Apollo Medical Holdings, Inc.
Form 10-K/A
March 28, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No.1

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the fiscal period ended January 31, 2011

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES

EXCHANGE ACT

For the transition period from _____ to _____

Commission File No.

000-25809

Apollo Medical Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	20-8046599
State of Incorporation	IRS Employer Identification No.

450 North Brand Blvd., Suite 600

Glendale, California 91203

(Address of principal executive offices)

(818) 396-8050

(Issuer's telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each Class	Name of each Exchange on which Registered
	None

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, $.001 Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes ¨ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ¨ No ¨

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 website, 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 registrant was required to submit and post such files).

Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein and, will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No ¨

The aggregate market value of the shares of voting common stock held by non-affiliates of the Registrant computed by reference to the price at which the common stock was last sold on OTCQB on July 31, 2010, the last business day of the Registrant's most recently completed second fiscal quarter, was $736,110. Solely for purposes of the foregoing calculation, all of the registrant's directors and officers as of July 31, 2010 are deemed to be affiliates. This determination of affiliate status for this purpose does not reflect a determination that any persons are affiliates for any other purpose.

As of April 30 , 2011, there were 28,985,774 shares of common stock, $.001 par value per share, issued and outstanding.

APOLLO MEDICAL HOLDINGS, INC.

FORM 10-K

FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011

EXPLANATORY NOTE

Apollo Medical Holdings, Inc. is filing this Amendment No. 1 (this "Amendment") to its Annual Report on Form 10-K for the fiscal year ended January 31, 2011 in response to comments received from the SEC.

This Amendment No. 1 speaks as of the filing date of the original Annual Report on Form 10-K, except where otherwise expressly stated and except for the certifications, which speak as of their respective dates and the filing date of this Amendment No. 1. The information contained in this Amendment No. 1 has not been updated to reflect events occurring or trends arising after the original filing date of the original Annual Report on Form 10-K.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, this Amendment republishes the amended items in their entirety."

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

Introductory Comment

Unless context dictates otherwise, references in this Annual Report on Form 10-K (the "Report") to the "Company," "we," "us," "our" and similar words are to Apollo Medical Holdings, Inc. ("Apollo"), and its wholly owned subsidiaries and affiliated medical groups: (i) Apollo Medical Management, Inc. ("AMM") and (ii) ApolloMed Hospitalists ("AMH").

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of our results of operations and financial operations. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere herein, and with our prior filings with the Securities Exchange Commission (the "SEC").

Disclosure Regarding Forward-Looking Statements - Cautionary Statement

We caution readers that this Report contains "forward-looking statements". Forward-looking statements, written, oral or otherwise, are based on the Company's current expectations or beliefs rather than historical facts concerning future events, and they are indicated by words or phrases such as (but not limited to) "anticipate," "could," "may," "might," "potentia "predict," "should," "estimate," "expect," "project," "believe," "think," "intend," "plan," "envision," "continue," "intend," "tar "budgeted," or "will" and similar words or phrases or comparable terminology. Forward-looking statements involve risks and uncertainties. The Company cautions that these statements are further qualified by important economic, competitive, governmental and technological factors that could cause the Company's business, strategy, or actual results or events to differ materially, or otherwise, from those in the forward-looking statements. We have based such forward-looking statements on our current expectations, assumptions, estimates and projections, and therefore there can be no assurance that any forward-looking statement contained herein, or otherwise made by the Company, will prove to be accurate. The Company assumes no obligation to update the forward-looking statements.

The Company has a relatively limited operating history compared to others in the same business and is operating in a rapidly changing industry environment, and its ability to predict results or the actual effect of future plans or strategies, based on historical results or trends or otherwise, is inherently uncertain. While we believe that these

forward-looking statements are reasonable, they are merely predictions or illustrations of potential outcomes, and they involve known and unknown risks and uncertainties, many beyond our control, that are likely to cause actual results, performance, or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors that could have a material adverse affect on the operations and future prospects of the Company on a condensed basis include those factors discussed under Item 1A "Risk Factors" and Item 7, "Management's Discussion and Analysis or Plan of Operation" in this Report, and include, but are not limited to, the following:

- Our ability to attract and retain management, and to integrate and maintain technical information and management information systems;

- Our ability to raise capital when needed and on acceptable terms and conditions;

- The intensity of competition; and

- General economic conditions.

All written and oral forward-looking statements made in connection with this Report that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given the uncertainties that surround such statements, you are cautioned not to place undue reliance on such forward-looking statements.

Overview

Apollo Medical Holdings, Inc. originally incorporated in Delaware on November 1, 1985 as McKinnely Investments, Inc. The Company changed its name to Accoline Industries, Inc. on November 5, 1986 and again changed its name to Siclone Industries, Inc. on May 24, 1988. Until June 2008, the Company had no active business operations.

Apollo Medical Holdings, Inc. and its subsidiaries 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 inpatient facilities such as a hospitals and Long Term Acute Care (LTAC) facilities and is focused on providing, managing and coordinating the care of hospitalized patients. As of April 30, 2011, the Company provides hospitalist services to a range of medical groups, health plans, community physicians and hospital clients at 19 hospitals. The Company is currently headquartered in Glendale, California.

The Company 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”). 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.

Organizational History

On June 13, 2008, Siclone Industries, Inc. (“Siclone”), Apollo Acquisition Co., Inc., a wholly owned subsidiary of Siclone (“Acquisition”), Apollo Medical Management, Inc. (“Apollo Medical”) and the shareholders of Apollo Medical entered into an agreement and Plan of Merger (the “Merger Agreement”). Pursuant to the terms of the Merger Agreement, Apollo Medical merged with and into Acquisition, becoming a wholly owned subsidiary of Siclone. The former shareholders of Apollo Medical received 20,933,490 shares of Siclone’s common stock in the acquisition.

The acquisition of Apollo Medical is accounted for as a reverse acquisition under the purchase method of accounting since the shareholders of Apollo Medical obtained control of the consolidated entity. Accordingly, the reorganization of the two companies is recorded as a recapitalization of Apollo Medical, with Apollo Medical being treated as the continuing operating entity. The historical financial statements presented herein will be those of Apollo Medical. The continuing entity retained January 31 as its fiscal year end. The financial statements of the legal acquirer are not significant; therefore, no pro forma financial information is submitted. On July 1, 2008, the surviving entity (i.e., the combined entity of Acquisition and Apollo Medical) changed its name to Apollo Medical Management, Inc. (AMM). On July 3, 2008, Siclone changed its name to Apollo Medical Holdings, Inc. Following the merger, the Company is

headquartered in Glendale, California.

On August 1, 2008, AMM completed negotiations and executed a formal Management Services Agreement with ApolloMed Hospitalists ("AMH"), under which AMM will provide management services to AMH. The Agreement is effective as of August 1, 2008 and will allow AMM, which operates as a Physician Practice Management Company, to consolidate AMH, which operates as a Physician Practice, in accordance with ASC 810-10 "Consolidation of Entities Controlled By Contract" subsections. The Management Services Agreement was amended on March 20, 2009 to allow for the calculation of the fee on a monthly basis with payment of the calculated fee each month. AMH is controlled by Dr. Hosseinion and Dr. Vazquez, the Company's Chief Executive Officer and President, respectively.

Hospitalist Industry Overview

Hospitalists are physicians who spend their professional time serving as the physicians-of-record for inpatients. Today, many primary care physicians/healthcare providers use hospitalists to care for their patients when they visit emergency rooms or are admitted to the hospital. The hospitalist handles the patient's care during the time spent in the hospital, and communicates often with the patient's primary care physician about the patient's progress. At the time of discharge from the hospital, the hospitalists returns the patient back to the care of their primary care providers. According to the Society of Hospital Medicine, the number of hospitalists in the U.S. has grown from a few hundred in 1996 to over 20,000 today in response to a need for more efficient delivery of inpatient care. It is anticipated that as many as 33,000 hospitalists may be currently needed for full coverage of inpatients in the United States.

Rising healthcare expenditures is a key motivating factor behind the utilization of hospitalists. An aging population, advancements in medical technology, and the rising cost of pharmaceuticals are just some of the forces driving up healthcare costs. Hospital medicine has developed as a specialty with unique characteristics and expertise. Hospitalists have specialized skills, knowledge, and relationships that contribute value to hospitals, physicians, patients, and health plans. These skills go beyond the delivery of quality patient care to hospital inpatients and include:

- Providing measurable quality improvement through setting standards and compliance;
- Saving money and resources by reducing the patient's length of stay and achieving better utilization;
- Improving the efficiency of the hospital by early patient discharge, better throughput in the emergency department (ED), and the opening up of ICU beds;
- Creating a seamless continuity from inpatient to outpatient care, from the ED to the hospital floor, and from the ICU to the hospital floor;
- Creating teams of healthcare professionals that make better use of the resources at the hospital and create a better working environment for nurses and others;
- Creating synergies between emergency and inpatient hospital services by the management of both areas through the Company's strategy of acquisitions of both ER and hospitalist groups; and
- Managing acutely ill, complex hospitalized patients.

In today's healthcare environment, patients are generally admitted to hospitals and cared for by primary care physicians (PCPs). The demands of modern medical practice, however, require that PCPs spend most of their time in outpatient practices, limiting their availability to care for hospitalized patients. These requirements and demands have led to ever-diminishing quality of inpatient care, longer hospital stays, and higher costs to the insurance companies. Over the past few years, hospital-based physicians, or hospitalists (i.e. those physicians that do not have a separate outpatient practice), are becoming a regular part of the healthcare landscape allowing PCPs to focus on outpatient office visits. Generally hospital-based physicians:

- are medical doctors that spend their time in the inpatient environment, making them familiar with hospital systems, policies, services, departments, and staff;
- are in-patient experts who possess clinical credibility when addressing key issues regarding the inpatient environment; and
- understand the tradeoffs involved in balancing the needs of the hospital with those of the medical staff; they tend to have an intimate knowledge of the issues that the hospital is facing and are invested in finding solutions to these problems.

Principal Services and Markets

The Company provides management services to medical groups that provide comprehensive inpatient care services. We offer a comprehensive set of integrated medical services to hospitals, health carriers and medical groups as well as individual physicians, through our affiliated medical groups, as follows:

Services for Hospitals

- Providing care from the emergency room through hospital discharge;

- Admission and care of unassigned and/or uninsured patients;
- Inpatient internal medicine consultation services;
- Emergency room Clinical Decision Unit services to improve throughput and ease overcrowding;
- Development of hospital-based physicians programs, including pulmonary, critical care, cardiology and nephrology;
- 24/7 in-hospital inpatient coverage services;
- Development of evidence-based medicine protocols for common diagnoses;
- Implementation of patient safety guidelines;
- Education of nurses and hospital staff;
- Analysis of statistics via the ApolloWeb (discussed further below) database, including length of stay, bed days/1000 admissions, and readmission rates; and
- Care of patients at academic medical centers, including the education of medical students, interns and residents.

Services for Health Carriers and Medical Groups

- Admission and care of assigned patients;
- Consistent communication with primary care physicians upon admission, during the patient's hospital stay, and upon discharge;
- Rapid transfer of out-of-network patients back to designated hospitals;
- 24/7 in-hospital inpatient coverage services;
- Consistent communication with case managers, social workers, and medical group personnel;
- Hospital-based physician consulting services; and
- Analysis of statistics via the ApolloWeb database technology.

Services for Individual Physicians

Hospital-based services for physicians on weekends, holidays, or for those who do not wish to come to the hospital; primary care physicians can benefit from this arrangement because they have more time to focus on outpatient care.

Competition

The healthcare industry is highly competitive, and the market for hospitalists within this industry is highly fragmented. The Company faces competition from numerous small hospitalist practices as well as large physician groups. Some of these competitors operate on a national level, such as Emcare, Team Health and IPC and may have greater financial and other resources available to them.

In addition, because the market for hospitalist services is highly fragmented and the ability of individual physicians to provide services in any hospital where they have certain credentials and privileges, competition for growth in existing and expanding markets is not limited to our largest competitors.

Growth Strategy

We anticipate that we will grow our business by two primary methods, organic growth and acquisitions.

Organic Growth

The Company has initiated a marketing plan focused on targeting hospitals, hospital chains, health carriers/HMOs, medical groups and individual physicians. We have commenced a physician recruitment campaign aimed at attracting physicians to meet the expected increase in demand for our services. This campaign will be driven by utilizing direct contacts with internal medicine residency programs, advertising in professional journals, and on-line advertising programs. We believe we have a competitive advantage in attracting highly qualified physicians by offering recruits, through our affiliated medical groups, competitive salary and benefits including, if appropriate, incentive-based stock options as part of the compensation package.

We expect to add key personnel to our business operations in order implement our growth strategy. Management believes that this will include a marketing division, expanding the billing department, and establishing a case management division. We also intend to upgrade our information technology systems to keep pace with growth. This could include: (1) upgrading the ApolloWeb technology, (2) integration of billing and collections functions, (3) electronic medical records, and (4) upgrading the wireless technology system.

Acquisitions

The Company also plans to grow through mergers and acquisitions. Targeted mergers/acquisitions will focus on hospitalist groups, other hospital-based specialty physicians and care and utilization management groups. We believe that we may have a competitive advantage in closing potential mergers/acquisitions as a publicly-traded company, which could provide us with access to additional capital and the ability to utilize our stock as part of the compensation package to the stockholders of the target companies.

Technology

AMH and Drs. Hosseinion and Vazquez have developed, and own, a proprietary web-based, practice management software program for hospital-based physicians. The system, known as ApolloWeb allows a physician to enter patient information in real-time at a patient's bedside via a 3G broadband-enabled PDA or a desktop computer. ApolloWeb is capable of generating:

¨real-time, comprehensive statistical data
¨complete HCFA(Health Care Financing Administration) billing forms
¨patient admissions and discharge summaries, including major test results and necessary follow-ups
¨faxes or emails to primary care physicians with the aforementioned information.

It is expected that additional features will be added to enhance the ApolloWeb technology, several of which include an Electronic Medical Record (EMR) platform and a quality control component in the near future. In exchange for the Company's management services, AMH and Drs. Hosseinion and Vazquez currently make ApolloWeb available to the Company for its use at no charge in its business operations.

Geographic Coverage

As of April 30, 2011, we provide hospitalist services at 19 acute-care hospitals and LTAC facilities in Greater Los Angeles, CA.

Professional Liability and Other Insurance Coverage

Our business has an inherent risk of claims of medical malpractice against our affiliated physicians and us. We or our physician contractors pay premiums for third-party professional liability insurance that indemnifies us and our affiliated hospitalists on a claims-made basis for losses incurred related to medical malpractice litigation. Professional liability coverage is required in order for our affiliated hospitalists to maintain hospital privileges. All of our physicians carry first dollar coverage with limits of coverage with limits of liability equal to $1,000,000 for all claims based on occurrence up to an aggregate of $3,000,000 per year.

We believe that our insurance coverage is appropriate based upon our claims experience and the nature and risks of our business. In addition to the known incidents that have resulted in the assertion of claims, we cannot be certain that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us, our affiliated professional organizations or our affiliated hospitalists in the future where the outcomes of such claims are unfavorable. We believe that the ultimate resolution of all pending claims, including liabilities in excess of our insurance coverage, will not have a material adverse effect on our financial position, results of operations or cash flows; however, there can be no assurance that future claims will not have such a material adverse effect on our business.

We also maintain worker’s compensation, director and officer, and other third-party insurance coverage subject to deductibles and other restrictions in accordance with industry standards. We believe that our insurance coverage is appropriate based upon our claims experience and the nature and risks of our business. However, we cannot assure that any pending or future claim will not be successful or if successful will not exceed the limits of available insurance coverage.

Regulatory Matters

Significant Federal and State Healthcare Laws Governing Our Business

As a healthcare company, our operations and relationships with healthcare providers such as hospitals, other healthcare facilities, and healthcare professionals are subject to extensive and increasing regulation by numerous federal, state, and local government entities. These laws and regulations often are interpreted broadly and enforced aggressively by multiple government agencies, including the U.S. Department of Health and Human Services Office of the Inspector General, or the OIG, the U.S. Department of Justice, and various state authorities. We have included brief descriptions of some, but not all, of the laws and regulations that affect our business.

Imposition of sanctions associated with a violation of any of these healthcare laws and regulations could have a material adverse effect on our business, financial condition and results of operations. The Company cannot guarantee that its arrangements or business practices will not be subject to government scrutiny or be found to violate certain healthcare laws. Government investigations and prosecutions, even if we are ultimately found to be without fault, can be costly and disruptive to our business. Moreover, changes in healthcare legislation or government regulation may restrict our existing operations, limit the expansion of our business or impose additional compliance requirements and costs, any of which could have a material adverse affect on our business, financial condition and results of operations.

False Claims Acts

The federal civil False Claims Act imposes civil liability on individuals or entities that submit false or fraudulent claims for payment to the federal government. The False Claims Act provides, in part, that the federal government may bring a lawsuit against any person whom it believes has knowingly or recklessly presented, or caused to be presented, a false or fraudulent request for payment from the federal government, or who has made a false statement or used a false record to get a claim for payment approved. Private parties may initiate *qui tam* whistleblower lawsuits against any person or entity under the False Claims Act in the name of the government and may share in the proceeds of a successful suit.

The federal government has used the False Claims Act to prosecute a wide variety of alleged false claims and fraud allegedly perpetrated against Medicare and state healthcare programs. By way of illustration, these prosecutions may be based upon alleged coding errors, billing for services not rendered, billing services at a higher payment rate than appropriate, and billing for care that is not considered medically necessary. The government and a number of courts also have taken the position that claims presented in violation of certain other statutes, including the federal Anti-Kickback Statute or the Stark Law, can be considered a violation of the False Claims Act based on the theory that a provider impliedly certifies compliance with all applicable laws, regulations, and other rules when submitting claims for reimbursement.

Penalties for False Claims Act violations include fines ranging from $5,500 to $11,000 for each false claim, plus up to three times the amount of damages sustained by the government. A False Claims Act violation may provide the basis for the imposition of administrative penalties as well as exclusion from participation in governmental healthcare programs, including Medicare and Medicaid. In addition to the provisions of the False Claims Act, which provide for civil enforcement, the federal government also can use several criminal statutes to prosecute persons who are alleged to have submitted false or fraudulent claims for payment to the federal government.

A number of states have enacted false claims acts that are similar to the federal False Claims Act. Even more states are expected to do so in the future because Section 6031 of the Deficit Reduction Act of 2005, or the DRA, amended the federal law to encourage these types of changes, along with a corresponding increase in state initiated false claims enforcement efforts. Under the DRA, if a state enacts a false claims act that is at least as stringent as the federal statute and that also meets certain other requirements, the state will be eligible to receive a greater share of any monetary recovery obtained pursuant to certain actions brought under the state's false claims act. The OIG, in consultation with the Attorney General of the United States, is responsible for determining if a state's false claims act complies with the statutory requirements. Currently, 19 states, including California, and the District of Columbia have some form of state false claims acts.

Anti-Kickback Statutes

The federal Anti-Kickback Statute is a provision of the Social Security Act that prohibits as a felony offense the knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, (1) the referral of a patient for items or services for which payment may be made in whole or part under Medicare, Medicaid or other federal healthcare programs, (2) the furnishing or arranging for the furnishing of items or services reimbursable under Medicare, Medicaid or other federal healthcare programs or (3) the purchase, lease, or order or arranging or recommending the purchasing, leasing or ordering of any item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The OIG, which has the authority to impose sanctions for violation of the statute, has adopted a judicial interpretation that the statute prohibits any arrangement where even one purpose of the remuneration is to induce or reward referrals. A violation of the Anti-Kickback Statute is a felony punishable by imprisonment, criminal fines of up to $25,000, civil fines of up to $50,000 per violation and three times the amount of the unlawful remuneration. A violation also can result in exclusion from Medicare, Medicaid or other federal healthcare programs. In addition, pursuant to the changes of PPACA, a violation of the Anti-Kickback Statute is a false claim for purposes of the False Claims Act.

Due to the breadth of the Anti-Kickback Statute's broad prohibitions, statutory exceptions exist that protect certain arrangements from prosecution. In addition, the OIG has published safe harbor regulations that specify arrangements that also are deemed protected from prosecution under the Anti-Kickback Statute, provided all applicable criteria are met. The failure of an activity to meet all of the applicable safe harbor criteria does not necessarily mean that the particular arrangement violates the Anti-Kickback Statute, but these arrangements may be subject to scrutiny and prosecution by enforcement agencies.

Some states have enacted statutes and regulations similar to the Anti-Kickback Statute, but which may be applicable regardless of the payor source for the patient. These state laws may contain exceptions and safe harbors that are different from and/or more limited than those of the federal law and that may vary from state to state.

Due to the breadth of the Anti-Kickback Statute's broad prohibition, there are a few statutory exceptions that protect various common business transactions and arrangements from prosecution. In addition, the OIG has published safe harbor regulations that outline other arrangements that also are deemed protected from prosecution under the Anti-Kickback Statute, provided all applicable criteria are met. The failure of an activity to meet all of the applicable safe harbor criteria does not necessarily mean that the particular arrangement violates the Anti-Kickback Statute, but these arrangements will be subject to greater scrutiny by enforcement agencies.

Some states have enacted statutes and regulations similar to the Anti-Kickback Statute, but which may be applicable regardless of the payer source of the patient. These state laws may contain exceptions and safe harbors that are different from those of the federal law and that may vary from state to state.

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Federal Stark Law

The federal Stark Law, also known as the physician self-referral law, generally prohibits a physician from referring Medicare and Medicaid patients to an entity (including hospitals) providing ‘‘designated health services,’’ if the physician or a member of the physician’s immediate family has a ‘‘financial relationship’’ with the entity, unless a specific exception applies. Designated health services include, among other services, inpatient and outpatient hospital services, clinical laboratory services, certain imaging services, and other items or services that our affiliated physicians may order. The prohibition applies regardless of the reasons for the financial relationship and the referral; and therefore, unlike the federal Anti-Kickback Statute, intent to violate the law is not required. Like the Anti-Kickback Statute, the Stark Law contains a number of statutory and regulatory exceptions intended to protect certain types of transactions and business arrangements from penalty. Compliance with all elements of the applicable Stark Law exception is mandatory.

The penalties for violating the Stark Law include the denial of payment for services ordered in violation of the statute, mandatory refunds of any sums paid for such services and civil penalties of up to $15,000 for each violation, double damages, and possible exclusion from future participation in the governmental healthcare programs. A person who engages in a scheme to circumvent the Stark Law’s prohibitions may be fined up to $100,000 for each applicable arrangement or scheme.

Some states have enacted statutes and regulations similar to the Stark Law, but which may be applicable to the referral of patients regardless of their payer source and which may apply to different types of services. These state laws may contain statutory and regulatory exceptions that are different from those of the federal law and that may vary from state to state.

Health Information Privacy and Security Standards

Among other directives, the Administrative Simplification Provisions of the Health Insurance Portability and Accountability Act of 1996, or HIPAA, required the Department of Health and Human Services, or the HHS, to adopt standards to protect the privacy and security of certain health-related information. The HIPAA privacy regulations contain detailed requirements concerning the use and disclosure of individually identifiable health information by “HIPAA covered entities,” which include entities like the Company, our affiliated hospitalists, and practice groups.

In addition to the privacy requirements, HIPAA covered entities must implement certain administrative, physical, and technical security standards to protect the integrity, confidentiality and availability of certain electronic health information received, maintained, or transmitted. HIPAA also implemented the use of standard transaction code sets and standard identifiers that covered entities must use when submitting or receiving certain electronic healthcare

transactions, including activities associated with the billing and collection of healthcare claims.

The American Recovery and Reinvestment Act enacted on February 18, 2009, included the Health Information Technology for Economic and Clinical Health Act (HITECH) which modified the HIPAA legislation significantly. Pursuant to HITECH, certain provisions of the HIPAA privacy and security regulations become directly applicable to "HIPAA business associates," which include IPC when we are working on behalf of our practice groups.

Violations of the HIPAA privacy and security standards may result in civil and criminal penalties. Historically, these included: (1) civil money penalties of $100 per incident, to a maximum of $25,000, per person, per year, per standard violated and (2) depending upon the nature of the violation, fines of up to $250,000 and imprisonment for up to ten years. The passage of HITECH significantly modified the enforcement structure, creating a tiered system of civil money penalties that range from $100 to $50,000 per violation, with a cap of $1.5 million per year for identical violations. We must also comply with the recently promulgated "breach notification" regulations, which implement certain provisions of HITECH. Under these regulations, in addition to reasonable remediation, covered entities must promptly notify affected individuals in the case of a breach of "unsecured PHI," which is defined by HHS guidance, as well as the HHS Secretary and the media in cases where a breach affects more than 500 individuals. Breaches affecting fewer than 500 individuals must be reported to the HHS Secretary on an annual basis. The regulations also require business associates of covered entities to notify the covered entity of breaches at or by the business associate. Formal enforcement of the new breach notification regulations began on February 22, 2010 and we have taken reasonable steps to reduce the amount of unsecured PHI we handle and retain.

In light of HITECH, we expect increased federal and state HIPAA privacy and security enforcement efforts. State Attorney Generals now have the right to prosecute HIPAA violations committed against residents of their states. In addition, HITECH mandates that the Secretary of HHS conduct periodic compliance audits of HIPAA covered entities and their business associates. It also tasks HHS with establishing a methodology whereby harmed individuals who were the victims of breaches of unsecured PHI may receive a percentage of the Civil Monetary Penalty fine paid by the violator. This methodology for compensation to harmed individuals is required to be in place by February 17, 2012.

Many states in which we operate also have laws that protect the privacy and security of confidential, personal information. These laws may be similar to or even more protective than the federal provisions. Not only may some of these state laws impose fines and penalties upon violators, but some may afford private rights of action to individuals who believe their personal information has been misused.

Financial Information and Privacy Standards

In addition to privacy and security laws focused on health care data, multiple other federal and state laws regulate the use and disclosure of consumer's financial information (Personal Information). Many of these laws also require administrative, technical, and physical safeguards to prevent unauthorized use or disclosure of Personal Information, including mandated processes and timeframes for notification of possible or actual breaches of Personal Information to the affected individual. The Federal Trade Commission primarily oversees compliance with the federal laws relevant to us, while state laws are addressed by the state attorney general or other respective state agencies. As with HIPAA, enforcement of laws protecting financial information is increasing. Examples of relevant federal laws include the Fair Credit Reporting Act, the Electronic Communications Privacy Act, and the Computer Fraud and Abuse Act.

Fee-Splitting and Corporate Practice of Medicine

Some states have laws that prohibit business entities, such as Apollo, from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians, also known collectively as the corporate practice of medicine, or engaging in certain arrangements, such as fee-splitting, with physicians. In some states these prohibitions are expressly stated in a statute or regulation, while in other states the prohibition is a matter of judicial or regulatory interpretation.

The Company operates by maintaining long-term management contracts with affiliated professional organizations, which are each owned and operated by physicians and which employ or contract with additional physicians to provide hospitalist services. Under these arrangements, we perform only non-medical administrative services, do not represent that we offer medical services, and do not exercise influence or control over the practice of medicine by the physicians or the affiliated professional organizations.

Some of the relevant laws, regulations, and agency interpretations in the State of California have been subject to limited judicial and regulatory interpretation. Moreover, state law are subject to change and regulatory authorities and other parties, including our affiliated physicians, may assert that, despite these arrangements, we are engaged in the prohibited corporate practice of medicine or that our arrangements constitute unlawful fee-splitting. If this occurred, we could be subject to civil or criminal penalties, our contracts could be found legally invalid and unenforceable (in whole or in part), or we could be required to restructure our contractual arrangements.

Deficit Reduction Act of 2005

Among other mandates, the Deficit Reduction Act of 2005, or the DRA, created a new Medicaid Integrity Program designed to enhance federal and state efforts to detect Medicaid fraud, waste and abuse. Additionally, section 6032 of the DRA requires entities that make or receive annual Medicaid payments of $5.0 million or more from any one state to provide their employees, contractors and agents with written policies and employee handbook materials on federal and state False Claims Acts and related statues. At this time, we are not required to comply with section 6032 because we receive less than $5.0 million in Medicaid payments annually from any one state. However, we may likely be required to comply in the future as our Medicaid billings increase, but we cannot predict when that will occur. We also cannot predict what new state statutes or enforcement efforts may emerge from the DRA and what impact they may have on our operations.

Other Federal Healthcare Fraud and Abuse Laws

We are also subject to other federal healthcare fraud and abuse laws. Under HIPAA, there are two additional federal crimes that could have an impact on our business: ‘‘Health Care Fraud’’ and ‘‘False Statements Relating to Health Care Matters.’’ The Health Care Fraud statute prohibits any person from knowingly and recklessly executing a scheme or artifice to defraud any healthcare benefit program. Healthcare benefit programs include both government and private payers. A violation of this statute is a felony and may result in fines, imprisonment and/or exclusion from governmental healthcare programs.

The False Statements Relating to Health Care Matters statute prohibits knowingly and willfully falsifying, concealing or covering a material fact by any trick, scheme or device or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. A violation of this statute is a felony and may result in fines and/or imprisonment.

The OIG may impose administrative sanctions or civil monetary penalties against any person or entity that knowingly presents or causes to be presented a claim for payment to a governmental healthcare program for services that were not provided as claimed, is fraudulent, is for a service by an unlicensed physician, or is for medically unnecessary services. Violations may result in penalties of up to $10,000 per claim, treble damages, and exclusion from governmental healthcare funded programs, such as Medicare and Medicaid. In addition, the OIG may impose administrative sanctions against any physician who knowingly accepts payment from a hospital as an inducement to reduce or limit services provided to Medicare and Medicaid program beneficiaries.

Fair Debt Collection Practices Act

Some of our operations may be subject to compliance with certain provisions of the Fair Debt Collection Practices Act and comparable statutes in many states. Under the Fair Debt Collection Practices Act, a third-party collection company is restricted in the methods it uses to contact consumer debtors and elicit payments with respect to placed accounts. Requirements under state collection agency statutes vary, with most requiring compliance similar to that required under the Fair Debt Collection Practices Act.

U.S. Sentencing Guidelines

The U.S. Sentencing Guidelines are used by federal judges in determining sentences in federal criminal cases. The guidelines are advisory, not mandatory. With respect to corporations, the guidelines state that having an effective ethics and compliance program may be a relevant mitigating factor in determining sentencing. To comply with the guidelines, the compliance program must be reasonably designed, implemented, and enforced such that it is generally effective in preventing and detecting criminal conduct. The guidelines also state that a corporation should take certain steps such as periodic monitoring and appropriately responding to detected criminal conduct. We have yet to develop a formal ethics and compliance program.

Licensing, Certification, Accreditation and Related Laws and Guidelines

Our clinical personnel are subject to numerous federal, state and local licensing laws and regulations, relating to, among other things, professional credentialing and professional ethics. Since the Company performs services at hospitals and other types of healthcare facilities, it may indirectly be subject to laws applicable to those entities as well as ethical guidelines and operating standards of professional trade associations and private accreditation commissions, such as the American Medical Association and the Joint Commission on Accreditation of Health Care Organizations. There are penalties for non-compliance with these laws and standards, including loss of professional license, civil or criminal fines and penalties, loss of hospital admitting privileges, and exclusion from participation in various

governmental and other third-party healthcare programs.

Professional Licensing Requirements

The Company's affiliated hospitalists must satisfy and maintain their professional licensing in the states where they practice medicine. Activities that qualify as professional misconduct under state law may subject them to sanctions, or to even lose their license and could, possibly, subject us to sanctions as well. Some state boards of medicine impose reciprocal discipline, that is, if a physician is disciplined for having committed professional misconduct in one state where he or she is licensed, another state where he or she is also licensed may impose the same discipline even though the conduct occurred in another state. Professional licensing sanctions may also result in exclusion from participation in governmental healthcare programs, such as Medicare and Medicaid, as well as other third-party programs.

Employees

As of April 30, 2011, we had 5 full-time employees. None of our full-time employees is a member of a labor union, and we have never experienced a work stoppage.

ITEM 1A. RISK FACTORS

If any of the following risks occur, our business, financial condition or results of operations could be materially harmed. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair its business operations or financial condition. You should consider carefully the following factors, in addition to the other information concerning the Company and its business, before purchasing the Securities being offered.

Notice and Risks Relating to Forward-Looking Statements

This report contains forward-looking statements, which reflect management's current view with respect to future events and the Company's performance. Such forward-looking statements include statements with respect to the development of the Company’s business, the commencement of revenue, market size and acceptance for the Company's products and services and the Company's future revenues and earnings, marketing and sales strategies, business operations and the prospects and possible terms of future debt and equity financings for the Company. These forward-looking statements are subject to certain risks and uncertainties, including, but not limited to, acceptance of the Company's products and services, ability to compete with existing and new products and services, the ability to price our products and services competitively, our ability to attract additional capital, the establishment of an effective marketing plan, and the other risks identified herein. Due to such uncertainties and the risk factors set forth herein, you are cautioned not to place undue reliance upon such forward-looking statements.

Risk Relating to Our Business

The Company has a limited operating history that makes it difficult to reliably predict future growth and operating results.

Apollo Medical, the predecessor to our operating subsidiary, was incorporated on October 18, 2006, and served initially as the management company for our affiliated medical group, AMH. Accordingly, we have a limited operating history upon which you can evaluate its business prospects, which makes it difficult to forecast Apollo’s future operating results. The evolving nature of the current medical services industry increases these uncertainties. You must consider the Company’s business prospects in light of the risks, uncertainties and problems frequently encountered by companies with limited operating histories. Our ability to predict growth at any time in the future may be limited.

The Company has an unproven business model with no assurance of significant revenues or operating profit.

The current business model is unproven and the profit potential, if any, is unknown at this time. The Company is subject to all of the risks inherent in the creation of a new business. We have not yet commenced full operations and our ability to achieve profitability is dependent, among other things, on our initial marketing to generate sufficient operating cash flow to fund future expansion. There can be no assurance that our results of operations or business strategy will achieve significant revenue or profitability.

The growth strategy of the Company may not prove viable and expected growth and value may not be realized.

Our business strategy is to rapidly grow by financing the acquisition and establishment, and managing a network, of medical groups providing certain hospital-based services. Where permitted by local law, we may also acquire such medical groups directly. Groups managed (or owned) by the Company are referred to herein as "Affiliated Medical Groups." Identifying quality acquisition candidates is a time-consuming and costly process. There can be no assurance that we will be successful in identifying and establishing relationships with these and other candidates. If the Company is successful in identifying and acquiring other businesses, there is no assurance that it will be able to manage the growth of such businesses effectively.

The success of the Company's growth strategy depends on the successful identification, completion and integration of acquisitions.

The Company's future success will depend on the ability to identify, complete, and integrate the acquired businesses with its existing operations. The growth strategy will result in additional demands on our infrastructure, and will place further strain on limited management, administrative, operational, financial and technical resources. Acquisitions involve numerous risks, including, but not limited to:

- the possibility that we will not able to identify suitable acquisition candidates or consummate acquisitions on acceptable terms, if at all;
- possible decreases in capital resources or dilution to existing stockholders;
- difficulties and expenses incurred in connection with an acquisition;
- the diversion of management's attention from other business concerns;
- the difficulties of managing an acquired business;
- the potential loss of key employees and customers of an acquired business; and
- in the event that the operations of an acquired business do not meet expectations, we may be required to restructure the acquired entity or write-off the value of some or all of the assets of the acquisition.

Our future growth could be harmed if we lose the services of certain key personnel.

The Company's success depends upon the services of a number of key employees, specifically Warren Hosseinion, M.D. and Adrian Vazquez, M.D., and will depend upon certain other additional key employees. We plan to enter into employment agreements with, and acquire key man life insurance for, Drs. Hosseinion and Vazquez and other key executives hired in the future. The loss of the services of one or more of these key employees could harm our business. The Company's success also depends upon its ability to attract highly skilled new employees. Competition for such employees is intense in the industries and geographic areas in which we operate. We may rely on our ability to grant stock options as one mechanism for recruiting and retaining highly skilled talent. Recently proposed accounting regulations requiring the expensing of stock options may impair our future ability to provide these incentives without incurring significant compensation costs. If the Company is unable to compete successfully for key employees, its results of operations, financial condition, business and prospects could be adversely affected.

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Economic conditions or changing consumer preferences could adversely impact our business.

A downturn in economic conditions in one or more of the Company's markets could have a material adverse effect on its results of operations, financial condition, business and prospects. Although we attempt to stay informed of customer preferences, any sustained failure to identify and respond to trends could have a material adverse effect on our results of operations, financial condition, business and prospects **.**

We may be unable to scale our operations successfully.

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

We may be unable to integrate new business entities and manage our growth.

The Company's ability to manage its growth effectively will require it to continue to improve its operational, financial and management controls and information systems to accurately forecast sales demand, to manage its operating costs, manage its marketing programs in conjunction with an emerging market, and attract, train, motivate and manage its employees effectively. If our management fails to manage the expected growth, our results of operations, financial condition, business and prospects could be adversely affected. In addition, the Company's growth strategy may depend on effectively integrating future entities, which requires cooperative efforts from the managers and employees of the respective business entities. If our management is unable to effectively integrate our various business entities, our results of operations, financial condition, business and prospects could be adversely affected.

The Company's success depends upon the ability to adapt to a changing market and continued development of additional services.

Although we expect to provide a broad and competitive range of services, there can be no assurance of acceptance by the marketplace. The procurement of new contracts by the Company's Affiliated Medical Groups may be dependent upon the continuing results achieved at the current facilities **,** upon pricing and operational considerations, as well as

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 we will be successful in its marketing of any such services.

Changes associated with reimbursement by third-party payers for the Company's services may adversely affect operating results and financial condition.

The medical services industry is undergoing significant changes with third-party payers that are taking measures to reduce reimbursement rates or in some cases, denying reimbursement altogether. There is no assurance that third party payers will continue to pay for the services provided by our Affiliated Medical Groups. Failure of third party payers to adequately cover the medical services so provided by the Company will have a material adverse affect on our results of operations, financial condition, business and prospects.

The medical services industry is highly regulated and failure to comply with laws and regulations applicable to our business could have an adverse affect on the Company's financial condition.

The medical services currently provided by our Affiliated Medical Groups and those expected to be provided in the future are subject to stringent federal, state, and local government health care laws and regulations. If we fail to comply with applicable laws, we could be subject to civil or criminal penalties while also being declined participation in Medicare, Medicaid, and other government sponsored health care programs.

Federal and state healthcare reform may have an adverse effect on the Company's financial condition and results of operations.

Federal and state governments have continued to focus significant attention on health care reform. A broad range of health care reform measures have been introduced in Congress and in state legislatures. It is not clear at this time what proposals, if any, will be adopted, or, if adopted, what effect, if any, such proposals would have on the Company's business.

Regulatory authorities or other persons could assert that current or future relationships with any acquired companies fail to comply with the anti-kickback law which could adversely affect our business operations.

The anti-kickback provisions of the Social Security Act prohibit anyone from knowingly and willfully (a) soliciting or receiving any remuneration in return for referrals for items and services reimbursable under most federal health care programs or (b) offering or paying any remunerations to induce a person to make referrals for items and services reimbursable under most federal health care programs, which is referred to as the "anti-kickback law". The prohibited remunerations may be paid directly or indirectly, overtly or covertly, in cash or in kind. If such a claim were successfully asserted, the Company could be subject to civil and criminal penalties and could be required to restructure or terminate the applicable contractual arrangements. If we were subjected to penalties or were unable to successfully restructure our relationships to comply with the anti-kickback law, our results of operations, financial condition, business and prospects could be adversely affected.

Regulatory authorities could assert that acquisitions or service agreements with third parties fail to comply with the federal Stark Law and state laws prohibiting physicians from referring to entities in which they have a financial interest.

The Stark Law prohibits a physician from making a referral to an entity for the furnishing of federally funded designated health services if the physician has a financial relationship with the entity. Designated health services include clinical laboratory services, physical and occupational therapy services, radiology services such as magnetic resonance imaging (MRI) and ultrasound services, radiation therapy services and supplies, durable medical equipment and supplies, and others. More detailed implementing regulations have been promulgated by the United States Department of Health and Human Services. Some states have comparable laws restricting referrals for designated health services paid by any payer. Unless an exception is satisfied, these laws and regulations prevent physician investors and other physicians who have a financial relationship with the Company from referring patients to us for designated health services. The inability of these physicians to refer designated health services to us may have an adverse effect on our financial condition and results of operations. In addition, we could be required to restructure or terminate acquisitions or service agreements to ensure compliance with the Stark Law and applicable rules and regulations. The provisions of the self-referral laws, like all statutes affecting the health care industry, and the

regulatory implementation and interpretation of them may change, and the nature and timing of any such change cannot be predicted.

We are subject to information privacy regulations, and our failure to comply with such laws may adversely affect our business operations.

Numerous state, federal and international laws and regulations govern the collection, dissemination, use and confidentiality of patient-identifiable health information, including the Federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and related rules and regulations. The HIPAA Privacy Rule restricts the use and disclosure of patient information and requires entities to safeguard that information and to provide certain rights to individuals with respect to that information. The HIPAA Security Rule establishes elaborate requirements for safeguarding patient information transmitted or stored electronically. We may be required to make costly system purchases and modifications to comply with the HIPAA requirements that will be imposed on us. Our failure to comply with these requirements could result in liability and have a material adverse affect on our results of operations, financial condition, business and prospects.

Our business may expose us to certain potential litigation, which if successful and not covered by existing insurance could have a material adverse effect on our profitability.

The Company's business may expose it to potential litigation. While we intend to take precautions we deem appropriate, there can be no assurance that we will be able to avoid significant liability or litigation exposure. Service liability insurance is expensive and it may not be available. There can be no assurance that we will be able to obtain such insurance on acceptable terms, if at all, or that we will be able to secure increased coverage or that any insurance policy will provide adequate protection against successful claims, if at all. A successful claim brought against the Company in excess of its insurance coverage would have a material adverse effect upon our results of operations and financial condition.

Compliance with changing regulation of corporate governance and public disclosure, once the Company is subject to such requirements, will result in significant additional expenses.

Changing laws, regulations, and standards relating to corporate governance and public disclosure for public companies, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and various rules and regulations adopted by the Securities and Exchange Commission (the "SEC"), are creating uncertainty for public companies. The Company's management will continue to invest significant time and financial resources to comply with both existing and evolving requirements for public companies, which will lead, among other things, to significantly increased general and administrative expenses and a certain diversion of management time and attention from revenue generating activities to compliance activities.

Risks Relating to Our Common Stock

If we fail to remain current in our SEC reporting obligations, we could be removed from the OTCQB, which would adversely affect the market liquidity for our securities.

Companies trading on the OTCQB, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTCQB. If we fail to remain current in our reporting requirements, we could be removed from the OTCQB. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Our common stock is subject to the "penny stock" rules of the SEC, and trading in our securities is very limited, which makes transactions in our common stock cumbersome and may reduce the value of an investment in our securities.

The SEC has adopted Rule 3a51-1 of the Securities and Exchange Act of 1934, as amended, 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. For any transaction involving a penny stock, unless exempt, Rule 15g-9 requires:

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

the broker or dealer receives from the investor a written agreement to the transaction, 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-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 dispose of our common stock and cause a decline in the market value of our stock.

Trading on the OTCQB may be volatile and sporadic, which could depress the market price of our common stock and make it difficult for our stockholders to resell their shares.

Our common stock is quoted on the OTCQB. Trading in stock quoted on the OTCQB is often thin and characterized by wide fluctuations in trading prices due to many factors that may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to operating performance. Moreover, the OTCQB is not a stock exchange, and trading of securities on the OTCQB is often more sporadic than the trading of securities listed on a stock exchange like NASDAQ or a New York Stock Exchange. Accordingly, our shareholders may have difficulty reselling any of their shares.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. DESCRIPTION OF PROPERTIES

The Company’s corporate headquarters is located at 450 North Brand Boulevard, Suite 600, Glendale, California. The lease on our present administrative offices expires on December 31, 2011. We believe our present facilities are adequate to meet our current and projected needs.

ITEM 3. 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

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PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock is traded on the OTCQB under the symbol "AMEH". Following is a table presenting the closing sale prices for a share of our common stock by fiscal quarter for the fiscal years 2011 and 2010

	High	Low
Fiscal Year ended January 31, 2011		
First Quarter	$0.15	$0.07
Second Quarter	0.10	0.08
Third Quarter	0.14	0.08
Fourth Quarter	0.18	0.11

	High	Low
Fiscal Year ended January 31, 2010		
First Quarter	$1.70	$0.25
Second Quarter	0.20	0.01
Third Quarter	0.10	0.01
Fourth Quarter	0.13	0.05

Stockholders

As of April 30 , 2011, as reported by the Company’s stock transfer agent, there were 325 holders of record of our common stock.

Dividends

To date, we have not paid any cash dividends on our common stock and we do not contemplate the payment of cash dividends in the foreseeable future. Our future dividend policy will depend on our earnings, capital requirements, financial condition, and other factors considered relevant to our ability to pay dividends.

Stock Option Grants

For the twelve months ended January 31, 2011, the Company granted 1,150,000 stock options to management, employees and consultants.

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On March 4, 2010, the Board of Directors of Apollo Medical Holdings, Inc. and three members of our Board that own, in the aggregate, approximately 70% of the outstanding shares of our common stock, approved the adoption of the Apollo Medical Holdings Inc., 2010 Equity Incentive Plan (the "Plan"). Subject to the adjustment provisions of the 2010 Plan that are applicable in the event of a stock dividend, stock split, reverse stock split or similar transaction, up to 5,000,000 shares of common stock may be issued under the 2010 Plan. As of January 31, 2011, 666,616 shares had vested under this Plan and 533,334 remained unvested.

Recent Sales of Unregistered Securities

We have issued and sold securities of the Company as disclosed below within the last three years. Unless otherwise noted, the following sales of securities were effected in reliance on the exemption from registration contained in Section 4(2) of the Act and Regulation D promulgated there under, and such securities may not be reoffered or sold in the United States by the holders in the absence of an effective registration statement, or valid exemption from the registration requirements, under the Securities Act of 1933 (as amended, the " Act "):

During the fiscal year ended January 31, 2011, the company issued 350,000 restricted shares Kaneohe Advisors LLC (Kyle Francis) pursuant to a consulting contract dated October 22, 2008.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENTS' DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Forward-Looking Statements- Cautionary Statement

The following discussion contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, written, oral or otherwise, are based on the Company's current expectations or beliefs rather than historical facts concerning future events, and they are indicated by words or phrases such as (but not limited to) "anticipate," "could," "may," "might," "potential," "predict," "should," "estimate," "expect," "proje "think," "intend," "plan," "envision," "continue," "intend," "target," "contemplate," "budgeted," or "will" and similar words or

comparable terminology. Forward-looking statements involve risks and uncertainties. The Company cautions that these statements are further qualified by important economic, competitive, governmental and technological factors that could cause the Company's business, strategy, or actual results or events to differ materially, or otherwise, from those in the forward-looking statements. We have based such forward-looking statements on our current expectations, assumptions, estimates and projections, and therefore there can be no assurance that any forward-looking statement contained herein, or otherwise made by the Company, will prove to be accurate. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under Item 1A "Risk Factors," and elsewhere in this report. The Company assumes no obligation to update the forward-looking statements.

THE FOLLOWING DISCUSSION OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS SHOULD BE READ IN CONJUNCTION WITH OUR CONSOLIDATED FINANCIAL STATEMENTS AND THE NOTES TO THOSE STATEMENTS INCLUDED ELSEWHERE IN THIS REPORT.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 of Notes to Consolidated Financial Statements describes the significant accounting policies used in the preparation of the consolidated financial statements. Certain of these significant accounting policies are considered to be critical accounting policies, as defined below.

A critical accounting policy is defined as one that is both material to the presentation of our financial statements and requires management to make difficult, subjective or complex judgments that could have a material effect on our financial condition and results of operations. Specifically, critical accounting estimates have the following attributes: (i) we are required to make assumptions about matters that are uncertain at the time of the estimate; and (ii) different estimates we could reasonably have used, or changes in the estimate that are reasonably likely to occur, would have a material effect on our financial condition or results of operations.

Estimates and assumptions about future events and their effects cannot be determined with certainty. We base our estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. These changes have historically been minor and have been included in the consolidated financial statements as soon as they became known. Based on a critical assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes that our consolidated financial statements are fairly stated in accordance with accounting principles generally accepted in the United States, and meaningfully present our financial condition and results of operations.

We believe the following critical accounting policies reflect our more significant estimates and assumptions used in the preparation of our consolidated financial statements:

Revenue Recognition

Revenue consists of contracted and fee-for-service revenue. Revenue is recorded in the period in which services are rendered. Our revenue is principally derived from the provision of healthcare staffing services to patients within healthcare facilities. The form of billing and related risk of collection for such services may vary by customer. The following is a summary of the principal forms of our billing arrangements and how net revenue is recognized for each.

Contracted revenue represents revenue generated under contracts in which we provide physician and other healthcare staffing and administrative services in return for a contractually negotiated fee. Contracted revenue represented 94.7% of our revenues in the twelve months ended January 31, 2011. Contract revenue consists primarily of billings based on hours of healthcare staffing provided at agreed-to hourly rates. Revenue in such cases is recognized as the hours are worked by our staff and contractors. Additionally, contract revenue also includes supplemental revenue from hospitals where we may have a fee-for-service contract arrangement or provide physician advisory services to the medical staff at specific facility. Contract revenue for the supplemental billing in such cases is recognized based on the terms of each individual contract. Such contract terms generally either provides for a fixed monthly dollar amount or a variable amount based upon measurable monthly activity, such as hours staffed, patient visits or collections per visit compared to a minimum activity threshold. Such supplemental revenues based on variable arrangements are usually contractually fixed on a monthly, quarterly or annual calculation basis considering the variable factors negotiated in each such arrangement. Such supplemental revenues are recognized as revenue in the period when such amounts are determined to be fixed and therefore contractually obligated as payable by the customer under the terms of the respective agreement. Additionally, we derive a portion of our revenue as a contractual bonus from collections received by our partners and such revenue is contingent upon the collection of third-party billings. These revenues are not considered earned and therefore not recognized as revenue until actual cash collections are achieved in accordance with the contractual arrangements for such services.

Fee-for-service revenue represents revenue earned under contracts in which we bill and collect the professional component of charges for medical services rendered by our contracted and employed physicians. Under the fee-for-service arrangements, we bill patients for services provided and receive payment from patients or their third-party payers. Fee-for-service revenue is reported net of contractual allowances and policy discounts. All services provided are expected to result in cash flows and are therefore reflected as net revenue in the financial statements. Fee-for-service revenue is recognized in the period in which the services are rendered to specific patients and reduced immediately for the estimated impact of contractual allowances in the case of those patients having third-party payer coverage. The recognition of net revenue (gross charges less contractual allowances) from such visits is dependent on such factors as proper completion of medical charts following a patient visit, the forwarding of such charts to our billing center for medical coding and entering into our billing system and the verification of each patient’s submission or representation at the time services are rendered as to the payer(s) responsible for payment of such services. Revenue is recorded based on the information known at the time of entering of such information into our billing systems as well as an estimate of the revenue associated with medical services provided.

Direct Costs of Services

Direct Costs include the direct salaries and contract payments to physicians employed by the Company that serve as hospitalists, all employment related taxes, medical and disability insurance costs, premiums for malpractice insurance provided to these physicians, and costs associated with establishing physician privileges.

Management Fees

AMH is charged, and pays, a monthly management fee to AMM. The fee is calculated on a percentage of AMH's gross revenue that AMH receives for the performance of medical services by AMH. The monthly percentage is established based upon the requirements of AMM. The Management Services Agreement was modified on March 20, 2009 to allow for an adjustment in monthly management fees as needed to cover costs incurred by AMM. These fees are eliminated in consolidation.

FISCAL YEAR ENDED JANUARY 31, 2011 COMPARED TO FISCAL YEAR ENDED JANUARY 31, 2010

Net revenue was $3,896,584 for the twelve months ended January 2011, compared to revenues of $2,441,452 for the comparable twelve months ended January 2010. The Company increased the number of hospitals and independent physician associations contracts to 31 at the end of January 2011.

Physician practice salaries, benefits and other expenses totaled $3,314,722 for the twelve months ended January 31, 2011, compared to $1,813,994 for the corresponding twelve months ended January 31, 2010. Cost of services were 85% of net revenues for the twelve months ended January 2011, up from 74% of revenues for the comparable twelve month period ended January 31, 2010. 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. The increase in cost of services is primarily due to increase in physician compensation expenses associated with new contracts awarded during the period. Total physician compensation increased to $3,010,716 for the twelve months ended January 31, 2011, up 91% compared to $1,570,080 for the twelve month period ended January 31, 2010. The increases in physician costs are directly related to new contracts started in the period. In addition, the Company recorded physician related stock compensation expense of $60,342 for the twelve months ended January 31, 2011 compared with $0 in the year ended January 31, 2010.

General and administrative expenses decreased $127,670, or 18%, to $566,649 or 15% of net revenue, for the twelve months ended January 31, 2011, as compared to $694,319, 28% of net revenue, for the twelve months ended January 31, 2010. For the twelve months ended January 31, 2011, bad debt expense was ($17,738.59) compared to a loss of $114,358 for the twelve month period ended January 31, 2010. The difference was a write-up in the Company's accounts receivable balance. The change in bad debt expense was primarily the result of a reversal of a previous recorded write-down of $110,976 in the year ended January 31, 2010 due to delayed payments from certain health care payors. In addition, the Company recorded stock compensation expense of $59,187 for the twelve months ended January 31, 2011 compared with $183,944 in the year ended January 31, 2010. This reduction in expenses was partially offset by higher public company expenses and overhead costs related to the continuing growth of our operations.

Depreciation and amortization expense was $11,198 and $35,704 for the twelve months ended January 31, 2011 and 2010, respectively.

The Company reported a income from operations of $4,015 for the twelve months ended January 31, 2011, compared to a loss from operations of $102,515 in the fiscal year ended January 31, 2010. The decrease in the loss from operations was due to the increased contribution from the growth in revenues, coupled with the decrease in general

and administrative expenses.

Interest expense and financing costs were $163,931 for the twelve months ended January 31, 2011, compared to interest and financing expenses of $93,066 for the twelve months ended January 31, 2010. Interest expense in 2011 included $125,000 of interest expense related to our 10% Senior Subordinated Callable Convertible Notes. Financing fees included the amortization of pre-paid commissions of $37,500 that were paid to the placement agent.

The Company reported a net loss of $156,331 for the twelve months ended January 31, 2011, favorable by $39,750 to the net loss of $196,080 reported for the twelve months ended January 31, 2010. The reduction in net loss was primarily due to the higher revenues and the decrease in general and administrative costs in 2011 from 2010.

Liquidity and Capital Resources

At January 31, 2011, the Company had cash and cash equivalents of $397,101, compared to cash and cash equivalents of $665,737 at the beginning of the fiscal year at January 31, 2010. The cash balance at January 31, 2011 included $389,198 in a money market brokerage account. Long-term borrowings totaled $1,248,588 as of January 31, 2011, compared to long-term borrowings of $1,247,582 on January 31, 2010.

Net cash used in operating activities totaled $245,031 in the twelve months ended January 31, 2011, compared to net cash used in operations of $338,141 in the comparable twelve months ended January 31, 2010. The reduction in net cash used in operating activities was primarily due to the higher revenues and the decrease in General and Administrative costs in 2011 from 2010.

Net cash used in operating activities for the twelve months of 2011 of $245,031 was comprised of a net loss of $156,331 for the twelve month period. Adjustments for non-cash charges which include depreciation, bad debt expense, the value of shares issued for services, option expense, and the amortization of warrant discount, totaled $18,310. In addition, net changes in operating assets and liabilities, primarily an increase in outstanding receivables, used cash of $290,363.

Net cash used for investing activities totaled $21,165 in the twelve months ended January 31, 2011, compared to net cash used in operations of $0 in the comparable twelvemonths ended January 31, 2010. The increase in net cash used in operating activities was primarily due to cash associated with improvements to ApolloWeb and purchase of new computers and office equipment.

For the twelve months ended January 31, 2011, net cash used in financing activities totaled $2,440, compared to $919,717 provided by financing activities for the same period in 2010. The Company did not complete any financing transactions during the twelve months ended January 31, 2011. During fiscal 2010, the Company completed the private placement with Syndicated Capital which provided proceeds of $1,250,000. Concurrent with the receipt of these proceeds, the Company retired the business loan with Wells Fargo Bank of $198,000 on October 27, 2009, and the related party convertible note in the amount of $75,000 on October 22, 2009. Three convertible notes, two of which were payable to related parties aggregating to $33,000, were fully paid off in late December 2009.

The Company had no off-balance sheet arrangements during the period ended January 31, 2011.

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 continues to incur operating losses and has an accumulated deficit of $1,397,363 as of January 31, 2011. In addition, the Company has a total stockholders’ deficit of $83,194 and generated a negative net cash flow operating activities for the twelve months ended January 31, 2011 of $245,031.

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 of convertible notes which have provided 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. We may seek to raise additional capital through public or private equity financings, partnerships, joint ventures, disposition of assets, debt financings, bank borrowings or other sources of financing.

No assurances can be made that management will be successful in achieving its plan. If the Company is not able to raise substantial additional capital in a timely manner, the Company may be forced to cease operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's financial statements for the fiscal year ended January 31, 2011 are included in this annual report, beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company has carried out an evaluation under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as defined in Rules 13a-15(e) and 15d- 15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, at January 31, 2010, the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were not effective, at a reasonable assurance level, in ensuring that information required to be disclosed in the reports the Company files and submits under the Securities Exchange Act of 1934 are recorded, processed, summarized and reported as and when required. For a discussion of the reasons on which this conclusion was based, see "Management's Annual Report on Internal Control over Financial Reporting" below.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act. Management must evaluate its internal controls over financial reporting, as required by Sarbanes-Oxley Act. The Company's internal control over financial reporting is a process designed under the supervision of the Company's management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. generally accepted accounting principles (“GAAP”). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and SEC guidance on conducting such assessments. Based on this evaluation, our management concluded that there were material weaknesses in our internal control over financial reporting as of January 31, 2011.

A material weakness is a significant control deficiency (within the meaning of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2) or combination of significant control deficiencies that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified the following three material weaknesses in our disclosure controls and procedures, and internal controls over financial reporting:

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.

Based on the foregoing material weaknesses, we have determined that, as of January 31, 2011, our internal controls over our financial reporting are not effective. The Company is taking remediating steps to address each material weakness. We continue to add employees and consultants to address these issues and we will continue to broaden the scope of our accounting and billing capabilities and realigning responsibilities in our financial and accounting review functions.

It should be noted that any system of controls, 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.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our independent registered public accounting firm.

Changes in Internal Controls Over Financial Reporting

There has been no change in our internal controls over financial reporting during our most recently completed fiscal quarter (i.e., the three-month period ended January 31, 2011) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Name	Age	Title
Warren Hosseinion, M.D.	38	Chief Executive Officer, Director
Adrian Vazquez, M.D.	40	President and Chairman of the Board
Kyle W.D. Francis	37	Executive Vice President and Chief Financial Officer
Suresh Nihalani	57	Director
Raouf Khalil	57	Director, President of Aligned Healthcare Division

Warren Hosseinion, M.D. Dr. Hosseinion has been a director, and our Company's Chief Executive Officer since July 2008. In 2001, Dr. Hosseinion founded ApolloMed Hospitalists in Los Angeles with Dr. Vazquez. Dr. Hosseinion received his medical degree from Georgetown University and is a Diplomate of the American Board of Internal Medicine. Dr. Hosseinion's qualifications to serve on our Board of Directors include his position as our chief executive officer since the inception of the Company, his background as founder of the Company and leading physician within the medical community in Los Angeles. In addition, Dr. Hosseinion is currently a practicing hospitalist physician and brings to our Board of Directors and our Company a depth of understanding of physician culture and strong knowledge of the healthcare market.

Adrian Vazquez, M.D. Dr. Vazquez has been a director and has served as the Company's President and Chairman of the Board since July 2008. In 2001, Dr. Vazquez founded ApolloMed Hospitalists in Los Angeles with Dr. Hosseinion. Dr. Vazquez received his medical degree from the University of California, Irvine and is a Diplomate of the American Board of Internal Medicine. Dr. Vazquez's qualifications to serve on our Board of Directors include his position as our President and Chairman since the inception of the Company, his background as founder of the Company and leading physician within the medical community in Los Angeles. In addition, Dr. Vazquez is currently a practicing hospitalist physician and brings to our Board of Directors a depth of understanding of physician culture and strong knowledge of the healthcare market and hospitalist medicine. Adrian Vazquez, M.D., resigned his positions as Chairman of the Board, President and a director of Apollo Medical Holdings, Inc., in each case effective December 9, 2011.

Kyle Francis. Mr. Francis joined ApolloMed in February 2009 and was named Chief Financial Officer in December 2010. Prior to joining ApolloMed, he was a member of the Healthcare Services Investment Banking Division of Oppenheimer & Co. and CIBC World Markets. Prior to joining CIBC World Markets, Mr. Francis worked at Enron Corporation. Mr. Francis holds a Bachelor of Commerce with a major in finance and an accounting degree from McGill University.

Suresh Nihalani. Mr. Nihalani was President and CEO of ClearMesh Network from 2005 to 2007. He also co-founded Nevis Networks, where he served as CEO from 2002 through 2005. Prior to Nevis Networks, he co-founded Accelerated Networks and ACT Networks. Mr. Nihalani holds a BS in Electrical Engineering from ITT Bombay and MSEE and MBA degrees from the Florida Institute of Technology. Mr. Nihalani has over 35 years of corporate experience working as a senior executive and director. Mr.Nihalani's qualifications to serve on our Board of Directors includes his many years of experience as a senior corporate executive with both public and private organizations.

Raouf Khalil. Mr. Khalil joined ApolloMed in February 2011. Mr. Khalil was the co-founder and CEO of Care Level Management Group LLC. Mr. Khalil also founded and managed Mobile Doctors 24-7 International and Professional Home Health Services. Mr. Khalil received an MBA from University of Southern California in 1981. Mr.Khalil's qualifications to serve on our Board of Directors includes his many years of experience serving as a senior executive and founder of a number of healthcare services companies. Raouf Khalil resigned as a director of Apollo Medical Holdings, Inc., effective June 1, 2011.

Family Relationships

There are no family relationships among the directors and executive offices identified in this report.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers, and persons who beneficially own more than 10% of our outstanding common stock, to file with the SEC, initial reports of ownership and reports of changes in ownership of our equity securities. Such persons are required by SEC regulations to furnish us with copies of all such reports they file. To our knowledge, based solely on our review of the copies of such forms received by us, or written representations from our officers, directors and greater than 10% beneficial owners, we believe that our insiders complied with all applicable Section 16(a) filing requirements during fiscal year ending January 31, 2011, except as follows: Warren Hosseinion, Adrian Vazquez, Kyle Francis and Noel Dewinter have not filed Forms 3 or Forms 4 to reflect their holdings.

Code of Ethics

The Company has not yet adopted a code of ethics, in part because we recently commenced business operations and have a limited number of employees. As the Company grows its business, and hires additional employees, we expect to adopt a code of ethics applicable to the conduct of our employees.

Committees of the Board of Directors

Our common stock is currently quoted on the OTCQB electronic trading platform, which does not maintain any standards requiring us to establish or maintain an Audit, Nominating or Compensation committee. As of January 31, 2011, our Board of Directors did not maintain an Audit Committee, Nominating Committee or Compensation Committee. The entire Board of Directors is acting as the Company's audit committee, and the Board of Directors has determined that no current director is an "audit committee financial expert" as defined by item 407 of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

The following table discloses the compensation awarded to, earned by, or paid to our executive officers for the fiscal years ended January 31, 2011, 2010 and 2009, respectively:

Summary Compensation Table

Name and **Principal Position**	Year	Salary	Bonus	Stock **Awards** *(3)*	Non-Equity **Incentive Plan Compensation**	**Non-Qualified** Deferred **Compensation Earnings**	Total
Warren Hosseinion, M. D.	2011	$385,013	-	$12,619	-	-	$397,632
Chief Executive Officer(1)	2010	$353,285	-	-	-	-	$353,285
	2009	$239,830	-	-	-	-	$239,830
Adrian Vazquez, M.D.	2011	$382,920	-	$12,619	-	-	$395,539
President and Chairman(1)	2010	$361,097	-	-	-	-	$361,097
	2009	$256,720	-	-	-	-	$256,720
A. Noel DeWinter	2011	$96,000	-	$5,500	-	-	$101,500
Chief Financial Officer (2)	2010	$85,000	-	-	-	-	$85,000
	2009	$33,500	-	$67,500	-	-	$101,000
Kyle Francis	2011	$11,000	-	$6,310	-	-	$17,310
Chief Financial Officer (4)	2010	-	-	-	-	-	-
	2009	-	-	-	-	-	-

(1) The reported compensation for Dr. Hosseinion and Dr. Vazquez is a fixed annual amount and is generated from patient care activities.

(2) Mr. DeWinter joined the Company on August 1, 2008. On December 28, 2010, Mr. DeWinter announced his retirement, effective December 31, 2010.

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(3) The amount shown in this column reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718.

(4) Mr. Francis was appointed as Chief Financial Officer, effective December 31, 2010. Prior to being appointed Chief Financial Officer, Mr. Francis served as the Executive Vice President of Business Development and Strategy. Mr. Francis will continue to serve in that function as well as Chief Financial Officer.

The following table summarizes the outstanding equity awards held by each of our named executive officers as of January 31, 2011:

2011 Outstanding Equity Awards at Fiscal Year End

	Option Awards				
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Options Unexercisable (#)(1)	Option Exercise Price ($) (2)	Option Expiration Date
Adrian Vazquez, M.D. President & Chairman of the Board	12/9/2010	100,000	200,000	$ 0.15	12/8/2020
Warren Hosseinion, M.D. Chief Executive Officer	12/9/2010	100,000	200,000	$ 0.15	12/8/2020
Kyle W. D. Francis Executive Vice President and Chief Financial Officer	12/9/2010	50,000	100,000	$ 0.15	12/8/2020

(1) The share underlying these options vest 33% immediately on the grant date and in equal installments on the first and second anniversary.
(2) All options have been issued with an exercise price equal to the closing price of our common stock on the date of grant.

No options were exercised during the year ended January 31, 2011

Hospitalist Participation Service Agreements

Warren Hosseinion, M.D. In February 2009, the Company entered into a second amended and restated hospitalist participation agreement with Dr. Hosseinion, pursuant to which he will provide physician services for ApolloMed Hospitalists. Effective February 2009, Dr.Hosseinion’s annual base salary was set at $360,000 payable in bimonthly installments. Dr. Hosseinion's salary is for physician services only and he does not receive any compensation to serve as Chief Executive Officer or for his services as a Director. He is eligible to receive equity awards, in each case as determined by the Board of Directors in accordance with the 2010 Equity Incentive Plan. We maintain Dr. Hosseinion’s professional liability insurance.

Adrian Vazquez, M.D. In February 2009, the Company entered into a second amended and restated hospitalist participation agreement with Dr. Vazquez, pursuant to which he will provide physician services for ApolloMed Hospitalists. Effective February 2009, Dr.Vazquez’s annual base salary was set at $360,000 payable in bi-monthly installments. Dr. Vazquez's salary for physician services only and he does not receive any compensation to serve as President or as Chairman of our Board of Directors. He is eligible to receive equity awards, in each case as determined by the Board of Directors in accordance with the 2010 Equity Incentive Plan. We maintain Dr. Vazquez’s professional liability insurance.

Employment Agreements

On September 4, 2008, Apollo Medical Management, Inc. executed an employment agreement with Jilbert Issai, M.D., to provide services as Senior Vice President. The agreement is for an initial one-year term with provision for successive one-year periods. Under the agreement, Dr. Issai is entitled to a nominal salary and may be granted options to purchase an aggregate of 300,000 shares of the Company's common stock at an exercise price of $0.15 per share when and if the Company is to adopt a stock compensation plan. The Company granted Dr. Issai 300,000 options on December 9, 2010.

On March 15, 2009, the Company entered into a Consulting Agreement with Kaneohe Advisors LLC (Kyle Francis) under which Mr. Francis became the Company's Executive Vice President, Business Development and Strategy. Under the terms of the Agreement, Mr. Francis is compensated at a rate of $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, 2011, the second anniversary of the Consulting Agreement, Mr. Francis was granted an additional 350,000 shares. Mr. Francis was named Chief Financial Officer on December 31, 2010. Mr. Francis compensation was increased to $11,000 per month.

Outstanding Equity Awards at Fiscal Year-End

As discussed above, Mr. DeWinter was granted a stock award of 250,000 shares in September 2008. Such shares were fully vested at the time of grant.

On March 4, 2010, the Board of Directors of Apollo Medical Holdings, Inc. and three members of our Board that own, in the aggregate, approximately 65% of the outstanding shares of our common stock, approved the adoption of the Apollo Medical Holdings Inc., 2010 Equity Incentive Plan. Subject to the adjustment provisions of the 2010 Plan that are applicable in the event of a stock dividend, stock split, reverse stock split or similar transaction, up to 5,000,000 shares of common stock may be issued under the 2010 Plan. During the fiscal year ended January 31, 2011, 1,150,000 options were granted to management, directors and independent contractors of which 616,666 were exercisable as of January 31, 2011 at an exercise price of $0.15 per stock option.

Director Compensation

On October 27, 2008, we entered into a Director Agreement with Suresh Nihalani. Under the agreement, Mr. Nihalani has the right to receive up to 400,000 shares of common stock, issued ratably over a 36 month period commencing December 2008 so long as Mr. Nihalani continues to serve as a director. As of January 31, 2011, 188,887 shares had been issued pursuant to the agreement. Mr. Nihalani also receives $1,000 for each meeting of the Board of Directors and $1,200 per day for any time Mr. Nihalani is required to travel out-of-town on behalf of the Company.

On July 16, 2010, the Director Agreement with Mr. Nihalani was amended to modify the manner in which Mr. Nihalani received shares from that date forward. Under the terms of the amended contract, Mr. Nihalani purchased 211,113 “Purchased Shares” of the Company’s Common Stock at a purchase price of $0.001 per share. The Purchased Shares are restricted securities under the Securities Act of 1933 (the “ 1933 Act ”) and may not be resold or transferred unless the Purchased Shares are first registered under the federal securities laws or unless an exemption from such registration is available.

The Corporation shall not be required (i) to transfer on its books any Purchased Shares that have been sold or transferred in violation of the provisions of this section or (ii) to treat as the owner of the Purchased Shares, or otherwise to accord voting or dividend rights to, any transferee to whom the Purchased Shares have been transferred in contravention of the Directors Agreement, including this Amendment.

All of our remaining directors are named executive officers whose compensation is fully reflected in the Summary Compensation Table. None of our remaining directors received any compensation solely for their services as directors.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Suresh Nihalani	$ 3,000	$30,067	0	0	0	0	$33,067

(1) The amount shown in this column reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for the year of grant.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information as of April 30, 2011, with respect to (i) those persons known to us to beneficially own more than 5% of our voting securities, (ii) each of our directors, (iii) each of our executive officers, and (iv) all directors and executive officers as a group. The information is determined in accordance with Rule 13d-3 promulgated under the Exchange Act. Except as indicated below, the beneficial owners have sole voting and dispositive power with respect to the shares beneficially owned. As of April 30, 2011, there were 28,985,774 shares of the Company's common stock issued and outstanding, of which 4,892,236 are free trading shares and 24,093,538 are restricted shares.

Name and Address of Beneficial Owner (1)	Shares Beneficially Owned (2)	Percent of Class (3)
Certain Beneficial Owners:	-	-
Directors/Named Executive Officers:		
Warren Hosseinion, M.D.	9,123,387	31.4 %
Adrian Vazquez, M.D	9,123,387	31.4 %
A. Noel DeWinter	250,000	—
Suresh Nihalani	400,000	1.4 %

Kyle Francis	1,100,000	3.8	%
All Named Executive Officers and Directors as a group (4 persons)	19,646,774	67.8	%

(1) Unless otherwise indicated, the business address of each person listed is c/o Apollo Medical Holdings, Inc., 450 N. Brand Blvd., Suite 600, Glendale, California 91203.

(2) For purposes of this table, shares are considered beneficially owned if the person directly or indirectly has the sole or shared power to vote or direct the voting of the securities or the sole or shared power to dispose of or direct the disposition of the securities. Shares are also considered beneficially owned if a person has the right to acquire beneficial ownership of the shares within 60 days of April 30, 2011. AMH is 100% owned by Dr Hosseinion and Dr. Vazquez. Dr. Hosseinion and Dr. Vazquez are officers and Directors of Apollo.

(3) The percentages are calculated based on the actual number of shares issued and outstanding as of April 30, 2011, which is 28,985,774.

Equity Compensation Plan Information

The following table provides information, as of January 31, 2011, with respect to all of our compensation plans under which equity securities are authorized for issuance :

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders			
Equity compensation plans not approved by stockholders (1)	1,150,000	$ 0.15	3,850,000
Total	1,150,000		3,850,000

(1) The amounts reported include: (i) 250,000 shares of common stock issued to A. Noel DeWinter, the Company's Chief Financial Officer, pursuant to an employment agreement with the Company, dated September 10, 2008; (ii) a stock award of 400,000 shares to Kaneohe (Kyle Francis) of which 50,000 shares were issued under a consulting contract signed October 22, 2008, and 700,000 shares issued under a contract dated March 15, 2009; (iii) up to 400,000 shares of common stock issuable to Suresh Nihalani under a director agreement with the Company, dated as October 27, 2008. On July 16, 2010, the Director Agreement with the Company was amended. Under the terms of the amendment, Mr. Nihalani purchased 211,113 shares of the Company's common stock at a purchase price of $0.001. Prior to the amendment, and as of January 31, 2011, 188,887 shares had vested under the Director Agreement; and (iv) 10,000 shares granted to an employee.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

During the twelve months ended January 31, 2011 and 2010, the Company generated revenue of $577,000 and $395,135, 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.

Director Independence

Our common stock is quoted on the OTCQB electronic trading platform, which does not maintain any standards regarding the "independence" of the directors on our Company's Board, and we are not otherwise subject to the requirements of any national securities exchange or an inter-dealer quotation system with respect to the need to have a majority of our directors be independent. In the absence of such requirements, we have elected to use the definition for director independence under the NASDAQ stock market's listing standards, which defines an independent director as "a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship, which in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director." The definition further provides that, among others, employment of a director by us (or any parent or subsidiary of ours) at any time during the past three years is considered a bar to independence regardless of the determination of our Board. Based on the foregoing standards, we have determined that Suresh Nihalani is our only "independent" director.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The aggregate fees for professional services rendered by Kabani and Company to us for the fiscal years ended January 31, 2011 and January 31, 2010 were as follows:

	Fiscal Year Ended **1/31/2011**	**Fiscal Year Ended 1/31/2010**
Audit fees	$ 27,000	$ 35,000
Audit-related fees	-	-
Tax fees(1)	$ -	-
All other fees	-	-
Total	$ 27,000	$ 35,000

(1) Tax Returns for the Company were completed by a local CPA firm. The Company paid $1,200 to such firm for 2011 and $1,200 for 2010.

Notes:

(A) Audit fees represent fees for professional services provided in connection with the audit of our annual financial statements and the review of our financial statements included in our Form 10-Q quarterly reports and services that are normally provided in connection with statutory or regulatory filings for the 2010 and 2011 fiscal years.

(B) Audit-related fees represent fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and not reported above under “Audit Fees.”

(C) Tax fees represent fees for professional services related to tax compliance, tax advice and tax planning.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Please see the Report of our Independent Registered Public Accounting Firm, and related financial statements for our fiscal year ended January 31, 2011, beginning on page F-1 of this Form 10-K/A.

(b) Exhibits Index

Number	Exhibit
3.1	Certificate of Incorporation (filed as an exhibit to Registration Statement on Form 10 filed on April 19, 1999, and incorporated herein by reference).
3.2	Certificate of Ownership (filed as an exhibit to Current Report on Form 8-K filed on July 15, 2008, and incorporated herein by reference).
3.3	Second Amended and Restated Bylaws (filed as an exhibit to Form 10-Q filed on July 31, 2011, and incorporated herein by reference).
4.1	Form of 10% Senior Subordinated Convertible Note, dated October 16, 2009. (filed as an exhibit on Annual Report on Form 10-K on May 14, 2010, and incorporated herein by reference)
4.2	Form of Investor Warrant, dated October 16, 2009, for the purchase of 25,000 shares of common stock.*
10.1	Agreement and Plan of Merger among Siclone Industries, Inc. and Apollo Acquisition Co., Inc. and Apollo Medical Management, Inc. (filed as an exhibit to Current Report on Form 8-K filed on June 19, 2008 and incorporated herein by reference)
10.2	Management Services Agreement dated August 1, 2008, between Apollo Medical Management and ApolloMed Hospitalists.*.
10.3	Director Agreement, dated October 27, 2008, between the Company and Suresh Nihalani.*
10.4	Management Services Agreement dated March 20, 2009, between Apollo Medical Management and ApolloMed Hospitalists.*
10.5	2010 Equity Compensation Plan (filed as an exhibit to Current Report on Form 8-K filed on March 9, 2010, and incorporated herein by reference).
10.6	Employment Agreement with A. Noel DeWinter (filed as an exhibit to Current Report on Form 8-K filed on September 11, 2008, and incorporated herein by reference).
10.7	Amendment to Suresh Nihalani's Director Agreement dated July 17, 2010, (filed as exhibit to Current Report on Form 8-K filed on July 16, 2010 and incorporated herein by reference).
10.8	2010 Equity Incentive Plan (filed as Appendix A to Schedule 14C Information Statement filed on August 17, 2010 and incorporated herein by reference).
10.9	Stock Purchase Agreement, dated as of February 15, 2011, among the Company, Aligned Healthcare Group LLC, Aligned Healthcare Group - California, Inc., Raouf Khalil, Jamie McReynolds, M.D., BJ Reese & Associates, LLC and BJ Reese (filed as an exhibit to Current Report on Form 8-K filed on February 27, 2011, and incorporated herein by reference)
10.10	First Amendment to Stock Purchase Agreement entered into by Apollo Medical Holdings, Inc. and Aligned Healthcare Group LLC, Aligned Healthcare Group - California, Inc., Raouf Khalil, Jamie McReynolds, M.D., BJ Reese & Associates LLC and BJ Reese dated July 8, 2011. (filed as an exhibit to Form 10-Q filed

	on September 14, 2011, and incorporated herein by reference)
10.11	Services Agreement entered into by Apollo Medical Holdings, Inc. and Aligned Healthcare Group LLC, Aligned Healthcare Group - California, Inc., Raouf Khalil, Jamie McReynolds, M.D., BJ Reese & Associates LLC and BJ Reese dated July 8, 2011. (filed as an exhibit to Form 10-Q filed on September 14, 2011, and incorporated herein by reference)
10.12	Employment Agreement with Jilbert Issai, M.D. dated September 4, 2008.*
10.13	Consulting Agreement with Kyle Francis dated March 22, 2009.*
10.14	Hospitalist Participation Service Agreement with Warren Hosseinion, M.D. dated May 1, 2009*
10.15	Hospitalist Participation Service Agreement with Adrian C. Vazquez, M.D. dated May 1, 2009*
21.1	Subsidiaries of Apollo Medical Holdings, Inc.*
23.1	Consent of Kabani and Company.*
31.1	Rule 13a-14(a) Certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Rule 13a-14(a) Certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

APOLLO MEDICAL HOLDINGS, INC.

Date: March 27, 2012 By: /s/ WARREN HOSSEINION, M.D
Warren Hosseinion, M.D.,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/S/ KYLE FRANCIS Kyle Francis	Chief Financial Officer (Principal Financial and Accounting Officer)	March 27, 2012

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FINANCIAL STATEMENTS - TABLE OF CONTENTS:

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of

Apollo Medical Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Apollo Medical Holdings, Inc as of January 31, 2011 and 2010 and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Apollo Medical Holdings, Inc as of January 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

The Company's consolidated 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. The Company has accumulated deficit of $1,397,363 as of January 31, 2011, working capital of $1,104,738 and cash flows used in operating activities of $245,031. This factor, as discussed in Note 3 to the financial statements raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to the matter are also described in Note 3. The statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Kabani & Company, Inc.

Certified Public Accountants

Los Angeles, California

May 16, 2011

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APOLLO MEDICAL HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

FOR THE YEARS ENDED JANUARY 31, 2011 AND 2010

	January 31, 2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$397,101	$665,737
Accounts receivable, net	704,971	457,517
Receivable from officers	24,873	23,483
Due from affiliate	3,900	2,850
Prepaid expenses	29,138	30,165
Prepaid financing cost, current	37,500	37,500
Total current assets	1,197,483	1,217,251
Prepaid financing cost, long term	39,500	76,563
Property and equipment – net	21,593	11,627
TOTAL ASSETS	$1,258,139	$1,305,441
LIABILITIES AND STOCKHOLDERS' DEFICIT:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$92,745	$104,252
Total current liabilities	92,745	104,252
Convertible notes	1,248,588	1,247,582
Total liabilities	1,341,333	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, 27,635,774 and 27,041,328 shares issued and outstanding as on January 31, 2011 and 2010, respectively	27,636	27,041
Additional paid-in-capital	1,058,418	939,483
Accumulated deficit	(1,397,363)	(1,241,031)
Total	(311,309)	(274,507)
Non-controlling interest	228,115	228,115
Total stockholders' deficit	(83,194)	(46,393)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$1,258,139	$1,305,441

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

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APOLLO MEDICAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JANUARY 31, 2011 AND 2010

	For the years ended January 31,	
	2011	2010
REVENUES	$3,896,584	$2,441,452
COST OF SERVICES	3,314,722	1,813,944
GROSS REVENUE	581,862	627,508
Operating expenses:		
General and administrative	566,649	694,319
Depreciation	11,198	35,704
Total operating expenses	577,847	730,023
INCOME (LOSS) FROM OPERATIONS	4,015	(102,515)
OTHER EXPENSES:		
Interest expense	(126,431)	(53,128)
Financing cost	(37,500)	(39,938)
Other income	5,185	300
Total other expenses	158,746	92,766
LOSS BEFORE INCOME TAXES	(154,731)	(195,280)
Provision for income tax	1,600	800
NET LOSS	$(156,331)	$(196,280)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING, BASIC AND DILUTED	27,490,476	26,491,052
*BASIC AND DILUTED NET LOSS PER SHARE	$(0.00)	$(0.01)

*Weighted average number of shares used to compute basic and diluted loss per share is the same since the effect of dilutive securities is anti-dilutive.

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

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APOLLO MEDICAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

FOR THE YEARS ENDED JANUARY 31, 2011 AND 2010

	Common Stock			Non-controlling	Accumulated	Stockholder's
	Shares	Amount	APIC	Interest	Deficit	Deficit
Balance at January 31, 2009	25,870,220	$25,870	$550,058	$228,115	$(1,044,951)	$(240,909)
Shares issued for service	804,443	804	183,139	-	-	183,943
Shares issued for financing cost	100,000	100	3,900	-	-	4,000
Shares issued for convertible notes payable	266,665	267	199,733	-	-	200,000
Unamortized warrant discount	-	-	2,653	-	-	2,653
Net Loss	-	-	-	-	(196,080)	(196,080)
Balance at January 31, 2010	27,041,328	27,041	939,483	228,115	(1,241,031)	(46,393)
Shares issued for service	594,446	595	46,783	-	-	47,378
Non-cash stock-based compensation charges	-	-	72,152	-	-	72,152
Net Loss	-	-	-	-	(156,331)	(156,331)
Balance at January 31, 2011	27,635,794	$27,636	$1,058,418	$228,115	$(1,397,362)	$(83,194)

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

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APOLLO MEDICAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JANUARY 31, 2011 AND 2010

	Years ended January 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(156,331)	$(196,080)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation	11,198	35,703
Bad debt expense	42,908	114,358
Issuance of shares for services	47,378	183,944
Shares issued as finance charge	-	4,000
Stock option expense	72,152	-
Amortization of debt discount	1,006	235
Changes in assets and liabilities:		
Accounts receivable	(290,363)	(316,208)
Prepaid financing cost	37,500	(114,063)
Prepaid expenses	1,027	(5,140)
Accounts payable and accrued liabilities	(11,507)	(44,889
Net cash used in operating activities	(245,031)	(338,141)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for purchase of property and equipment	(21,165)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of line of credit	-	(198,000)
Due from related parties	(2,440)	(24,283)
Proceeds from/(payment to) related parties	-	(98,000)
Proceeds from/(payment to) convertible notes	-	1,240,000
Net cash (used) provided by financing activities	(2,440)	919,717
NET (DECREASE) INCREASE IN CASH & CASH EQUIVALENTS	(268,636)	581,576
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	665,737	84,161
CASH & CASH EQUIVALENTS, ENDING BALANCE	$397,101	$665,737
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid during the year	$125,425	$53,128
Taxes paid during the year	$1,600	$1,600

NON-CASH SUPPLEMENTAL DISCLOSURE		
Conversion of convertible notes payable to equity	$-	$200,000
Convertible note payable due and classified in accrued liabilities	$-	$200,000

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

APOLLO MEDICAL HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Summary of Critical Accounting Policies

Apollo Medical Holdings, Inc. ("Apollo or the Company") is a medical management holding company that focuses on managing the provision of hospital-based medicine. The Company's wholly-owned subsidiary, Apollo Medical Management, Inc. ("AMM") operates as a physician practice management company and is in the business of providing management services to physician practice companies (and, professional medical corporations) under management service agreements, which presently consist of ApolloMed Hospitalists ("AMH"). AMH is owned by an officer, director and major shareholder of the Company.

2. Summary of Significant Accounting Policies

Principles of Consolidation

Our consolidated financial statements include the accounts of our wholly-owned subsidiaries, and a professional medical corporation for which we have determined that we have a controlling financial interest through a long-term management agreement. Some states have laws that prohibit business entities from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians (collectively known as the corporate practice of medicine), or engaging in certain arrangements with physicians, such as fee-splitting. In California, and in accordance with these laws, we operate by maintaining a long-term management contract with a professional medical corporation, which is owned and operated by physicians, and which employ or contract with additional physicians to provide hospitalist services. Under this management agreement, we have exclusive authority over all non-medical management and administrative services, including financial management, information systems, marketing, risk management and administrative support. The management agreement has an initial term of 20 years.

All intercompany balances and transactions are eliminated in consolidation.

Non-controlling Interest

Non-controlling interest represents the portion of equity that is not attributable to the Company. The non-controlling interest recorded in our consolidated financial statements represents the pre-acquisition equity of those entities which we have determined that we have a controlling financial interest and that consolidation is required as a result of management contracts entered into with these entities. The nature of these contracts provide us with a monthly management fee to provide the services described above, and as such, the only adjustments to non-controlling interests in any period subsequent to initial consolidation would relate to either capital contributions or withdrawals by the non-controlling parties.

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.

Fair Value of Financial Instruments

Our accounting for Fair Value Measurement and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy which requires classification based on observable and unobservable inputs when measuring fair value. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level one — Quoted market prices in active markets for identical assets or liabilities;

Level two — Inputs other than level one inputs that are either directly or indirectly observable; and

Level three — Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each quarter. The Company currently records warrants using level two in the hierarchy.

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The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair values due to the short maturities of these instruments.

Fair Value of Warrants

The Company accounts for free-standing warrants for shares of common stock by first determining whether the instruments require liability treatment based on the provision in the warrant agreements. Generally, when the agreement may require future performance obligations on the part of the Company (other than the issuance of common shares in connection with notice of exercise) or the exercise price of warrants is not fixed or determinable, then the warrants are treated as liabilities and recorded at their relative fair value as of each reporting period. If the warrants are determined to be equity-classified instruments, then the warrants are recorded as an increase in additional paid-in capital with a corresponding discount.

The Company accounts for warrants included with convertible notes by first allocating the proceeds of issuance among the convertible instrument and the stock warrants based on their relative fair values, as there are two separate instruments involved. Following this, it is then further determined whether the embedded conversion option has an intrinsic value. The fair value of the warrants is recorded as an increase to additional paid-in capital with a corresponding discount on the related notes.

Subsequent adjustments to the exercise price of the warrants are recorded at the date of the change. Warrants that are classified as liabilities, are re-measured at each reporting period and changes in the fair value are reported in the Company’s statement of operations.

Concentrations

During the twelve month period ended January 31, 2011, the Company had three major customers, which contributed 36%, 20% and 12% of revenue. As of January 31, 2011, the total receivables from these customers amounted to $170,638, $167,799 and $88,580, respectively.

During the twelve month period ended January 31, 2010, the Company had three major customers, which contributed 28%, 13% and 11% of revenue. As of January 31, 2010, the total receivables from these customers amounted to $159,348, $75,145 and $65,250, respectively.

Stock-Based Compensation

Employee Stock Options and Stock-Based Compensation

All share-based payments to employees, including grants of employee stock options, are recognized in the financial statements based on their fair values. For options granted during the years ended January 31, 2011, the fair value of each option award was estimated using the Black-Scholes option pricing model and the following assumptions:

	Year ended January 31, 2011	
Weighted average risk-free interest rate	1.9	%
Dividend yield	0	%
Volatility factor of the expected market price of the Company's common stock	80	%
Weighted average live	10.0 years	

Expected volatility is based on the historical volatility of the Company’s stock. The Company also uses historical data to estimate the expected term of options granted and employee termination rates. The risk-free rate for periods within the expected useful life of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

The estimated weighted average fair value of options granted during the years ended January 31, was $0.011. As of January 31, 2011, there was approximately $54,348 of total unrecognized compensation cost related to non-vested share-based employee compensation arrangements. That non-cash cost is expected to be recognized over a weighted-average period of one year.

Stock options and warrants issued to non-employees as compensation for services to be provided to the Company are accounted for based upon the fair value of the services provided or the estimated fair value of the option or warrant, whichever can be more clearly determined. The Company recognizes this expense over the period in which the services are provided. The Company's operating results for the years ended January 31, 2011 was 72,152, for non-cash stock-based compensation for options issued to consultants and other non-employees.

There was no option granted during the fiscal year ended January 31, 2010.

The Company issues new shares to satisfy stock option and warrant exercises. There were no options exercised during the years ended January 31, 2011 or 2010.

Basic and Diluted Earnings Per Share

In accordance with ASC Topic 260, "Earnings Per Share," basic net loss per share is calculated using the weighted average number of shares of the Company's common stock issued and outstanding during a certain period, and is calculated by dividing net loss by the weighted average number of shares of the Company's common stock issued and outstanding during such period. Diluted net loss per share is calculated using the weighted average number of common and potentially dilutive common shares outstanding during the period, using the as-if converted method for secured convertible notes, and the treasury stock method for options and warrants.

Cash and Cash Equivalents and Concentration of Cash

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents at January 31, 2011, include cash in bank representing the Company's current operating account and $398,198 in a brokerage money market account.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily consists of amounts due from third-party payors, including government sponsored Medicare and Medicaid programs, and insurance companies, and amounts due from hospitals, and patients. Accounts receivable are recorded and stated at the amount expected to be collected

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Reserves are recorded primarily on a specific identification basis.

Property and Equipment

Property and Equipment is recorded at cost and depreciated using the straight- line method over the estimated useful lives of the respective assets. Cost and related accumulated depreciation on assets retired or disposed of are removed from the accounts and any resulting gains or losses are credited or charged to income. Computers and Software are depreciated over 3 years. Furniture and Fixtures are depreciated over 8 years. Machinery and Equipment are depreciated over 3 years.

Income Taxes

The Company accounts for income taxes using an asset and liability approach which allows for the recognition and measurement of deferred tax assets based upon the likelihood of realization of tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefits, or that future deductibility is uncertain.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigations based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the year incurred.

Revenue Recognition

Revenue consists of contracted and fee-for-service revenue. Revenue is recorded in the period in which services are rendered. Our revenue is principally derived from the provision of healthcare staffing services to patients within healthcare facilities. The form of billing and related risk of collection for such services may vary by customer. The following is a summary of the principal forms of our billing arrangements and how net revenue is recognized for each.

Contracted revenue represents revenue generated under contracts in which we provide physician and other healthcare staffing and administrative services in return for a contractually negotiated fee. Contract revenue consists primarily of billings based on hours of healthcare staffing provided at agreed-to hourly rates. Revenue in such cases is recognized as the hours are worked by our staff and contractors. Additionally, contract revenue also includes supplemental revenue from hospitals where we may have a fee-for-service contract arrangement or provide physician advisory services to the medical staff at specific facility. Contract revenue for the supplemental billing in such cases is recognized based on the terms of each individual contract. Such contract terms generally either provides for a fixed monthly dollar amount or a variable amount based upon measurable monthly activity, such as hours staffed, patient visits or collections per visit compared to a minimum activity threshold. Such supplemental revenues based on variable arrangements are usually contractually fixed on a monthly, quarterly or annual calculation basis considering the variable factors negotiated in each such arrangement. Such supplemental revenues are recognized as revenue in the period when such amounts are determined to be fixed and therefore contractually obligated as payable by the customer under the terms of the respective agreement. Additionally, we derive a portion of our revenue as a contractual bonus from collections received by our partners and such revenue is contingent upon the collection of third-party billings. These revenues are not considered earned and therefore not recognized as revenue until actual cash collections are achieved in accordance with the contractual arrangements for such services.

Fee-for-service revenue represents revenue earned under contracts in which we bill and collect the professional component of charges for medical services rendered by our contracted and employed physicians. Under the fee-for-service arrangements, we bill patients for services provided and receive payment from patients or their third-party payers. Fee-for-service revenue is reported net of contractual allowances and policy discounts. All services provided are expected to result in cash flows and are therefore reflected as net revenue in the financial statements. Fee-for-service revenue is recognized in the period in which the services are rendered to specific patients and reduced immediately for the estimated impact of contractual allowances in the case of those patients having third-party payer coverage. The recognition of net revenue (gross charges less contractual allowances) from such visits is dependent on such factors as proper completion of medical charts following a patient visit, the forwarding of such charts to our billing center for medical coding and entering into our billing system and the verification of each patient’s submission or representation at the time services are rendered as to the payer(s) responsible for payment of such services. Revenue is recorded based on the information known at the time of entering of such information into our billing systems as well as an estimate of the revenue associated with medical services.

Reclassification

Certain reclassifications have been made to prior periods' data to conform to the current year's presentation. These reclassifications had no effect on reported income or losses.

Recently Issued Accounting Pronouncements

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 April 2010, the FASB issued Accounting Standards Update 2010-13 (ASU 2010-13), "Compensation - Stock Compensation (Topic 718)." This Update provides amendments to Topic 718 to clarity that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in ASU 2010-13 are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The provisions of ASU 2010-13 are not expected to have a material effect on the Company's consolidated financial statements.

In July 2010, the FASB issued an accounting update to provide guidance to enhance disclosures related to the credit quality of a company's financing receivables portfolio and the associated allowance for credit losses. Pursuant to this

accounting update, a company is required to provide a greater level of disaggregated information about its allowance for credit loss with the objective of facilitating users' evaluation of the nature of credit risk inherent in the company's portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes and reasons for those changes in the allowance for credit losses. The revised disclosures as of the end of the reporting period are effective for the Company beginning in the second quarter of fiscal 2011, and the revised discourses related to activities during the reporting period are effective for the Company beginning in the third quarter of fiscal 2011. The Company is currently evaluating the impact of this accounting update on its financial disclosures.

3. 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 continues to incur operating losses and has an accumulated deficit of $1,397,363 as of January 31, 2011. In addition, the Company has a total stockholders’ deficit of $83,194 and generated a negative net cash flow operating activities for the twelve months ended January 31, 2011 of $245,031.

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 of convertible notes which have provided 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. We may seek to raise additional capital through public or private equity financings, partnerships, joint ventures, disposition of assets, debt financings, bank borrowings or other sources of financing.

No assurances can be made that management will be successful in achieving its plan. If the Company is not able to raise substantial additional capital in a timely manner, the Company may be forced to cease operations.

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 January 31, 2011, Accounts Receivable totals $704,971, net of a provision for bad debt expense of $34,746, 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. Receivable from officers

Other receivables of $24,873 and $23,483 at January 31, 2011 and 2010, respectively, represent amounts due the Company from two officers. These balances were interest free, due on demand, and insecure.

6. Due from Affiliate

Due from Apollo Medical Associates (“AMA”) was $3,900 and $2,850 as of January 31, 2011 and January 31, 2011, respectively, and represents amounts due from AMA. These balances are due on demand, non-interest bearing and are unsecured. AMA is an unconsolidated affiliate of the Company and currently has no operations and is inactive. No management agreement currently exists between AMM and AMA.

7. Prepaid Expenses

Prepaid Expenses of $29,138 and $30,165 as of January 31, 2011 and January 31, 2010, respectively, are amounts prepaid for medical malpractice insurance and Director’s and Officer’s insurance.

8. Prepaid financing cost

Unamortized financing cost of $76,563 and $114,063 as of January 31, 2011 and 2010, respectively, represents the unamortized financing cost associated with 1 0% 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 consist of the following:

	January 31, 2011	January 31, 2010
Website	$ 4,568	$ -
Computers	13,912	13,912
Software	155,039	138,443
Machinery and equipment	50,815	50,815
Gross Property and Equipment	224,334	203,170
Less accumulated depreciation	(202,741)	(191,543)
Net Property and Equipment	$ 21,593	$ 11,627

Depreciation expense was $11,198 and $35,704 for the twelve month periods ended January 31, 2011 and 2010, respectively.

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10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	January 31, 2011	January 31, 2010
Accounts payable	$ 35,815	$ 32,460
D&O insurance payable	10,913	8,210
Accrued interest		
Accrued professional fees	5,483	22,141
Accrued payroll and income taxes	40,534	41,441
Accrued shares to be issued for note conversion	-	-
Accrued shares issued for services	-	-
Total	$ 92,745	$ 104,252

11. Long-term Debt

The Company’s long-term debt consist of the following:

	January 31, 2011	January 31, 2010
Subordinated Borrowings:		
10% Senior Subordinated Convertible Notes due January 31, 2013	$1,248,588	$1,247,582
Total long-term debt	$1,248,588	$$1,247,582
Less: Current Portion	–	–
Total	$1,248,588	$$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 adjustable pursuant to changes in public value of our shares and cash flow of the Company from July 31, 2011 until the note is paid in full. The agent also received 100,000 shares of restricted common stock for pre-transaction advisory services and due diligence. A commission of $125,000 paid at closing, is accounted for as prepaid expense 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 addition, financing costs included $4,000 related to the value of the 100,000 shares granted to the placement agent. Interest expense of $36,458 was recorded in the year ended January 31, 2010.

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 adjustable pursuant to changes in public value of our shares and cash flow of the Company. This represents an initial conversion price of $0.125 per share of the Company's common stock. The note is fixed from August 1, 2009 through July 31, 2011. After July 31, 2011, the conversion price will equal to the lesser of $0.125 per share or the average of the monthly high stock price and low stock price as reported by Bloomberg multiplied by 110%. The minimum conversion price is the greater of $0.05 per share or 8 times cash EPS.

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. The Company's calculations were made using the Black-Scholes option-pricing model with the following assumptions: expected life of 5 years; 48.0% stock price volatility; risk-free interest rate of 2.16% and no dividends during the expected term. 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 the grant date and $2,418 as of January 31, 2010.

In connection with this offering, the Company also issued warrants to purchase 250,000 shares of our common stock to the placement agent at an exercise price of $0.25 per share, and are exercisable immediately upon issuance and expire five years after the date of issuance. The Company's calculations were made using the Black-Scholes option-pricing model with the following assumptions: expected life of 5 years; 48.0% stock price volatility; risk-free interest rate of 2.16% and no dividends during the expected term. These warrants were estimated to have a fair value of $2,200, which was recorded as unamortized warrant discount on the grant date. The exercise price of the warrants are adjustable according to the same terms as the 10% Notes.

8% Convertible Notes due December 25, 2009

On July 28, 2008, the Company issued $70,000 in the form of a note payable to a relative of the CEO of the Company. The Note carried no interest rate and the Company agreed to pay a $5,000 origination fee to be paid at the time of pay off. The maturity date on this Note was October 1, 2008. The note was extended by verbal agreement on its expiration date with no change in terms. On January 24, 2009, the Company formalized the note extension with the note holder. Under the terms of the new note, the $5,000 origination fee was added to the note, the due date was extended to March 31, 2011, the interest rate was set at eight 8% and the note is initially convertible into 214,285 shares of common stock. The Company paid the note in full, with accumulated interest, on October 22, 2009. The Company recorded interest expense of $4,323 and $99 for the twelve months ended January 31, 2010 and January 31, 2009, respectively.

10% Convertible Notes due between October 7, 2009 and December 12, 2009

Between October 7, 2008 and December 12, 2008 the Company issued $210,000 of its 10% Convertible Notes with attached Warrants. The notes bear interest at a rate of 10% annually, mature and become due twelve months from the date of issuance ranging from October 7, 2009 and December 12, 2009. The conversion rate is 1,333.333 shares of the Company's common stock per $1,000 principal amount of the Notes . As of January 31, 2009, the Company received notices to convert $200,000 of notes into shares of the Company's common stock. The remaining balance of $10,000 was paid in full, with interest, on December 28, 2009.

Each Note Holder also received 666.67 Warrants per $1,000 principal amount of the Notes purchased. These Warrants are exercisable into shares of Common Stock at an exercise price of $1.50. The Warrants have a three-year term and expire on the third year anniversary of the respective notes. The Company recorded value of warrants using the Black Scholes pricing model using the following assumptions: Stock price $0.27, Expected life of 3 years, Risk free bond

rate of 1.05% to 2.00% and volatility of 44% to 61%. Based on the assumptions used the Company recorded the fair value of warrants amounting to $379 which was fully amortized as interest expense during year ended January 31, 2009.

The following table represents the principal repayments of all the outstanding debt as of January 31, 2011:

Year ending January 31,	
2012	$-
2013	1,250,000

12. Income Taxes

As of January 31, 2011, the Company had Federal and California tax net operating loss carry-forwards of approximately $1,418,000 and $1,414,000, respectively. The federal and California net operating loss carry-forwards will expire at various dates from 2028 through 2031.

The Company recorded a deferred income benefit of $38,400, which was offset by recognition of a full valuation allowance. Pursuant to Internal Revenue Code Sections 382 and 383, use of the Company's net operating loss and credit carry-forwards may be limited if a cumulative change in ownership of more than 50% occurs within any three-year period since the last ownership change. The Company may have had a change in control under these Sections. However, the Company does not anticipate performing a complete analysis of the limitation on the annual use of the net operating loss and tax credit carry-forwards until the time that it projects it will be able to utilize these tax attributes.

Significant components of the Company's deferred tax assets as of January 31, 2011 and January 31, 2010 are shown below. A valuation allowance of $232,700 as of January 31, 2011 has been established against the Company's deferred tax assets as realization of such assets is uncertain.

Deferred tax assets consist of the following:

	January 31, 2011	January 31, 2010
Net operating loss carry-forwards	$ 212,800	$ 190,300
Non-cash stock-based compensation	10,800	-
Other, net	9,100	4,000
Net deferred tax assets	232,700	194,300
Valuation allowance for deferred tax assets	(232,700)	(194,300)
Total deferred tax assets	$ —	$ —

The provision for income taxes for the year ended January 31, 2011 differs from the amount computed by applying the federal income tax rate as follows:

Tax computed at the statutory rate	35.0 %
State tax, net of the federal tax benefit	(2.8 %)
Nondeductible expenses	(3.3 %)
Stock options	(16.2%)
Valuation allowance for deferred tax assets	(12.7%)
Income tax benefit	—

In July 2006, the FASB issued guidance which clarified the accounting for uncertainty in income taxes recognized in an enterprise's financial statements (formerly FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes"). This guidance prescribed a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance also addressed derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. These provisions were effective for fiscal years beginning after December 15, 2006. The cumulative effect, if any, of applying these provisions is to be reported as an adjustment to the opening balance of retained earnings in the year of adoption. The impact of the Company's reassessment of its tax positions in accordance with this guidance did not have a material effect on the Company's results of operations, financial condition or liquidity. The provisions of this

guidance have been incorporated into ASC 740-10.

As of January 31, 2011, the Company does not have any unrecognized tax benefits related to various federal and state income tax matters. The Company will recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company is subject to U.S. federal income tax as well as income tax of multiple state tax jurisdictions. The Company and its subsidiaries' state income tax returns are open to audit under the statute of limitations for the years ended January 31, 2008 through 2011. The Company does not anticipate any material amount of unrecognized tax benefits within the next 12 months.

13. Related Party Transactions

During the twelve months ended January 31, 2011 and 2010, the Company generated revenue of $577,000 and $395,135, 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.

14 Non-Controlling Interest

The accompanying consolidated financial statements include non-controlling interest of $228,115 at July 31, 2011 and January 31, 2011 related to equity in AMH not attributable to the Company. There were no changes to this balance during either year presented as there were no contributions or withdrawals of capital made by these non-controlling interests.

15. Stockholder's Equity

The Company issued a total of 594,446 common shares in the twelve months ended January 31, 201 1, including 383,333 shares in the first quarter ended April 30, 2010 and 211,113 shares issued in the second quarter ended July 31, 2010. Of the 594,446 shares issued, 244,446 were issued to officers and directors and 350,000 shares were issued to Kanehoe Advisors. The total shares of 594,446 were valued at $47,378 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 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:

	Aggregate intrinsic value	Number of warrants
Outstanding at January 31, 2010	$ —	2,125,803
Granted	—	—
Exercised	—	—
Lapsed	—	470,470
Outstanding at January 31, 2011	$ —	1,655,333

Exercise Price	Warrants outstanding	Weighted average remaining contractual life	Warrants exercisable	Weighted average exercise price
$ 1.500	155,333	1.74	155,333	$ 1.50
$ 0.250	1,250,000	4.75	1,250,000	$ 0.125
$ 0.250	250,000	4.75	250,000	$ 0.25

In conjunction with the completion of the private placement on October 16, 2009, as described in Note 11, the Company issued a total of 1,500,000 warrants. Of this amount, 1,250,000 warrants were issued to the holders of the Convertible Notes and 250,000 warrants were granted to the placement agent. The 1,250,000 warrants held by the note holders 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. The 250,000 warrants conveyed to the placement agent also have a five-year term, expire on October 31, 2014, and are exercisable at $0.25 per share.

2010 Equity Incentive Plan

On March 4, 2010, the Company’s Board of Directors approved the 2010 Equity Incentive Plan (the “Plan”). The Plan provides for the granting of the following types of awards to persons who are employees, officers, consultants, advisors, or directors of our Company or any of its affiliates:

Under the Plan, the Company may issue a variety of equity vehicles to provide flexibility in implementing equity awards, including incentive stock options, nonqualified stock options, restricted stock grants and stock appreciation rights. The exercise price of stock options offered under the Plan shall not be less than the fair market value of the Company's common stock on the date of the grant. The exercise price of an ISO granted to any person who owns, directly or by attribution under the Code (currently Section 424(d)), stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any affiliate (a "10% Stockholder") shall in no event be less than 110% of the fair market value (determined in accordance with Section 6.1.10) of the stock covered by the option at the time the option is granted.

Subject to the adjustment provisions of the Plan that are applicable in the event of a stock dividend, stock split, reverse stock split or similar transaction, up to 5,000,000 shares of common stock may be issued under the Plan. Options granted under the Plan generally vest over a three-year period and generally expire five years from the date of grant.

As of January 31, 2010, options to purchase an aggregate of 616,666 shares of common stock were exercisable under the Company's stock option Plan. During the year ended January 31, 2010, the Company did not issue options to purchase shares of common stock with exercise prices below the fair market value of the common stock on the dates of grant.

Stock option transactions under the Company's stock option plans for the year ended January 31, 2011 are summarized below:

	Shares	Weighted Average Per Share Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance, January 31, 2010				
Granted	1,150,000	$ 0.15		
Exercised	-	-		
Expired	-	-		
Forfeited	-	-		
Balance, January 31, 2011	1,150,000	$ 0.15	9.9 years	$ -
Vested and expected to vest	1,150,000	$ 0.15	9.9 years	$ -
Exercisable, January 31, 2011	666,616	$ 0.15	9.9 years	$ -

As January 31, 2011, options available for future grant under the Plan amounted to 3,850,000.

Information regarding stock options outstanding at January 31, 2011 is as follows:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding at January 31, 2011	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at January 31, 2010	Weighted average exercise price
$ 0.15	1,150,000	9.4 years	$ 0.15	666,616	$ 0.15
	1,150,000	9.4 years	$ 0.15	666,616	$ 0.15

16. Commitments and Contingency

On March 15, 2009, the Company entered into a Consulting Agreement with Kaneohe Advisors LLC (Kyle Francis) under which Mr. Francis became the Company's Executive Vice President, Business Development and Strategy. Under the terms of the Agreement, Mr. Francis is compensated at a rate of $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 second anniversary of the Consulting Agreement, Mr. Francis was granted an additional 350,000 shares.

On September 4, 2008, Apollo Medical Management, Inc. executed an employment agreement with Jilbert Issai, M.D., to provide services as Senior Vice President. The agreement is for an initial one-year term with provision for successive one-year periods. Under the agreement, Dr. Issai is entitled to a nominal salary and may be granted options to purchase an aggregate of 300,000 shares of the Company's common stock at an exercise price of $0.15 per share when and if the Company is to adopt a stock compensation plan. The Company granted Dr. Issai 300,000 options on December 9, 2010.

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 11,111 shares under this agreement in the year ended January 31, 2009 and an additional 144,443 shares in the year ended January 31, 2010.

17. Subsequent Events

On February 15, 2011, Apollo Medical Holdings, Inc. (the "Company") entered into a Stock Purchase Agreement (the "Purchase Agreement") with Aligned Healthcare Group – California, Inc., Raouf Khalil, Jamie McReynolds, M.D. BJ Reese and BJ Reese & Associates, LLC, under which the Company acquired all of the issued and outstanding shares of capital stock (the "Acquisition") of Aligned Healthcare, Inc., a California corporation ("AHI"), from AHI's shareholders. Upon the signing of the Purchase Agreement, 1,000,000 shares of the Company's common stock became issuable (the "Initial Shares"). In addition, if the gross revenues of AHI and an affiliated entity (the "Aligned Division") exceed $1,000,000 on or before February 1, 2012, then the Company will be obligated to issue an additional 1,000,000 shares of common stock (the "Contingent Shares"). Moreover, the Company will be obligated to issue up to an additional 3,500,000 shares of common stock (the "Earn-Out Shares" and, collectively with the Initial Shares and the Contingent Shares, the "Shares") over a three year period following closing based on the EBITDA generated by the Aligned Division during that time. If, prior to February 15, 2012, AHI has not entered into an agreement for the provision of certain services to a hospital or certain other health organizations that has a term of at least one year and provides aggregate net revenues to AHI of at least $1,000,000, the Company will have the right to repurchase all of the Initial Shares for $0.05 per share, at which time the Company's obligation to issue any further Shares would terminate.

The Company issued and sold the Initial Shares on February 16, 2011 in connection with the closing of the Acquisition. In addition, the Company is obligated to issue the Contingent Shares and the Earn-Out Shares if and when the performance criteria described in Item 1.01 above are met. The consideration received by the Company for the Shares was all of the issued and outstanding shares of capital stock of AHI. The Initial Shares were issued, and the Earn-Out Shares and Contingent Shares, if any are issued, will be issued, pursuant to Rule 506 of Regulation D. Each of the purchasers of the Shares is an accredited investor, as defined in Rule 501 of Regulation D, and the issuance and sale of the Shares was conducted by direct negotiations without any advertising or general solicitation.