in first quarter of 2009.

Depreciation and amortization expense was \$3,006 for the three months ended April 30, 2010, and \$10,338 for the comparable three-month period in 2009.

The Company reported a profit from operations of \$40,001 for the three months ended April 30, 2010, compared to a loss from operations of \$101,272 recorded in the same period of 2009. Net revenues in 2010 continued to benefit from the addition of contracts with hospitals and the hiring of several additional physicians. In addition, the operating profit in 2010 benefitted from the lower non-cash compensation costs.

Interest expense and amortization of financing costs totaled \$40,044 for the three months ended April 30, 2010, compared to interest and financing costs of \$4,849 in the three months ended April 30, 2009. Interest expense and financing costs in 2010 included interest on the subordinated borrowings of \$31,523, and the amortization of financing costs of \$9,375, related to these notes. Interest expense in the three months ended April 30, 2009 of \$4,849 represents interest expense paid on the SBA loan with Wells Fargo Bank, and interest expense accrued at AMM for the related party notes.

Net Loss was \$843 for the three months ended April 30, 2010, compared to a net loss of \$106,921 for the three months ended April 30, 2009. The reduction in the net loss was the result of the factors discussed above.

Liquidity and Capital Resources

At April 30, 2010, the Company had cash and cash equivalents of \$504,540, compared to cash and cash equivalents of \$665,737 at January 31, 2010. The cash balance at April 30, 2010 included \$486,216 in a money market brokerage account. There were no short-term borrowings at April 30, 2010 or January 31, 2010. Long-term borrowings totaled \$1,247,784 as of April 30, 2010 and \$1,247,582 on January 31, 2010.

Net cash used in operating activities totaled \$155,830 in the three months ended April 30, 2010, compared to net cash used in operations of \$17,464 for the comparable three months ended April 30, 2009. The significantly larger increase in accounts receivable, primarily related to new contracts in the first quarter of 2010, was responsible for the decrease in the operating cash flow.

Net cash used in operating activities for the three months ended April 30, 2010 of \$155,830 was comprised of a net loss of \$843 for the three month period. Adjustments for non-cash charges which include depreciation, bad debt expense, shares issued for service and amortization of commission cost and debt discount, used \$17,997. In addition, net changes in operating assets and liabilities used cash of \$136,990

The Company invested \$4,568 to develop a Web Site and an \$800 advance to an affiliated Company in the first quarter of 2010. We did not spend any cash for investing activities in the comparable three-month period of 2009.

For the three months ended April 30, 2010, the Company did not spend any for financing activities. In the first quarter of 2009, ended April 30, 2009, net cash used in financing activities totaled \$7,477 and consisted of principal pay downs on the Company's SBA loan with Wells Fargo Bank.

Credit Facility and Liquidity

The Company's Business Line with Wells Fargo Bank provides a revolving line of credit of \$70,000, and is linked to the AMH bank account. The line can be used for short-term working capital needs and provides overdraft protection. The line cannot be used for letters of credit. There were no borrowings under this facility during the three months ended April 30, 2010.

We continue to search for investment opportunities and anticipate that funds generated from operations, together with our current cash on hand and funds available under our revolving credit agreement will be sufficient to finance our working capital requirements and fund anticipated acquisitions, contingent acquisition consideration and capital expenditures.

Off Balance Sheet Arrangements

As of April 30, 2010, we had no off-balance sheet arrangements.

Recently Adopted and New Accounting Pronouncements

See Note 2 to the Condensed Consolidated Financial Statements for information regarding recently adopted and new accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not hold any derivative instruments and does not engage in any hedging activities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

In connection with the preparation of this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial and Accounting Officer, of the effectiveness of our disclosure controls and procedures, as of April 30, 2010, in accordance with Rules 13a-15(b) and 15d-15(b) of the Exchange Act.

Based on that evaluation, our Chief Executive Officer and Principal Financial and Accounting Officer have concluded that our disclosure controls and procedures were not effective as of April 30, 2010.

We have identified the following three material weaknesses in our disclosure controls and procedures:

1. We do not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures, and concluded that the control deficiency that resulted represented a material weakness.
2. We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures, and concluded that the control deficiency that resulted represented a material weakness.
3. We do not have review and supervision procedures for financial reporting functions. The review and supervision function of internal control relates to the accuracy of financial information reported. The failure to review and supervise could allow the reporting of inaccurate or incomplete financial information. Due to our size and nature, review and supervision may not always be possible or economically feasible. Management evaluated the impact of our significant number of audit adjustments, and concluded that the control deficiency that resulted represented a material weakness.

Based on the foregoing materials weaknesses, we have determined that, as of April 30, 2010, that our disclosure controls and procedures are insufficient. The Company continues to take steps to improve the timeliness and accuracy of its financial information, including the hiring of additional employees to facilitate proper segregation of duties. Our management is responsible for establishing and maintaining adequate disclosure controls and procedures, as defined in Rule 15d-15(e) under the Exchange Act, and for assessing the effectiveness of our disclosure controls and procedures. It should be noted that any system of controls and procedures, however well designed and operated, can provide only reasonable and not absolute assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of certain events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Therefore, even those systems determined to be effective can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting during our most recently completed fiscal quarter (i.e., the three-month period ended April 30, 2010) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to any litigation and, to its knowledge, no action, suit or proceeding has been threatened against the company.

ITEM 1A. Not Applicable

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification by Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
31.2	Certification by Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
32.1	Certification by Chief Executive Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Certification by Chief Financial Officer, required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APOLLO MEDICAL HOLDINGS, INC.

Dated: June 18, 2010

By: /s/ Warren Hosseinion
Warren Hosseinion
Chief Executive Officer and Director

Dated: June 18, 2010

By: /s/ A. Noel DeWinter
A. Noel DeWinter
Chief Financial Officer and Principal
Accounting Officer