

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-QSB

(X) Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934.

For the quarterly period ended September 30, 2005.

() Transition report pursuant to Section 13 or 15(d) of the Exchange Act for the transition period from _____ to _____.

Commission File Number: 333-72097

NeoGenomics, Inc.

(Exact name of registrant as specified in charter)

Nevada

(State or other jurisdiction of incorporation or organization)

74-2897368

(I.R.S. Employer Identification No.)

12701 Commonwealth Drive, Suite 9, Fort Myers, FL 33913

(Address of principal executive offices)

(239) 768-0600

(Registrant's Telephone Number, Including Area Code)

Check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES (X) NO ()

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

YES () NO (X)

State the number of shares outstanding of each of the issuer's classes of common equity, as of October 31, 2005.

22,576,975

Transitional Small Business Disclosure Format:

YES () NO (X)

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PART I

FORWARD-LOOKING STATEMENTS

This Form 10-QSB contains "forward-looking statements" relating to NeoGenomics, Inc., a Nevada corporation (referred to as "NeoGenomics", the "Company", "we", "us", or "our" in this Form 10-QSB), which represent the Company's current expectations or beliefs including, but not limited to, statements concerning the Company's operations, performance, financial condition and growth. For this purpose, any statements contained in this Form 10-QSB that are not statements of historical fact are forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "anticipation", "intend", "could", "estimate", or "continue" or the negative or other comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, such as credit losses, dependence on management and key personnel, variability of quarterly results, competition, and the ability of the Company to continue its growth strategy, certain of which are beyond the Company's control. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or

combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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NeoGenomics, Inc.

**CONSOLIDATED BALANCE SHEET AS OF
September 30, 2005
(unaudited)**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 76,823
Accounts receivable (net of allowance for doubtful accounts of \$20,140)	374,090
Inventories	44,366
Other current assets	<u>46,656</u>
Total current assets	541,935

PROPERTY AND EQUIPMENT (net of accumulated depreciation
of \$225,648)

442,716

OTHER ASSETS

14,002

TOTAL

\$ 998,653
=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Accounts payable	\$ 274,545
Deferred revenue	110,000
Accrued and other liabilities	<u>53,627</u>
Total current liabilities	438,172

LONG TERM LIABILITIES (net of unamortized discount of
\$97,090)

1,263,361

TOTAL LIABILITIES

1,701,533

STOCKHOLDERS' DEFICIT:

Common stock, \$.001 par value, 100,000,000 shares authorized; 22,576,975 shares issued and outstanding	22,577
Additional paid-in capital	9,934,250
Deficit	<u>(10,659,707)</u>
Total stockholders' deficit	<u>(702,880)</u>

TOTAL

\$ 998,653
=====

See notes to consolidated financial statements.

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NeoGenomics, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the Nine-Months Ended September 30, <u>2005</u>	For the Nine-Months Ended September 30, <u>2004</u>	For the Three-Months Ended September 30, <u>2005</u>	For the Three-Months Ended September 30, <u>2004</u>
REVENUE	\$ 1,134,429	\$ 422,254	\$ 559,349	\$ 121,859
COST OF REVENUE	<u>683,694</u>	<u>417,133</u>	<u>313,176</u>	<u>132,773</u>
GROSS (DEFICIT) PROFIT	<u>450,735</u>	<u>5,121</u>	<u>246,173</u>	<u>(10,914)</u>
OPERATING EXPENSES:				
Selling, general and administrative	946,358	447,510	424,470	137,091
Interest expense	<u>140,845</u>	<u>66,820</u>	<u>61,640</u>	<u>22,851</u>
Total operating expenses	<u>1,087,203</u>	<u>514,330</u>	<u>486,110</u>	<u>159,942</u>
NET INCOME (LOSS)	<u>\$ (636,468)</u>	<u>\$ (509,209)</u>	<u>\$ (239,937)</u>	<u>\$ (170,856)</u>
NET INCOME (LOSS) PER SHARE - Basic and Diluted	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - Basic and Diluted	<u>22,145,593</u>	<u>19,350,912</u>	<u>22,526,370</u>	<u>20,785,612</u>

See notes to consolidated financial statements.

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NeoGenomics, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Nine-Months Ended September <u>30, 2005</u>	For the Nine-Months Ended September <u>30, 2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(636,468)	\$ (509,209)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	88,335	64,908
Amortization of credit facility discount	34,247	-
Amortization of debt issue costs	13,973	-
Other Amortization	14,009	-
Equity-based compensation	64,244	-
Provision for bad debts	65,727	12,694
Changes in assets and liabilities, net:		
(Increase) decrease in accounts receivables, net of write-offs	(383,326)	(15,179)

(Increase) decrease in inventory	(29,244)	4,370	
(Increase) decrease in pre-paid expenses	(25,223)	(2,217)	
(Increase) decrease in other current assets	3,474	(6,040)	
(Increase) decrease in deposits	1,500	4,540	
Increase (decrease) in accounts payable and other liabilities	<u>104,161</u>	<u>(61,069)</u>	
NET CASH USED IN OPERATING ACTIVITIES		<u>(684,592)</u>	<u>(507,202)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES -			
Purchases of property and equipment	<u>(82,659)</u>	<u>(14,473)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances from affiliates, net	620,451	80,000	
Debt issue costs	(53,587)	-	
Issuances of common stock, net of transaction expenses	<u>164,662</u>	<u>740,228</u>	
NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>731,526</u>	<u>820,228</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(35,725)	298,533
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		<u>112,548</u>	<u>25,051</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 76,823	\$ 323,604

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid	\$ 89,834	\$ 86,474
Income taxes paid	\$ -	\$ -

See notes to consolidated financial statements.

NeoGenomics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE A - ORGANIZATION AND DESCRIPTION OF BUSINESS

NeoGenomics, Inc. ("NEO") was incorporated under the laws of the state of Florida on June 1, 2001 and on November 14, 2001 agreed to be acquired by American Communications Enterprises, Inc., a Nevada corporation ("ACE"). As a result of the acquisition, NEO became the operating subsidiary of ACE. ACE was formed in 1998 and succeeded to NEO's name on January 3, 2002 (collectively NEO and ACE are referred to as "NeoGenomics", the "Company", "we", "us", or "our" throughout this Form 10-QSB).

On April 4, 2003, we amended our Articles of Incorporation to (1) effect a one-for-100 reverse split of our common stock, (2) reduce the authorized number of common shares from 500,000,000 to 100,000,000, and (3) authorize 10,000,000 shares of preferred stock for future issuance, with such terms, restrictions and limitations as may be established by the Board of Directors.

As a result of the above, all references to the number of shares and par value in the accompanying consolidated financial statements and notes thereto have been adjusted to reflect the April 2003 reverse stock split as though it had been completed as of January 1, 2003.

Basis of Presentation

Our accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-QSB and Rule 10-1 of Regulation S-X of the Securities and Exchange Commission (the "SEC"). Accordingly, these consolidated financial statements do not include all of the footnotes required by accounting principles generally accepted in the United States of America. In our opinion, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005. The accompanying consolidated financial statements and the notes thereto should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2004 contained in our Form 10-KSB.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of NEO and ACE. All significant intercompany accounts and balances have been eliminated in consolidation.

Revenue Recognition

Net revenues are recognized in the period when tests are performed and consist primarily of net patient revenues that are recorded based on established billing rates less estimated discounts for contractual allowances principally for patients covered by Medicare, Medicaid, and managed care and other health plans. These revenues also are subject to review and possible audit by the payers. We believe that adequate provision has been made for any adjustments that may result from final determination of amounts earned under all the above arrangements. There are no known material claims, disputes or unsettled matters with any payers that are not adequately provided for in the accompanying consolidated financial statements.

Accounts Receivable and Allowance for Doubtful Accounts

We record accounts receivable net of estimated and contractual discounts. We provide for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. We estimate this allowance based on the aging of our accounts receivable and our historical collection experience for each type of payer. Bad debts are charged off to the allowance account at the time they are deemed uncollectible.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make certain 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. The reported amounts of revenues and expenses during the reporting period may be affected by the estimates and assumptions we are required to make. Estimates that are critical to the accompanying consolidated financial statements include estimates related to contractual adjustments, and the allowance for doubtful accounts. It is at least reasonably possible that our estimates could change in the near term with respect to these matters.

NOTE B - LIQUIDITY

Our consolidated financial statements were prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of

liabilities in the normal course of business. At December 31, 2004, we had working capital and stockholders' deficits of approximately \$822,000 and \$426,000 respectively. However, subsequent to December 31, 2004, we enhanced our working capital as we refinanced our short-term indebtedness of \$740,000 included in current liabilities with indebtedness that does not mature until March 31, 2007 (see Note C). We believe this debt facility, which allows for unsecured borrowings of \$1,000,000 after April 30, 2005, our Standby Equity Distribution Agreement with Cornell Capital (See Note D) and improving operations, will provide adequate capital to fund our operations and growth for 2005 and beyond. At September 30, 2005, we had a working capital surplus of \$103,763. As such, our consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

NOTE C - RELATED PARTY TRANSACTIONS

During the nine months ending September 30, 2005, and fiscal year 2004, the Company incurred consulting expenses from a director of \$55,000 and \$44,000, respectively, for various consulting work performed in connection with managing the financial affairs of the Company and acting as the Principal Financial Officer.

On March 11, 2005, we entered into an agreement with HCSS, LLC and eTelenext, Inc. to provide eTelenext, Inc's Accessioning Application, AP Anywhere Application and CMQ Application. HCSS, LLC is a holding company created to build a small laboratory network for the 50 small commercial genetics laboratories in the United States. HCSS, LLC is owned 66.7% by Dr. Michael T. Dent, our Chairman. By becoming the first customer of HCSS in the small laboratory network, the Company is saving approximately \$152,000 in up front licensing fees. Under the terms of the agreement, the Company is required to pay \$22,500 over three months to customize this software and will pay an annual membership fee of \$6,000 per year and monthly transaction fees of between \$2.50 - - \$10.00 per completed test, depending on the volume of tests performed. The eTelenext system is an elaborate laboratory information system (LIS) that is in use at many larger labs. By assisting in the formation of the small laboratory network, the Company will be able to increase the productivity of its technologists and have on-line links to other small labs in the network in order to better manage its workflow.

On March 23, 2005, we entered into an agreement with Aspen Select Healthcare, LP (formerly known as MVP 3, LP) ("Aspen") to refinance our existing indebtedness of \$740,000 and provide for additional liquidity of up to \$760,000 to the Company. Under the terms of the agreement, Aspen, a Naples, Florida-based private investment fund will make available up to \$1.5 million of debt financing in the form of a revolving credit facility (the "Credit Facility") with an initial maturity of March 31, 2007. Aspen is managed by its General Partner, Medical Venture Partners, LLC, which is controlled by a director of NeoGenomics. We incurred \$53,587 of transaction expenses in connection with establishing the Credit Facility, which have been capitalized and are being amortized to interest expense over the term of the agreement.

Under the terms of the Credit Facility, we are able to borrow up to 80% of "eligible" accounts receivable, 50% of our net furniture and equipment balance, which is secured by substantially all of our assets up to \$1,000,000 on an unsecured basis after April 30, 2005. The interest rate on the Credit Facility is prime + 6.0%, payable monthly in arrears. With respect to this agreement, we are subject to the following restrictive covenants: (i) we are not to incur indebtedness outside of this agreement in excess of \$50,000 without written authorization of Aspen, (ii) we cannot declare or pay any dividend on our common stock, and (iii) we are also subject to other general covenants typical of an instrument of this kind. In addition, as a condition to these transactions, the Company, Aspen and certain individual shareholders agreed to amend and restate their shareholders' agreement to provide that Aspen will have the right to appoint up to three of seven of our directors and one mutually acceptable

independent director. We also amended and restated a Registration Rights Agreement, dated March 23, 2005 with Aspen and certain individual shareholders, which grants to Aspen certain demand registration rights and which grants to all parties to the agreement, piggyback registration rights. As part of the Credit Facility transaction, the Company also issued to Aspen a five year Warrant to purchase up to 2,500,000 shares of its common stock at an exercise price of \$0.50/share (which we anticipate will result in us recording stock based interest expense in 2005 and beyond). We have accrued \$131,337 for the value of such Warrant as of the original commitment date as a discount to the face amount of the Credit Facility. The Company is amortizing such discount to interest expense over the 24 month of the Credit Facility. As of September 30, 2005 \$1,488,520 was available for use and \$1,360,451 had been drawn.

NOTE D - EQUITY FINANCING TRANSACTIONS

On June 6, 2005, we entered into a Standby Equity Distribution Agreement with Cornell Capital Partners, LP ("Cornell"). Pursuant to the Standby Equity Distribution Agreement, the Company may, at its discretion, periodically sell to Cornell shares of common stock for a total purchase price of up to \$5.0 million. For each share of common stock purchased under the Standby Equity Distribution Agreement, Cornell will pay the Company 98% of the lowest volume weighted average price ("VWAP") of the Company's common stock as quoted by Bloomberg, LP on the Over-the-Counter Bulletin Board or other principal market on which the Company's common stock is traded for the 5 days immediately following the notice date (the "Purchase Price"). The total number of shares issued to Cornell under each advance request will be equal to the total dollar amount of the advance request divided by the Purchase Price determined during the five day pricing period. Cornell will also retain 5% of each advance under the Standby Equity Distribution Agreement. Cornell's obligation to purchase shares of the Company's common stock under the Standby Equity Distribution Agreement is subject to certain conditions, including the Company maintaining an effective registration statement for shares of common stock sold under the Standby Equity Distribution Agreement and is limited to \$750,000 per weekly advance. The amount and timing of all advances under the Standby Equity Distribution Agreement are at the discretion of the Company and the Company is not obligated to issue and sell any securities to Cornell, unless and until it decides to do so. Upon execution of the Standby Equity Distribution Agreement, Cornell received 381,888 shares of the Company's common stock as a commitment fee under the Standby Equity Distribution Agreement. The Company also issued 27,278 shares of the Company's common stock to Spartan Securities Group, Ltd. under a placement agent agreement relating to the Standby Equity Distribution Agreement.

On July 1, 2005, we issued 14,947 shares of our common stock under the Company's 2003 Equity Incentive Plan to two employees of the Company in

satisfaction of \$4,933 of accrued, but unpaid vacation.

On July 28, 2005, we filed an amended SB-2 registration statement with the Securities and Exchange Commission to register 10,000,000 shares of our common stock related to the Standby Equity Distribution Agreement. Such registration statement became effective as of August 1, 2005.

On August 29, 2005, we requested a \$25,000 advance on our Standby Equity Distribution Agreement with Cornell. The advance was completed to provide funding for general corporate purposes. The advance was completed on September 8, 2005 and resulted in the sale of 63,776 shares of common stock. Our net proceeds were \$23,250 after deducting \$1,250 in fees to Cornell and a \$500 escrow agent fee to Yorkville Advisors Management, LLC.

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

Overview

NeoGenomics operates a medical testing laboratory and research facility based in Fort Myers, Florida that is targeting the rapidly growing genetic and molecular testing segment of the medical laboratory market. Our common stock is listed on the NASDAQ Over-the-Counter Bulletin Board (the "OTCBB") under the symbol "NGNM." Our business plan features two concurrent objectives:

1. Development of a clinical laboratory to offer routine cytogenetics, FISH, Flow Cytometry and molecular biology testing services; and
2. Development of a research laboratory to offer sponsored research services to other companies that are seeking to develop genomic products that will determine the genetic basis for female and neonatal diseases, cancers and other forms of disease.

The vision of NeoGenomics is to merge a high-end genetic and molecular testing laboratory with ongoing research activities to help bridge the gap between clinical medicine and genomic research. We believe that this combination could allow the Company to speed the process of discovery and innovation and develop new advanced testing methods to identify the genetic and molecular causes of disease. Over the last five years, advances in technology and genetic research, including the complete sequencing of the human genome, have made possible a whole new set of tools to diagnose and treat diseases. This has opened up a vast opportunity for laboratory companies that are positioned to address this growing market segment.

The medical testing laboratory market can be broken down into three primary segments:

- o clinical lab testing,
- o anatomic pathology testing, and
- o genetic/molecular testing.

Clinical labs typically are engaged in high volume, high automation tests on blood and urine. Clinical lab tests often involve testing of a less urgent nature, for example, cholesterol testing and testing associated with routine physical exams. This type of testing yields relatively low average revenue per test. Anatomic pathology ("AP") testing involves evaluation of tissue, as in surgical pathology, or cells as in cytopathology. AP testing typically seeks to answer the question: is it cancer? The most widely known AP tests are Pap smears, skin biopsies, and tissue biopsies. AP tests are typically more labor and technology intensive than clinical lab tests and thus typically have higher average revenue per test than clinical lab tests.

We believe genetic/molecular testing is the newest and fastest growing subset of the laboratory market. Genetic testing or "cytogenetics" involves analyzing chromosomes taken from the nucleus of cells for abnormalities in a process called karyotyping. A karyotype evaluates the entire 46 human chromosomes by number, and banding patterns to identify abnormalities associated with diseases. Examples of cytogenetics testing include bone marrow testing to diagnose various types of leukemia and lymphoma, and amniocentesis testing of pregnant women to diagnose genetic anomalies such as Down syndrome in a fetus. Molecular biology involves testing for even more specific causes of diseases based on very small alterations in cellular biology and DNA. Examples of common molecular biology testing include screening for paternity, cystic fibrosis or Tay-Sachs disease.

Both cytogenetics and molecular biology have become important and highly-accurate diagnostic tools over the last five years. New tests are being developed rapidly, thus this market segment is expanding rapidly. Genetic/molecular testing requires very specialized equipment and credentialed individuals (typically PhD level) to certify the results. The following chart

shows the differences between the genetic/molecular segment and other segments of the medical laboratory testing market. Up until about five years ago, the genetic/molecular segment was considered to be part of the Anatomic Pathology segment, but given its rapid growth, many industry veterans now break genetic/molecular testing out into its own segment.

Comparison of the Medical Testing Laboratory Market Segments:

<u>Attributes</u>	<u>Clinical</u>	<u>Anatomic Pathology</u>	<u>Genetic/Molecular</u>
Testing Performed On	Blood, Urine	Tissue/Cells	Chromosomes/Molecules
Volume	High	Low	Low
Physician Involvement	Low	High - Pathologist	Low
Malpractice Ins. Require	Low	High	Low
Other Professionals Req	None	None	Cyto/Molecular geneticist
Level of Automatio	High	Low-Moderate	Moderate
Diagnostic in Natur	Usually Not	Yes	Yes
Types of Diseases Teste	Many Possible Cancer	Primarily to Rule out	Rapidly Growing
Typical Price/Test(1)	\$5 - \$35/Test	\$25 - \$500/Test	\$200 - \$1,000/Test
Estimated Size of Market	\$25 - \$30 Billion	\$8.0 - \$10.0 Billion	\$3.0 - \$5.0 Billion
Est. Growth Rate of Market	4.0 -5.0% Annually	6.0 - 7.0% Annually	25.0 +% Annually
Established Competitors	Quest Diagnostics LabCorp Bio Reference Lab Specialty Labs DSI Laboratories Hospital Labs	Quest Diagnostics LabCorp/US Labs Genzyme/Impath Ameripath Local Pathologists	Genzyme Genetics Quest Diagnostics LabCorp/Esoterics Major Universities

Source: Research Analysts and Company Estimates

(1) Estimated Revenue/Test is for the technical component of such tests and does not include revenue for the professional component or interpretation of such tests.

Our primary focus is on the oncology market. We target oncologists that perform bone marrow sampling and treat patients with leukemia, lymphoma and other forms of cancer as well as urologists that treat patients with bladder cancer. Historically, our clients have been predominantly located in Florida. Beginning in January 2005, based on the experience of our new President, we began targeting large institutional clients in the Eastern United States. This was successful and we landed several clients in the Eastern United States. We also signed up several clients in the Midwestern United States as well. During the third quarter of 2005 we began testing for cervical, breast and bladder cancer. As we grow, we anticipate offering additional tests that broaden our focus from genetic and molecular biology testing to more traditional types of anatomic pathology testing that is complementary to our current test offerings.

We compete in the marketplace based on the quality and accuracy of our test results, our turn-around times and our ability to provide after-test support to those physicians requesting consultation. We believe our average 3-5 day turn-around times on oncology-related cytogenetics tests is among the best in the industry and is helping to increase the usage patterns of cytogenetics tests by our referring oncologists and hematopathologists. Based on customer feedback, we believe that most competing cytogenetics labs typically have 7-14 day turn-around times on average. Traditionally, longer turn-around times for cytogenetics tests have resulted in fewer tests being ordered since there is an increased chance that the test results will not be returned within an acceptable diagnostic window when other adjunctive diagnostic test results are available. We believe our turn-around times result in our referring physicians requesting more of our testing services in order to augment or confirm other diagnostic tests, thereby giving us a significant competitive advantage in marketing our services against those of other competing laboratories.

We have an opportunity to add additional types of tests to our product

offering. We believe that by doing so we may be able to capture increases in our testing volumes through our existing customer base as well as more easily attract new customers via the ability to bundle our testing services more appropriately to the needs of the market. For instance, initial testing for most hematological cancers yields total revenue ranging from approximately \$1,500 -

\$2,500/case and is generally comprised of cytogenetic, fluorescence in-situ hybridization (FISH), flow cytometry, and morphology testing. Until recently, we only performed cytogenetic testing in-house, which averaged approximately \$500 of revenue per case. In December 2004, we added FISH testing to our product offering, and in February 2005, we began offering flow cytometry testing services. We believe that with the addition of these two new testing platforms, we will nearly double our average revenue per oncology case.

We believe this bundled offering approach could drive large increases in our revenue and afford the Company significant synergies and efficiencies in our operations, sales and marketing activities.

Avg. Rev/Test

Cytogenetics	\$400-\$600
Fluorescence In Situ Hybridization (FISH)	\$200-\$400
Flow cytometry	
- Technical component	\$400-\$600
- Professional component	\$100-\$200
Morphology	<u>\$400-\$700</u>
Total	\$1,500-\$2,500

The following discussion and analysis should be read in conjunction with the financial statements for the three months ended September 30, 2005, included with this Form 10-QSB. Readers are also referred to the cautionary statement, which addresses forward-looking statements made by us.

Critical Accounting Policies

The preparation of financial statements in conformity with United States generally accepted accounting principles requires our management to make estimates and assumptions that affect the reported amount 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. Actual results could differ from those estimates. Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain.

Our critical accounting policies are those where we have made difficult, subjective or complex judgments in making estimates, and/or where these estimates can significantly impact our financial results under different assumptions and conditions. Our critical accounting policies are:

- o Revenue Recognition
- o Accounts Receivable

Revenue Recognition

Net revenues are recognized in the period when tests are performed and consist primarily of net patient revenues that are recorded based on established billing rates less estimated discounts for contractual allowances principally for patients covered by Medicare, Medicaid and managed care and other health plans. These revenues also are subject to review and possible audit by the payers. We believe that adequate provision has been made for any adjustments that may result from final determination of amounts earned under all the above arrangements. There are no known material claims, disputes or unsettled matters with any payers that are not adequately provided for in the accompanying consolidated financial statements.

Accounts Receivable

We record accounts receivable net of estimated and contractual discounts. We provide for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. We estimate this allowance based on the aging of our accounts receivable and our historical collection experience for each type of payer. Bad debts are charged off to the allowance account at the time they are deemed uncollectible.

Results of Operations for the Three Months ended September 30, 2005 as Compared to the Three Months ended September 30, 2004

During the three months ended September 30, 2005, our revenues increased approximately 359% to approximately \$559,000 from approximately \$122,000 during the three months ending September 30, 2004, primarily as a result of attracting new customers to our services and to a lesser extent increasing the volume of services sold to existing customers. During the three months ending September 30, 2005, our cost of revenue increased approximately 136% to approximately \$313,000 from approximately \$133,000 during the three months ending September 30, 2004, primarily as a result of personnel, supplies and transportation costs associated with processing higher test volumes. This resulted in an increase of approximately \$257,000 in our gross profit to approximately \$246,000 for the three months ended September 30, 2005 from a gross deficit of approximately \$11,000 during the three months ended September 30, 2004. This change is primarily attributable to our increased revenues and testing volumes for the period ended September 30, 2005 as compared to the three month period ended September 30, 2004.

During the three months ended September 30, 2005, our selling, general and administrative expenses increased by approximately 210% to approximately \$425,000 from approximately \$137,000 for the three months ended September 30, 2004. This increase was primarily a result of higher personnel and personnel-related expenses associated with increased levels of staffing and with infrastructure related to supporting our growing operations. Selling, general and administrative expenses include all of our overhead and technology expenses as well as the cost of our management and sales personnel.

Interest expense for the three months ended September 30, 2005 increased approximately 169% to approximately \$62,000 from approximately \$23,000 for the three months ended September 30, 2004. Interest expense is mainly comprised of interest payable on advances under our Credit Facility from Aspen, which have increased as a result of our increased borrowing. In addition, in connection with our new credit facility, discussed below in "Liquidity and Capital Resources," we recorded \$131,337 of a debt discount for the issuance of warrants and we incurred \$53,587 of financing costs. These amounts are being amortized to interest expense over the 24 month period of the new credit facility. Thus interest expense for the three months ending September 30, 2005, includes approximately \$23,000 of non-cash charges in connection with the amortization of this debt discount and financing costs. There was no amortization of debt discount and financing costs to interest expense during the three months ended September 30, 2004.

As a result of the foregoing, our net loss for the three months ended September 30, 2005 increased approximately 40% to approximately \$240,000 from approximately \$171,000 during the three months-ended September 30, 2004.

Results of Operations for the Nine Months ended September 30, 2005 as Compared to the Nine Months ended September 30, 2004

During the nine months ended September 30, 2005, our revenues increased approximately 169% to approximately \$1,134,000 from approximately \$422,000 during the nine months ending September 30, 2004, primarily as a result of

attracting new customers to our services and to a lesser extent increasing the volume of services sold to existing customers. During the nine months ending September 30, 2005, our cost of revenue increased approximately 63% to \$684,000 from approximately \$417,000 during the nine months ending September 30, 2004,

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primarily as a result of personnel, supplies transportation costs associated with processing higher test volumes as well as increased costs as a result of opening new lines of business. This resulted in gross profit during the nine months ended September 30, 2005 of approximately \$451,000 from approximately \$5,000 during the nine months ended September 30, 2004. This increase is primarily attributable to realizing economies of scale from our increased revenues and testing volumes for the nine months ended September 30, 2005 as compared to the nine months ended September 30, 2004.

During the nine months ended September 30, 2005, our selling, general and administrative expenses increased by approximately 112% to approximately \$946,000 from approximately \$448,000 in the nine months ended September 30, 2004. This increase was primarily as a result of higher personnel and personnel-related expenses associated with increased levels of staffing. Selling, general and administrative expenses include all of our overhead and technology expenses as well as the cost of our management and sales personnel. Interest expense for the nine months ended September 30, 2005 increased approximately 110% to approximately \$141,000 from approximately \$67,000 for the nine months ended September, 2004.

Interest expense is mainly comprised of interest payable on advances under our Credit Facility from Aspen, which have increased as a result of our increased borrowing. In addition, in connection with our new credit facility, discussed below in "Liquidity and Capital Resources," we recorded \$131,337 of a debt discount for the issuance of warrants and we incurred \$53,587 of financing costs. These amounts are being amortized to interest expense over the 24 month period of the new credit facility. Thus interest expense for the nine months ending September 30, 2005, includes approximately \$48,000 of non-cash charges in connection with the amortization of this debt discount and financing costs. There was no amortization of debt discount and financing costs to interest expense during the nine months ended September 30, 2004..

As a result of the foregoing, our net loss for the nine months ended September 30, 2005 increased approximately 25% to approximately \$636,000 from approximately \$509,000 during the nine months-ended September 30, 2004.

Liquidity and Capital Resources

During the nine months ended September 30, 2005, our operating activities used approximately \$685,000 in cash. This amount primarily represented cash used to pay general and administrative expenses associated with our operations and to fund our working capital needs. We also spent approximately \$83,000 on new equipment. We were able to finance operations and equipment purchases primarily through the sale of equity securities and net advances under our Credit Facility, which together provided approximately \$732,000 (net of \$97,090 of debt issue costs) during the nine months-ended September 30, 2005. At September 30, 2005, we had cash and cash equivalents of approximately \$76,823.

During 2004, we sold 3,040,000 shares of our common stock in a series of private placements at \$0.25 per share to unaffiliated third party investors. These transactions generated net proceeds to the Company of approximately \$740,000 after deducting certain transaction expenses.

On January 3, 2005, we issued 27,288 shares of common stock under the Company's 2003 Equity Incentive Plan to two employees of the Company in satisfaction of \$6,822 of accrued, but unpaid vacation.

During the nine months ending September 30, 2005, we sold 522,382 shares of our common stock in a series of private placements at \$0.30 per share and \$0.35

per share to unaffiliated third party investors. These transactions generated net proceeds to the Company of approximately \$171,000.

On March 23, 2005, we entered into an agreement with Aspen Select Healthcare, LP (formerly known as MVP 3, LP) to refinance our existing indebtedness of \$740,000 and provide for additional liquidity of up to \$760,000 to the Company. Under the terms of the agreement, Aspen, a Naples, Florida-based private investment fund will make available up to \$1.5 million of debt financing in the form of a revolving credit facility with an initial maturity of March 31,

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2007. Aspen is managed by its General Partner, Medical Venture Partners, LLC, which is controlled by a director of NeoGenomics.

Under the terms of the Credit Facility, we are able to borrow up to 80% of "eligible" accounts receivable, 50% of our net furniture and equipment balance, which is secured by substantially all of our assets up to \$1,000,000 on an unsecured basis after April 30, 2005. The interest rate on the Credit Facility is prime + 6.0%, payable monthly in arrears. With respect to this agreement, we are subject to the following restrictive covenants: (i) we are not to incur indebtedness outside of this agreement in excess of \$50,000 without written authorization of Aspen, (ii) we cannot declare or pay any dividend on our common stock, and (iii) we are also subject to other general covenants typical of an instrument of this kind. As part of the Credit Facility transaction, the Company also issued to Aspen a five year Warrant to purchase up to 2,500,000 shares of its common stock at an exercise price of \$0.50 per share. As of September 30, 2005 \$1,488,520 was available for use and \$1,360,451 had been drawn.

On June 6, 2005, we entered into a Standby Equity Distribution Agreement with Cornell Capital Partners, LP. Pursuant to the Standby Equity Distribution Agreement, the Company may, at its discretion, periodically sell to Cornell shares of common stock for a total purchase price of up to \$5.0 million. For each share of common stock purchased under the Standby Equity Distribution Agreement, Cornell will pay the Company 98% of the lowest volume weighted average price of the Company's common stock as quoted by Bloomberg, LP on the Over-the-Counter Bulletin Board or other principal market on which the Company's common stock is traded for the 5 days immediately following the notice date (the "Purchase Price"). The total number of shares issued to Cornell under each advance request will be equal to the total dollar amount of the advance request divided by the Purchase Price determined during the five day pricing period. Cornell will also retain 5% of each advance under the Standby Equity Distribution Agreement. Cornell's obligation to purchase shares of the Company's common stock under the Standby Equity Distribution Agreement is subject to certain conditions, including the Company obtaining an effective registration statement for shares of common stock sold under the Standby Equity Distribution Agreement and is limited to \$750,000 per weekly advance. The amount and timing of all advances under the Standby Equity Distribution Agreement are at the discretion of the Company and the Company is not obligated to issue and sell any securities to Cornell, unless and until it decides to do so. Upon execution of the Standby Equity Distribution Agreement, Cornell received 381,888 shares of the Company's common stock as a commitment fee under the Standby Equity Distribution Agreement. The Company also issued 27,278 shares of the Company's common stock to Spartan Securities Group, Ltd. under a placement agent agreement relating to the Standby Equity Distribution Agreement.

On July 1, 2005, we issued 14,947 shares of our common stock under the Company's 2003 Equity Incentive Plan to two employees of the Company in satisfaction of \$4,933 of accrued, but unpaid vacation.

On July 28, 2005 we filed an amended SB-2 registration statement with the Securities and Exchange Commission to register 10,000,000 shares of our common stock related to the Standby Equity Distribution Agreement. Such registration statement became effective as of August 1, 2005.

On August 29, 2005 we requested a \$25,000 advance on our Standby Equity Distribution Agreement with Cornell. The advance was completed to provide

funding for general corporate purposes. The advance was completed on September 8, 2005 and resulted in the sale of 63,776 shares of common stock. Our net proceeds were \$23,250 after deducting \$1,250 in fees to Cornell and a \$500 escrow agent fee to Yorkville Advisors Management, LLC.

At the present time, we have limited cash resources. We do not anticipate that we will generate significant cash flow from operating activities until 2006. As a result, we anticipate that we will require approximately \$200,000 to \$300,000 of additional working capital financing during the next twelve months in order to meet our working capital requirements related to business growth. We currently plan to finance our operations through borrowings under our Credit Facility with Aspen and advances under the Standby Equity Distribution Agreement with Cornell. Advances under the Credit Facility are limited, at any given time,

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based on a formula contained in the loan agreement and advances under the Cornell Standby Equity Distribution Agreement may not be favorable to the Company based on where the Company's stock price is trading at any given time. The Company may not be eligible to obtain all of its working capital funding needs from Aspen or from the Cornell Standby Equity Distribution Agreement or any other source. If the Company is unable to obtain such funding, the Company maybe required to curtail operations.

Capital Expenditures

We currently forecast capital expenditures for the coming year in order to execute on our business plan. The amount and timing of such capital expenditures will be determined by the volume of business, but we currently anticipate that we will need to purchase approximately \$200,000 to \$300,000 of additional capital equipment during the next twelve months. We plan to fund these expenditures through borrowings under our Credit Facility with Aspen and through traditional lease financing from equipment lessors. We may not be eligible to obtain all of our capital equipment funding needs from Aspen or another source. If we are unable to obtain such funding, we will be required to curtail our equipment purchases, which may have an impact on our ability to generate revenues.

Item 3 - CONTROLS AND PROCEDURES

A) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's Principal Executive Officer and Acting Principal Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving the Company's disclosure control objectives. The Company's Principal Executive Officer and Acting Principal Financial Officer have concluded that the Company's disclosure controls and procedures are, in fact, effective at this reasonable assurance level as of the period covered. In addition, the Company reviewed its internal controls, and there have been no significant changes in its internal controls or in other factors that could significantly affect those controls subsequent to the date of their last evaluation or from the end of the reporting period to the date of this Form 10-QSB.

(B) Changes in Internal Controls Over Financial Reporting

In connection with the evaluation of the Company's internal controls during the Company's third fiscal quarter ended September 30, 2005, the Company's Principal Executive Officer and Acting Principal Financial Officer have determined that there are no changes to the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially effect, the Company's internal controls over financial reporting.

PART II. - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is currently a defendant in one lawsuit from a former employee relating to compensation related claims. The Company does not believe this lawsuit is material to its operations or financial results and intends to vigorously pursue its defense of the matter.

Item 2. Changes in Securities

On July 1, 2005, we issued 14,947 shares of our common stock under the Company's 2003 Equity Incentive Plan to two employees of the Company in satisfaction of \$4,933 of accrued, but unpaid vacation.

Item 3. Defaults Upon Senior Securities

NONE

Item 4. Submission of Matters to a Vote of Securities Holders

NONE

Item 5. Other Information

NONE

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibits are filed as part of this Form 10-QSB.

Exhibit Number	Description
31.1	Certification by Principal Executive Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Provided herewith
31.2	Certification by Principal Financial Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Provided herewith
32.1	Certification by Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Provided herewith

(b) Reports on Form 8-K.

None

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEOGENOMICS, INC.

Date: November 1, 2005 /s/ Robert P. Gasparini
Robert P. Gasparini
President and
Principal Executive Officer

EXHIBIT 31.1

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

I, Robert P. Gasparini, Principal Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of NeoGenomics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Omitted;
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 1, 2005

By: /s/ Robert P. Gasparini

Name: Robert P. Gasparini
Title: President and Principal Executive Officer

*The introductory portion of paragraph 4 of the Section 302 certification that refers to the certifying officers' responsibility for establishing and maintaining internal control over financial reporting for the company, as well as paragraph 4(b), have been omitted in accordance with Release No. 33-8545 (March 2, 2005) because the compliance period has been extended for small business issuers until the first fiscal year ending on or after July 15, 2006.

EXHIBIT 31.2

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

I, Steven C. Jones, Principal Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of NeoGenomics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Omitted;
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 1 , 2005 By: /s/ Steven C. Jones

Name: Steven C. Jones
Title: Acting Principal Financial Officer

*The introductory portion of paragraph 4 of the Section 302 certification that refers to the certifying officers' responsibility for establishing and maintaining internal control over financial reporting for the company, as well as paragraph 4(b), have been omitted in accordance with Release No. 33-8545 (March 2, 2005) because the compliance period has been extended for small business issuers until the first fiscal year ending on or after July 15, 2006.

EXHIBIT 32.1

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

In connection with the Annual Report of NeoGenomics, Inc. (the "Company") on Form 10-QSB for the three months ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: November 1, 2005 /s/ Robert P. Gasparini
Robert P. Gasparini
President and
Principal Executive Officer

Date: November 1, 2005 /s/ Steven C. Jones
Steven C. Jones
Acting Principal Financial Officer

A signed original of this written statement required by Section 906, or other document authentications, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.