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

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**FORM 10-Q**

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

For the quarterly period ended **September 30, 2019**

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

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

Commission File Number: **001-35756**

**NEOGENOMICS, INC.**

(Exact name of registrant as specified in its 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,  
Florida**

(Address of principal executive offices)

**33913**

(Zip Code)

**(239) 768-0600**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller Reporting Company | <input type="checkbox"/> |
|                         |                                     | Emerging Growth Company   | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

| Title of each class              | Trading Symbol | Name of each exchange on which registered |
|----------------------------------|----------------|---|
| Common stock (\$0.001 par value) | NEO            | NASDAQ                                    |

As of November 8, 2019, the registrant had 104,407,597 shares of Common Stock, par value \$0.001 per share outstanding.

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## FORWARD-LOOKING STATEMENTS

The information in this Quarterly Report on Form 10-Q contains “forward-looking statements” and information within the meaning of Section 27A of the Securities Act of 1933, as amended, or the “Securities Act”, and Section 21E of the Securities Exchange Act of 1934, as amended, or the “Exchange Act”, which are subject to the “safe harbor” created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, changing reimbursement levels from government payers and private insurers, projected costs, prospects and plans and objectives of management. The words “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the risks set forth in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission “SEC” on February 26, 2019 and as amended and filed with the SEC on May 8, 2019.

Forward-looking statements include, but are not limited to, statements about:

- Our ability to respond to rapid scientific change;
- The risk of liability in conducting clinical trials and the sufficiency of our insurance to cover such claims;
- Our ability to implement our business strategy;
- The expected reimbursement levels from governmental payers and private insurers and proposed changes to those levels;
- The application, to our business and the services we provide, of existing laws, rules and regulations, including without limitation, Medicare laws, anti-kickback laws, Health Insurance Portability and Accountability Act of 1996 regulations, state medical privacy laws, federal and state false claims laws and corporate practice of medicine laws;
- Regulatory developments in the United States including downward pressure on health care reimbursement;
- Our ability to maintain our license under the Clinical Laboratory Improvement Amendments of 1988 (“CLIA”);
- Food and Drug Administration (“FDA”) regulation of Laboratory Developed Tests (“LDTs”);
- Failure to timely or accurately bill for our services;
- Our ability to expand our operations and increase our market share;
- Our ability to expand our service offerings by adding new testing capabilities;
- Our ability to meet our future capital requirements;
- The impact of internalization of testing by customers;
- Our ability to manage our indebtedness;
- Our ability to protect our intellectual property from infringement;
- Our ability to successfully integrate Genoptix into NeoGenomics including consolidating systems and facilities;
- Our ability to integrate future acquisitions and costs related to such acquisitions;
- The effects of seasonality on our business;
- Our ability to maintain service levels and compete with other diagnostic laboratories;
- Our ability to hire and retain sufficient managerial, sales, clinical and other personnel to meet our needs;
- Our ability to successfully scale our business, including expanding our facilities, our backup systems and infrastructure;
- Our handling, storage and disposal of biological and hazardous materials;
- The accuracy of our estimates regarding reimbursement, expenses, future revenues and capital requirements; and
- Our ability to manage expenses and risks associated with international operations, including anti-corruption and trade sanction laws and other regulations, and economic, political, legal and other operational risks associated with foreign jurisdictions.

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.

**PART I — FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**NEOGENOMICS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share amounts)

| <b>ASSETS</b>  | <b>September 30, 2019</b><br>(unaudited) | <b>December 31, 2018</b> |
|--|--|--------------------------|
| <b>Current assets</b>  |  |                          |
| Cash and cash equivalents  | \$ 178,891                               | \$ 9,811                 |
| Accounts receivable, net   | 91,133                                   | 76,919                   |
| Inventories  | 12,632                                   | 8,650                    |
| Prepaid assets   | 8,742                                    | 7,727                    |
| Other current assets   | 603                                      | 561                      |
| Total current assets   | 292,001                                  | 103,668                  |
| Property and equipment (net of accumulated depreciation of \$64,165 and \$50,127, respectively)  | 62,488                                   | 60,888                   |
| Operating lease right-of-use assets  | 25,797                                   | —                        |
| Intangible assets, net   | 129,084                                  | 140,029                  |
| Goodwill   | 198,571                                  | 197,892                  |
| Other assets   | 3,214                                    | 2,538                    |
| Total assets   | \$ 711,155                               | \$ 505,015               |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |  |                          |
| <b>Current liabilities</b>   |  |                          |
| Accounts payable   | \$ 17,995                                | \$ 17,779                |
| Accrued compensation   | 26,298                                   | 19,062                   |
| Accrued expenses and other liabilities   | 7,900                                    | 8,986                    |
| Short-term portion of financing obligations  | 5,750                                    | 6,298                    |
| Short-term portion of operating leases   | 3,527                                    | —                        |
| Short-term portion of term loan  | 6,250                                    | 7,873                    |
| Pharma contract liability  | 1,187                                    | 927                      |
| Total current liabilities  | 68,907                                   | 60,925                   |
| <b>Long-term liabilities</b>   |  |                          |
| Long-term portion of financing obligations   | 3,982                                    | 5,250                    |
| Long-term portion of operating leases  | 23,870                                   | —                        |
| Long-term portion of term loan, net  | 93,027                                   | 87,880                   |
| Revolving credit facility  | —  | 5,000                    |
| Other long term liabilities  | 4,674                                    | 3,060                    |
| Deferred income tax liability, net   | 19,688                                   | 22,457                   |
| Total long-term liabilities  | 145,241                                  | 123,647                  |
| Total liabilities  | 214,148                                  | 184,572                  |
| <b>Stockholders' equity</b>  |  |                          |
| Common stock, \$0.001 par value, (250,000,000 shares authorized; 104,145,895 and 94,465,440 shares issued and outstanding, respectively) | 104                                      | 94                       |
| Additional paid-in capital   | 516,936                                  | 340,291                  |
| Accumulated other comprehensive loss   | (2,380)                                  | (579)                    |
| Accumulated deficit  | (17,653)                                 | (19,363)                 |
| Total stockholders' equity   | 497,007                                  | 320,443                  |
| Total liabilities and stockholders' equity   | \$ 711,155                               | \$ 505,015               |

See the accompanying notes to the unaudited consolidated financial statements.

**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited, in thousands, except per share amounts)

|   | Three Months Ended September 30, |           | Nine Months Ended September 30, |            |
|---|----------------------------------|-----------|---------------------------------|------------|
|   | 2019                             | 2018      | 2019                            | 2018       |
| <b>NET REVENUE:</b>   |                                  |           |                                 |            |
| Clinical Services   | \$ 92,565                        | \$ 59,449 | \$ 267,757                      | \$ 175,960 |
| Pharma Services   | 12,107                           | 9,647     | 34,205                          | 24,306     |
| Total revenue   | 104,672                          | 69,096    | 301,962                         | 200,266    |
| <b>COST OF REVENUE</b>  |                                  |           |                                 |            |
|   | 53,840                           | 36,775    | 155,049                         | 110,111    |
| <b>GROSS PROFIT</b>   |                                  |           |                                 |            |
|   | 50,832                           | 32,321    | 146,913                         | 90,155     |
| Operating expenses:   |                                  |           |                                 |            |
| General and administrative  | 33,054                           | 21,055    | 94,773                          | 59,106     |
| Research and development  | 2,611                            | 446       | 6,407                           | 2,475      |
| Sales and marketing   | 11,508                           | 6,900     | 35,048                          | 21,355     |
| Total operating expenses  | 47,173                           | 28,401    | 136,228                         | 82,936     |
| <b>INCOME FROM OPERATIONS</b>   |                                  |           |                                 |            |
|   | 3,659                            | 3,920     | 10,685                          | 7,219      |
| Interest expense, net   | 203                              | 1,873     | 3,333                           | 4,766      |
| Other (income) expense  | (35)                             | (30)      | 5,124                           | 31         |
| Loss on extinguishment of debt  | —                                | —         | 1,018                           | —          |
| Income before taxes   | 3,491                            | 2,077     | 1,210                           | 2,422      |
| Income tax expense (benefit)  | 1,348                            | 54        | (500)                           | 135        |
| <b>NET INCOME</b>   |                                  |           |                                 |            |
|   | 2,143                            | 2,023     | 1,710                           | 2,287      |
| Deemed dividends on preferred stock and amortization of beneficial conversion feature | —                                | —         | —                               | 5,627      |
| Gain on redemption of preferred stock   | —                                | —         | —                               | (9,075)    |
| <b>NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>                                 |                                  |           |                                 |            |
|   | \$ 2,143                         | \$ 2,023  | \$ 1,710                        | \$ 5,735   |
| <b>INCOME PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>                           |                                  |           |                                 |            |
| Basic   | \$ 0.02                          | \$ 0.02   | \$ 0.02                         | \$ 0.07    |
| Diluted   | \$ 0.02                          | \$ 0.02   | \$ 0.02                         | \$ 0.06    |
| <b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>                                     |                                  |           |                                 |            |
| Basic   | 103,899                          | 87,253    | 99,149                          | 87,381     |
| Diluted   | 107,880                          | 90,899    | 102,766                         | 89,925     |

See the accompanying notes to the unaudited consolidated financial statements.

**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(unaudited, in thousands)

|   | Three Months Ended September 30, |                 | Nine Months Ended September 30, |                 |
|---|----------------------------------|-----------------|---------------------------------|-----------------|
|   | 2019                             | 2018            | 2019                            | 2018            |
| <b>NET INCOME</b>                         | \$ 2,143                         | \$ 2,023        | \$ 1,710                        | \$ 2,287        |
| <b>OTHER COMPREHENSIVE INCOME:</b>        |                                  |                 |                                 |                 |
| Foreign currency translation adjustments  | —                                | (13)            | —                               | (36)            |
| (Loss) gain on effective cash flow hedges | (217)                            | 292             | (1,801)                         | 298             |
| Total other comprehensive (loss) income   | (217)                            | 279             | (1,801)                         | 262             |
| <b>COMPREHENSIVE INCOME (LOSS)</b>        | <u>\$ 1,926</u>                  | <u>\$ 2,302</u> | <u>\$ (91)</u>                  | <u>\$ 2,549</u> |

See the accompanying notes to the unaudited consolidated financial statements.

**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY**  
(unaudited, in thousands, except share amounts)

|   | Series A Redeemable Convertible Preferred Stock |        | Common Stock |        | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total      |
|---|---|--------|--------------|--------|----------------------------|--------------------------------------|---------------------|------------|
|   | Shares  | Amount | Shares       | Amount |                            |                                      |                     |            |
| <b>Balance, December 31, 2018</b>                               | —   | \$ —   | 94,465,440   | \$ 94  | \$ 340,291                 | \$ (579)                             | \$ (19,363)         | \$ 320,443 |
| Common stock issuance ESPP Plan                                 | —   | —      | 36,032       | —      | 419                        | —                                    | —                   | 419        |
| Stock issuance fees and expenses                                | —   | —      | —            | —      | (66)                       | —                                    | —                   | (66)       |
| Loss on effective cash flow hedge                               | —   | —      | —            | —      | —                          | (557)                                | —                   | (557)      |
| Issuance of restricted stock, net of forfeitures                | —   | —      | 182,502      | —      | —                          | —                                    | —                   | —          |
| Issuance of common stock for stock options                      | —   | —      | 619,536      | 1      | 3,893                      | —                                    | —                   | 3,894      |
| ESPP expense  | —   | —      | —            | —      | 119                        | —                                    | —                   | 119        |
| Stock based compensation expense - options and restricted stock | —   | —      | —            | —      | 2,020                      | —                                    | —                   | 2,020      |
| Net loss  | —   | —      | —            | —      | —                          | —                                    | (2,424)             | (2,424)    |
| <b>Balance, March 31, 2019</b>                                  | —   | \$ —   | 95,303,510   | \$ 95  | \$ 346,676                 | \$ (1,136)                           | \$ (21,787)         | \$ 323,848 |
| Common stock issuance ESPP Plan                                 | —   | —      | 37,255       | —      | 653                        | —                                    | —                   | 653        |
| Stock issuance fees and expenses                                | —   | —      | —            | —      | (211)                      | —                                    | —                   | (211)      |
| Loss on effective cash flow hedge                               | —   | —      | —            | —      | —                          | (1,027)                              | —                   | (1,027)    |
| Issuance of restricted stock, net of forfeitures                | —   | —      | (633)        | —      | —                          | —                                    | —                   | —          |
| Working capital adjustment related to acquisition               | —   | —      | (99,524)     | —      | (1,977)                    | —                                    | —                   | (1,977)    |
| Issuance of common stock - Public Offering                      | —   | —      | 8,050,000    | 8      | 160,766                    | —                                    | —                   | 160,774    |
| Issuance of common stock for stock options                      | —   | —      | 543,604      | 1      | 3,369                      | —                                    | —                   | 3,370      |
| ESPP expense  | —   | —      | —            | —      | 162                        | —                                    | —                   | 162        |
| Stock based compensation expense - options and restricted stock | —   | —      | —            | —      | 2,151                      | —                                    | —                   | 2,151      |
| Net income  | —   | —      | —            | —      | —                          | —                                    | 1,991               | 1,991      |
| <b>Balance, June 30, 2019</b>                                   | —   | \$ —   | 103,834,212  | \$ 104 | \$ 511,589                 | \$ (2,163)                           | \$ (19,796)         | \$ 489,734 |
| Common stock issuance ESPP Plan                                 | —   | —      | 28,672       | —      | 564                        | —                                    | —                   | 564        |
| Stock issuance fees and expenses                                | —   | —      | —            | —      | 23                         | —                                    | —                   | 23         |
| Loss on effective cash flow hedge                               | —   | —      | —            | —      | —                          | (217)                                | —                   | (217)      |
| Issuance of restricted stock, net of forfeitures                | —   | —      | (6,070)      | —      | (688)                      | —                                    | —                   | (688)      |
| Issuance of common stock for stock options                      | —   | —      | 289,081      | —      | 2,173                      | —                                    | —                   | 2,173      |
| ESPP expense  | —   | —      | —            | —      | 144                        | —                                    | —                   | 144        |
| Stock based compensation expense - options and restricted stock | —   | —      | —            | —      | 3,131                      | —                                    | —                   | 3,131      |
| Net income  | —   | —      | —            | —      | —                          | —                                    | 2,143               | 2,143      |
| <b>Balance, September 30, 2019</b>                              | —   | \$ —   | 104,145,895  | \$ 104 | \$ 516,936                 | \$ (2,380)                           | \$ (17,653)         | \$ 497,007 |

See the accompanying notes to the unaudited consolidated financial statements.

**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY**  
(unaudited, in thousands, except share amounts)

|   | Series A Redeemable Convertible Preferred Stock |           | Common Stock |        | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Total      |
|---|---|-----------|--------------|--------|----------------------------|--|---------------------|------------|
|   | Shares  | Amount    | Shares       | Amount |                            |  |                     |            |
| <b>Balance, December 31, 2017</b>   | 6,864,000                                       | \$ 32,615 | 80,462,574   | \$ 80  | \$ 194,687                 | \$ 274                                 | \$ (23,079)         | \$ 171,962 |
| Common stock issuance ESPP Plan   | —   | —         | 38,620       | —      | 267                        | —                                      | —                   | 267        |
| Stock issuance fees and expenses  | —   | —         | —            | —      | (97)                       | —                                      | —                   | (97)       |
| Foreign currency translation adjustments  | —   | —         | —            | —      | —                          | (45)                                   | —                   | (45)       |
| Gain on effective cash flow hedge   | —   | —         | —            | —      | —                          | 270                                    | —                   | 270        |
| Issuance of common stock for stock options  | —   | —         | 67,259       | 1      | 215                        | —                                      | —                   | 216        |
| Deemed dividends on preferred stock and amortization of beneficial conversion feature | —   | 2,856     | —            | —      | (2,856)                    | —                                      | —                   | (2,856)    |
| ESPP expense  | —   | —         | —            | —      | 54                         | —                                      | —                   | 54         |
| Stock based compensation expense - options and restricted stock                       | —   | —         | —            | —      | 1,570                      | —                                      | —                   | 1,570      |
| Net income  | —   | —         | —            | —      | —                          | —                                      | 644                 | 644        |
| <b>Balance, March 31, 2018</b>  | 6,864,000                                       | \$ 35,471 | 80,568,453   | \$ 81  | \$ 193,840                 | \$ 499                                 | \$ (22,435)         | \$ 171,985 |
| Common stock issuance ESPP Plan   | —   | —         | 31,686       | —      | 231                        | —                                      | —                   | 231        |
| Redemption of Series A Preferred Stock  | (6,864,000)                                     | (37,823)  | —            | —      | (21,348)                   | —                                      | —                   | (21,348)   |
| Stock issuance fees and expenses  | —   | —         | —            | —      | (46)                       | —                                      | —                   | (46)       |
| Foreign currency translation adjustments  | —   | —         | —            | —      | —                          | 24                                     | —                   | 24         |
| Loss on effective cash flow hedge   | —   | —         | —            | —      | —                          | (266)                                  | —                   | (266)      |
| Issuance of common stock for stock options  | —   | —         | 897,942      | —      | 4,918                      | —                                      | —                   | 4,918      |
| Deemed dividends on preferred stock and amortization of beneficial conversion feature | —   | 2,352     | —            | —      | (2,352)                    | —                                      | —                   | (2,352)    |
| Gain on redemption of preferred stock   | —   | —         | —            | —      | 9,075                      | —                                      | —                   | 9,075      |
| ESPP expense  | —   | —         | —            | —      | 56                         | —                                      | —                   | 56         |
| Stock based compensation expense - options and restricted stock                       | —   | —         | —            | —      | 2,277                      | —                                      | —                   | 2,277      |
| Adjustment for adoption of accounting standards                                       | —   | —         | —            | —      | (1,095)                    | —                                      | 1,130               | 35         |
| Net loss  | —   | —         | —            | —      | —                          | —                                      | (380)               | (380)      |
| <b>Balance, June 30, 2018</b>   | —   | \$ —      | 81,498,081   | \$ 81  | \$ 185,556                 | \$ 257                                 | \$ (21,685)         | \$ 164,209 |
| Common stock issuance ESPP Plan   | —   | —         | 16,689       | —      | 267                        | —                                      | —                   | 267        |
| Stock issuance fees and expenses  | —   | —         | —            | —      | (163)                      | —                                      | —                   | (163)      |
| Foreign currency translation adjustments  | —   | —         | —            | —      | —                          | (13)                                   | —                   | (13)       |
| Loss on effective cash flow hedge   | —   | —         | —            | —      | —                          | 292                                    | —                   | 292        |
| Issuance of restricted stock, net of forfeitures                                      | —   | —         | 62,182       | —      | (297)                      | —                                      | —                   | (297)      |
| Issuance of common stock - Public Offering  | —   | —         | 11,270,000   | 11     | 135,060                    | —                                      | —                   | 135,071    |
| Issuance of common stock for stock options  | —   | —         | 133,831      | 1      | 978                        | —                                      | —                   | 979        |
| ESPP expense  | —   | —         | —            | —      | 56                         | —                                      | —                   | 56         |
| Stock based compensation expense - options and restricted stock                       | —   | —         | —            | —      | 1,135                      | —                                      | —                   | 1,135      |
| Net income  | —   | —         | —            | —      | —                          | —                                      | 2,023               | 2,023      |
| <b>Balance, September 30, 2018</b>  | —   | \$ —      | 92,980,783   | \$ 93  | \$ 322,592                 | \$ 536                                 | \$ (19,662)         | \$ 303,559 |

See the accompanying notes to the unaudited consolidated financial statements.



**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited, in thousands)

|   | Nine Months Ended September 30, |            |
|---|---------------------------------|------------|
|   | 2019                            | 2018       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                                 |            |
| Net income  | \$ 1,710                        | \$ 2,287   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |            |
| Depreciation  | 15,200                          | 11,477     |
| Loss on disposal of assets  | 451                             | 278        |
| Loss on debt extinguishment   | 1,018                           | —          |
| Amortization of intangibles   | 7,482                           | 4,255      |
| Amortization of debt issue costs  | 323                             | 392        |
| Non-cash stock based compensation   | 7,727                           | 5,148      |
| Non-cash operating lease expense  | 3,224                           | —          |
| Changes in assets and liabilities, net  |                                 |            |
| Accounts receivable, net  | (14,219)                        | (2,267)    |
| Inventories   | (3,982)                         | 644        |
| Prepaid assets  | (1,013)                         | (559)      |
| Other current assets  | (381)                           | (1,749)    |
| Accounts payable, accrued and other liabilities                                   | 2,470                           | 9,427      |
| Net cash provided by operating activities   | 20,010                          | 29,333     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                                 |            |
| Purchases of property and equipment   | (13,953)                        | (11,091)   |
| Acquisition adjustment  | 399                             | —          |
| Net cash used in investing activities   | (13,554)                        | (11,091)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                                 |            |
| Advances on revolving credit facility   | —                               | 10,000     |
| Repayment of revolving credit facility  | (5,000)                         | (35,400)   |
| Redemption of preferred stock   | —                               | (50,096)   |
| Repayment of equipment and other loans  | (5,481)                         | (4,774)    |
| Proceeds from term loan   | 100,000                         | 30,000     |
| Repayment of term loan  | (96,750)                        | (3,187)    |
| Payments of debt issue costs  | (1,051)                         | (576)      |
| Issuance of common stock, net   | 10,132                          | 6,535      |
| Proceeds from equity offering, net  | 160,774                         | 134,910    |
| Net cash provided by financing activities   | 162,624                         | 87,412     |
| Effects of foreign exchange rate changes on cash and cash equivalents             | —                               | (35)       |
| Net change in cash and cash equivalents   | 169,080                         | 105,619    |
| Cash and cash equivalents, beginning of period                                    | 9,811                           | 12,821     |
| Cash and cash equivalents, end of period  | \$ 178,891                      | \$ 118,440 |
| <b>Supplemental disclosure of cash flow information:</b>                          |                                 |            |
| Cash paid for operating lease liabilities   | \$ 2,878                        | \$ —       |
| Interest paid   | \$ 4,295                        | \$ 4,722   |
| Income taxes paid (refunded), net   | \$ 316                          | \$ (76)    |
| <b>Supplemental disclosure of non-cash investing and financing information:</b>   |                                 |            |
| Working capital adjustment related to acquisition                                 | \$ 1,977                        | \$ —       |
| Equipment acquired under loan obligations   | \$ 3,665                        | \$ 7,569   |
| Property and equipment included in accounts payable                               | \$ 810                          | \$ 571     |

See the accompanying notes to the unaudited consolidated financial statements.

**NEOGENOMICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**Note A – Nature of Business and Basis of Presentation**

NeoGenomics, Inc., a Nevada corporation, and its subsidiaries (the “Parent”, “Company”, or “NeoGenomics”), operates as a certified, high complexity clinical laboratory in accordance with the federal government’s Clinical Laboratory Improvement Act, as amended (“CLIA”), and is dedicated to the delivery of clinical diagnostic services to pathologists, oncologists, urologists, hospitals, and other laboratories as well as providing clinical trial services to pharmaceutical firms.

The accompanying interim consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. These accompanying consolidated financial statements include the accounts of the Parent and its subsidiaries. All intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

Certain information and footnote disclosures normally included in the Company’s annual audited consolidated financial statements and accompanying notes have been condensed or omitted in these accompanying interim consolidated financial statements and footnotes. Accordingly, the accompanying interim consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s annual report on Form 10-K for the year ended December 31, 2018. The year-end consolidated balance sheet information has been derived from the audited consolidated financial statements in the annual report as of December 31, 2018.

The results of operations presented in this quarterly report on Form 10-Q are not necessarily indicative of the results of operations that may be expected for any future periods. In the opinion of management, these unaudited consolidated financial statements include all adjustments and accruals, consisting only of normal, recurring adjustments that are necessary for a fair statement of the results of all interim periods reported herein.

The Company reports its activities in two operating segments; the Clinical Services Segment and the Pharma Services Segment. These reportable segments deliver testing services to hospitals, pathologists, oncologists, clinicians, pharmaceutical firms and researchers and represent 100% of the Company’s consolidated assets, net revenues and net income for each period presented. For further financial information about these segments, see Note N, Segment Information, in the accompanying notes to the consolidated financial statements.

The Company has evaluated events through the filing date of the financial statements. There were no subsequent events that require disclosure.

Immaterial Restatement and Reclassification

Subsequent to the issuance of the September 30, 2018 consolidated financial statements, during the third quarter of 2019 the Company identified that the gain on redemption of preferred stock for the three months ended June 30, 2018 of \$9.1 million was incorrectly presented as a loss on redemption with an offsetting decrease to additional paid in capital in the consolidated statements of redeemable preferred stock and stockholders' equity. As a result, the Company has revised the presentation of the impact of the redemption on the carrying value of the preferred stock in the consolidated statements of redeemable preferred stock and stockholders' equity for the three month period ended June 30, 2018. There was no impact to the beginning and ending balances of preferred stock as a result of this error.

In addition, the Company identified that it has historically incorrectly classified deemed dividends, amortization of BCF and redemption value measurement adjustments on preferred stock as adjustments to its accumulated deficit. As a result, the Company has corrected the historical presentation of all amounts of deemed dividends, amortization of BCF and redemption value measurement adjustments for the three year period ended December 31, 2017 as a cumulative reduction of additional paid-in capital as of December 31, 2017 and other applicable periods as further disclosed within the table below.

The adjustments to correct for these errors have no impact to the previously reported consolidated statements of operations, comprehensive income, or cash flows. The adjustments to correct for these errors also have no impact to total preferred stock or total stockholders' equity as presented within the consolidated balance sheets or statements of redeemable convertible preferred stock and stockholders' equity. Management has considered these errors from a qualitative and quantitative perspective and believes the impact of these errors is not material to previously issued consolidated financial statements. The Company has

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restated its accompanying consolidated statements of redeemable preferred stock and stockholders' equity and consolidated balance sheets to correct for these immaterial errors for the applicable periods presented in this Form 10-Q.

Additionally, the Company made certain other presentation reclassifications to previously reported information related to the redemption of preferred stock in June 2018, including reclassifying \$21.3 million of deemed dividends on preferred stock and amortization of beneficial conversion feature to redemption of Series A preferred stock within additional paid-in capital in the accompanying consolidated statements of redeemable preferred stock and stockholders' equity. Such presentation reclassifications have no impact to total additional paid-in capital for any period.

The following table shows the amounts of additional paid-in capital, accumulated deficit, deemed dividends on preferred stock and amortization of beneficial conversion feature, and gain on redemption of preferred stock for the applicable periods, as previously reported and as corrected in the consolidated statements of redeemable preferred stock and stockholders' equity and balance sheets (in thousands):

|  | As Previously Reported     |                     | As Corrected               |                     |
|--|----------------------------|---------------------|----------------------------|---------------------|
|  | Additional Paid-in Capital | Accumulated Deficit | Additional Paid-in Capital | Accumulated Deficit |
| Balance at December 31, 2017   | \$ 230,030                 | \$ (58,422)         | \$ 194,687                 | \$ (23,079)         |
| Deemed dividends on preferred stock and amortization of beneficial conversion feature  | —                          | (2,856)             | (2,856)                    | —                   |
| Balance at March 31, 2018  | 232,039                    | (60,634)            | 193,840                    | (22,435)            |
| Deemed dividends on preferred stock and amortization of beneficial conversion feature* | 419                        | (2,771)             | (2,352)                    | —                   |
| Gain on redemption of preferred stock  | —                          | 9,075               | 9,075                      | —                   |
| Balance at June 30, 2018   | 217,451                    | (53,580)            | 185,556                    | (21,685)            |
| Balance at September 30, 2018  | 354,487                    | (51,557)            | 322,592                    | (19,662)            |
| Balance at December 31, 2018   | 372,186                    | (51,258)            | 340,291                    | (19,363)            |
| Balance at March 31, 2019  | 378,571                    | (53,682)            | 346,676                    | (21,787)            |
| Balance at June 30, 2019   | \$ 543,484                 | \$ (51,691)         | \$ 511,589                 | \$ (19,796)         |

\*The deemed dividends on preferred stock and amortization of beneficial conversion feature within additional paid-in capital as previously reported as shown here reflects a \$21.3 million reclassification to the redemption of Series A preferred stock within additional paid-in capital. As discussed above, such presentation reclassifications have no impact to total paid-in capital for any period.

The following table shows the amounts of the redemption of preferred stock, deemed dividends on preferred stock and amortization of beneficial conversion feature, and gain on redemption of preferred stock for the applicable periods, as previously reported and as currently reported in the consolidated statements of redeemable preferred stock and stockholders' equity (in thousands):

|   | As Previously Reported                          |                                   |                  | As Currently Reported                           |
|---|---|-----------------------------------|------------------|---|
|   | Series A Redeemable Convertible Preferred Stock | Immaterial Correction of an Error | Reclassification | Series A Redeemable Convertible Preferred Stock |
| Balance at March 31, 2018   | \$ 35,471                                       | \$ —                              | \$ —             | \$ 35,471                                       |
| Redemption of Series A Preferred Stock  | (50,096)  | —                                 | 12,273           | (37,823)  |
| Deemed dividends on preferred stock and amortization of beneficial conversion feature | 5,550   | 18,150                            | (21,348)         | 2,352   |
| Gain on redemption of preferred stock   | 9,075   | (18,150)                          | 9,075            | —   |
| Balance at June 30, 2018  | \$ —  | \$ —                              | \$ —             | \$ —  |

**Note B – Recently Adopted and Issued Accounting Guidance**

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Adopted

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. Topic 842 supersedes the lease requirements in FASB ASC 840, *Leases (Topic 840)*. Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheet for most operating leases and provide enhanced disclosures.

The Company adopted Topic 842 effective January 1, 2019 using the modified retrospective method and using the optional transition method to apply the new lease accounting standard prospectively as of January 1, 2019, rather than as of the earliest period presented. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard. Adoption of this standard resulted in the recording of net operating lease right-of-use (“ROU”) assets of \$9.7 million and corresponding operating lease liabilities of \$10.1 million upon adoption. The adoption did not materially impact the Company’s Consolidated Statements of Operations or Cash Flows. Refer to Note C, Leases, herein for further details regarding the impact of the adoption of Topic 842 and other information related to the Company’s lease portfolio.

Issued

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which modifies the measurement and recognition of credit losses for most financial assets and certain other instruments. The new standard requires the use of forward-looking expected credit loss models based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount, which may result in earlier recognition of credit losses under the new standard. This new standard also requires that credit losses related to available-for-sale debt securities be recorded as an allowance through net income rather than reducing the carrying amount under the current, other-than-temporary-impairment model. The standard is effective for public business entities for annual periods beginning after December 15, 2019, and interim periods within those years. The Company plans to implement the new standard in the first quarter of 2020 using a modified retrospective approach, and is in the process of reviewing its credit loss models to assess the impact of the adoption of the standard on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This new guidance eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value. Topic 350 is effective for public business entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted. The Company will adopt this pronouncement on January 1, 2020 and does not expect the impact of the adoption of the standard to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* which adds and modifies certain disclosure requirements for fair value measurements. Under the new guidance, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, or valuation processes for Level 3 fair value measurements. However, public companies will be required to disclose the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and related changes in unrealized gains and losses included in other comprehensive income. This update is effective for annual periods beginning after December 15, 2019, and interim periods within those periods, and early adoption is permitted. Certain provisions of the ASU must be adopted retrospectively, while others must be adopted prospectively. The Company will adopt this pronouncement on January 1, 2020 and does not expect the impact of the adoption of the standard to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* which changes the accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. The update aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The implementation costs should be presented as a prepaid asset on the balance sheet and expensed over the term of the hosting arrangement. The standard is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019 and early adoption is permitted. The Company will adopt this pronouncement on January 1, 2020 and does not expect the impact of the adoption of the standard to have a material impact on its consolidated financial statements.

**Note C – Leases**

**NEOGENOMICS, INC.**  
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The Company leases corporate offices and laboratory space throughout the world, all of which are classified as operating leases expiring at various dates and generally have terms ranging from 1 to 10 years. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

Some of the Company's real estate lease agreements include options to either renew or early terminate the lease. Leases with renewal options allow the Company to extend the lease term typically between 1 and 5 years. When it is reasonably certain that the Company will exercise an option to renew or terminate a lease, these options are considered in determining the classification and measurement of the lease.

Lease liabilities are recorded based on the present value of the future lease payments over the lease term and assessed as of the commencement date. Incentives received from landlords, such as reimbursements for tenant improvements and rent abatement periods, effectively reduce the total lease payments owed for leases.

Certain real estate leases also include executory costs such as common area maintenance (non-lease component), as well as property insurance and property taxes (non-components). Lease payments, which may include lease components, non-lease components and non-components, are included in the measurement of the Company's lease liabilities to the extent that such payments are either fixed amounts or variable amounts based on a rate or index (fixed in substance) as stipulated in the lease contract. Any actual costs in excess of such amounts are expensed as incurred as variable lease cost.

The Company utilizes its incremental borrowing rate by lease term in order to calculate the present value of our future lease payments. The discount rate represents a risk-adjusted rate on a secured basis, and is the rate at which the Company would borrow funds to satisfy the scheduled lease liability payment streams commensurate with the lease term. On January 1, 2019, the discount rate used on existing leases at adoption was determined based on the remaining lease term using available data as of that date. For new or renewed leases starting in 2019, the discount rate is determined using the incremental borrowing rate at lease commencement and based on the lease term.

**Operating Leases**

Operating lease costs include an immaterial amount of variable lease cost, and are recorded in cost of revenue and general and administrative expenses, depending on the nature of the leased asset. Aside from variable lease costs, operating lease costs represent fixed lease payments recognized on a straight-line basis over the lease term.

As of September 30, 2019, the maturities of our operating lease liabilities and a reconciliation to the present value of lease liabilities were as follows (in thousands):

|  | <b>Remaining Lease Payments</b> |
|--|---------------------------------|
| Remainder of 2019                                | \$ 1,540                        |
| 2020   | 4,969                           |
| 2021   | 5,050                           |
| 2022   | 4,213                           |
| 2023   | 4,076                           |
| 2024   | 4,097                           |
| Thereafter                                       | 12,705                          |
| Total remaining lease payments                   | 36,650                          |
| Less: imputed interest                           | (9,253)                         |
| Total operating lease liabilities                | 27,397                          |
| Less: current portion                            | (3,527)                         |
| Long-term operating lease liabilities            | \$ 23,870                       |
| Weighted-average remaining lease term (in years) | 8.1                             |
| Weighted-average discount rate                   | 6.5 %                           |

The following summarizes additional supplemental data related to our operating leases (in thousands):

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|  | Three Months Ended<br>September 30, 2019 | Nine Months Ended<br>September 30, 2019 |
|--|--|---|
| Operating lease costs  | \$ 1,271                                 | \$ 4,365                                |
|  |  | Nine Months Ended<br>September 30, 2019 |
| Right-of-use assets obtained in exchange for operating lease liabilities |  | \$ 19,341                               |

Lease contracts that have been executed but have not yet commenced are excluded from the tables above. As of September 30, 2019, the Company has entered into \$0.3 million of contractually binding minimum lease payments for leases executed but not yet commenced. This amount primarily relates to the lease of the laboratory and headquarters facility in Fort Myers, Florida that is expected to commence in 2021. In addition to the minimum lease payments, the Company will pay \$25.0 million relating to the construction of the underlying assets. This amount will be initially recorded as a prepaid asset. On the commencement date of the lease, the amount will be reclassified to either the right-of-use asset or leasehold improvements as appropriate and amortized accordingly. Construction of this facility has not yet commenced. The Company is not expected to control the underlying assets during the construction period and therefore is not considered the owner of the underlying assets for accounting purposes.

As previously disclosed in our 2018 Annual Report on Form 10-K and under the previous lease accounting standard, future minimum lease payments for operating leases having initial or remaining noncancellable lease terms in excess of one year were as follows (in thousands):

| Years ending December 31,    |    |       |
|------------------------------|----|-------|
| 2019                         | \$ | 5,247 |
| 2020                         |    | 2,798 |
| 2021                         |    | 1,082 |
| 2022                         |    | 453   |
| 2023                         |    | 92    |
| Thereafter                   |    | —     |
| Total minimum lease payments | \$ | 9,672 |

#### Note D – Revenue Recognition and Contractual Adjustments

The Company has two operating segments for which it recognizes revenue; Clinical Services and Pharma Services. The Clinical Services segment provides various clinical testing services to community-based pathology practices, hospital pathology labs and academic centers with reimbursement from various payers including client direct billing, commercial insurance, Medicare and other government payers, and patients. The Pharma Services segment supports pharmaceutical firms in their drug development programs by providing testing services and data analytics for clinical trials and research.

##### *Clinical Services Revenue*

The Company's specialized diagnostic services are performed based on a written test requisition form or electronic equivalent. The performance obligation is satisfied and revenues are recognized once the diagnostic services have been performed and the results have been delivered to the ordering physician. These diagnostic services are billed to various payers, client direct billing, commercial insurance, Medicare and other government payers, and patients. Revenue is recorded for all payers based on the amount expected to be collected, which considers implicit price concessions. Implicit price concessions represent differences between amounts billed and the estimated consideration the Company expects to receive based on negotiated discounts, historical collection experience and other anticipated adjustments, including anticipated payer denials. Collection of consideration the Company expects to receive typically occurs within 30 to 60 days of billing for commercial insurance, Medicare and other governmental and self-pay payers and within 60 to 90 days of billing for client payers.

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**Pharma Services Revenue**

The Company's Pharma Services segment generally enters into contracts with pharmaceutical and biotech customers as well as other Contract Research Organizations ("CROs") to provide research and clinical trial services ranging in duration from one month to several years. The Company records revenue on a unit-of-service basis based on number of units completed and the total expected contract value. The total expected contract value is estimated based on historical experience of total contracted units compared to realized units as well as known factors on a specific contract-by-contract basis. Certain contracts include upfront fees, final settlement amounts or billing milestones that may not align with the completion of performance obligations. The value of these upfront fees or final settlement amounts is usually recognized over time based on the number of units completed, which aligns with the progress of the Company towards fulfilling its obligations under the contract.

The Company also enters into other contracts, such as validation studies, for which the sole deliverable is a final report that is sent to sponsors at the completion of contracted activities. For these contracts, revenue is recognized at a point in time upon delivery of the final report to the sponsor. Any contracts that contain multiple performance obligations and include both units-of-service and point-in-time deliverables are accounted for as separate performance obligations and revenue is recognized as previously disclosed. The Company negotiates billing schedules and payment terms on a contract-by-contract basis. While the contract terms generally provide for payments based on a unit-of-service arrangement, the billing schedules, payment terms and related cash payments may not align with the performance of services and, as such, may not correspond to revenue recognized in any given period.

Amounts collected in advance of services being provided are deferred as contract liabilities on the Consolidated Balance Sheet. The associated revenue is recognized and the contract liability is reduced as the contracted services are subsequently performed. Contract assets are established for revenue that has been recognized but not yet billed. These contract assets are reduced once the customer is invoiced and a corresponding receivable is recorded. Additionally, certain costs to obtain contracts, primarily for sales commissions, are capitalized when incurred and are amortized over the term of the contract. Amounts capitalized for contracts with an initial contract term of twelve months or less are classified as current assets. All others are classified as non-current assets.

Most contracts are terminable by the customer, either immediately or according to advance notice terms specified within the contracts. All contracts require payment of fees to the Company for services rendered through the date of termination and may require payment for subsequent services necessary to conclude the study or close out the contract. The following table summarizes the values of contract assets, capitalized commissions and contract liabilities (in thousands):

|  | September 30, 2019 | December 31, 2018 |
|--|--------------------|-------------------|
| Current pharma contract assets (1)           | \$ 234             | \$ 86             |
| Long-term pharma contract assets (2)         | 627                | 268               |
| Total pharma contract assets                 | <u>\$ 861</u>      | <u>\$ 354</u>     |
| Current pharma capitalized commissions (1)   | \$ 222             | \$ 271            |
| Long-term pharma capitalized commissions (2) | 839                | 650               |
| Total pharma capitalized commissions         | <u>\$ 1,061</u>    | <u>\$ 921</u>     |
| Current pharma contract liabilities          | \$ 1,187           | \$ 927            |
| Long-term pharma contract liabilities (3)    | 1,898              | 1,652             |
| Total pharma contract liabilities            | <u>\$ 3,085</u>    | <u>\$ 2,579</u>   |

(1) Current pharma contract assets and Current pharma capitalized commissions are classified as "Other current assets" on the Consolidated Balance Sheets.

(2) Long-term pharma contract assets and Long-term pharma capitalized commissions are classified as "Other assets" on the Consolidated Balance Sheets.

(3) Long-term pharma contract liabilities are classified as "Other long-term liabilities" on the Consolidated Balance Sheets.

Pharma contract assets increased \$0.5 million, or 143%, from December 31, 2018 to September 30, 2019. Pharma contract liabilities increased \$0.5 million, or 20%, during the same period while capitalized commissions also increased by \$0.1 million, or 15%. These increases are due to higher upfront fees driven by increases in the volume of Pharma contracts in process.

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Revenue recognized for the three and nine months ended September 30, 2019 related to Pharma contract liability balances outstanding at the beginning of the period was \$0.1 million and \$2.0 million, respectively. Amortization of capitalized commissions for the three and nine months ended September 30, 2019 was \$0.3 million and \$0.9 million, respectively.

*Disaggregation of Revenue*

The Company considered various factors for both its Clinical Services and Pharma Services segments in determining appropriate levels of homogeneous data for its disaggregation of revenue, including the nature, amount, timing and uncertainty of revenue and cash flows. For Clinical Services, the categories identified align with our type of customer due to similarities of billing method, level of reimbursement and timing of cash receipts. Unbilled amounts are accrued and allocated to payor categories based on historical experience. In future periods, actual billings by payor category may differ from accrued amounts. Pharma Services revenue was not further disaggregated as substantially all of our revenue relates to contracts with large pharmaceutical and biotech customers as well as other CROs for which the nature, timing and uncertainty of revenue and cash flows is similar and primarily driven by individual contract terms.

The following table details the disaggregation of revenue for both the Clinical and Pharma Services Segments (in thousands):

|                           | Three Months Ended September 30, |           | Nine Months Ended September 30, |            |
|---------------------------|----------------------------------|-----------|---------------------------------|------------|
|                           | 2019                             | 2018      | 2019                            | 2018       |
| <b>Clinical Services:</b> |                                  |           |                                 |            |
| Client direct billing     | \$ 53,555                        | \$ 39,779 | \$ 155,999                      | \$ 120,925 |
| Commercial Insurance      | 20,956                           | 10,253    | 63,052                          | 28,726     |
| Medicare and Medicaid     | 17,818                           | 8,603     | 47,961                          | 25,333     |
| Self-Pay                  | 236                              | 814       | 745                             | 976        |
| Total Clinical Services   | \$ 92,565                        | \$ 59,449 | \$ 267,757                      | \$ 175,960 |
| <b>Pharma Services:</b>   | 12,107                           | 9,647     | 34,205                          | 24,306     |
| Total Revenue             | \$ 104,672                       | \$ 69,096 | \$ 301,962                      | \$ 200,266 |

**Note E – Acquisition**

On December 10, 2018 (the “Acquisition Date”), the Company acquired all of the issued and outstanding shares of common stock of Genesis Acquisition Holding Corp (“Genesis”), and its wholly owned subsidiary, Genoptix, Inc. (“Genoptix”, and collectively with its subsidiaries and Genesis, referred to herein as “Genoptix”), for a purchase price consisting of (i) cash consideration of approximately \$127.0 million, which included approximately \$2.0 million in estimated working capital adjustments and adjustments for estimated cash on hand of Genoptix on the Closing Date and (ii) 1.0 million shares of NeoGenomics’ common stock pursuant to an Agreement and Plan of Merger dated October 23, 2018 (the “Merger Agreement”).

Cartesian Medical Group, Inc. (“Cartesian”) is a California professional corporation that provided hematopathology and other pathology services to Genoptix as an independent contractor. Cartesian was consolidated into Genoptix as a variable interest entity. Subsequent to December 31, 2018, the professional services agreement between Genoptix and Cartesian was terminated and the Company entered into separate medical services agreements with the entities owned by the physicians who were previously employees of Cartesian. The termination of the agreement with Cartesian did not have any impact on the Company’s consolidated financial statements.

The Company issued approximately 1.0 million shares of common stock as consideration for the acquisition of Genoptix. This common stock was issued as unregistered shares, which carries a minimum six-month holding period before they may be sold to the public. The fair value of the common stock consideration was estimated using inputs not observable in the market and thus represents a Level 3 measurement. The key assumption in the fair value determination was a 5 percent discount due to lack of marketability of the common stock as a result of the restrictions imposed on the holder. The acquisition date fair value of common stock transferred is calculated below (in thousands, except share and per share amounts):



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| Common Stock Valuation                          | Amount    |
|---|-----------|
| Shares of common stock issued as consideration  | 1,000,000 |
| Stock price per share on closing date           | \$ 13.94  |
| Value of common stock issued as consideration   | \$ 13,940 |
| Issue discount due to lack of marketability     | \$ (697)  |
| Fair value of common stock at December 10, 2018 | \$ 13,243 |

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the Acquisition Date and measurement period and other adjustments recorded during 2019. Included in the measurement period and other adjustments is a \$2.4 million working capital adjustment to the original cash consideration, as defined within the Merger Agreement, of which \$0.4 million was received in cash with the remainder received as a return of common stock. The Company is in the process of completing its valuation of certain assets and liabilities, primarily related to accounts receivable and accounts payable assumed; thus, the provisional measurements of current assets and current liabilities are subject to change.

|                                | December 10, 2018<br>(As Initially Reported) | Measurement Period and Other<br>Adjustments | December 10, 2018<br>(As Adjusted) |
|--------------------------------|--|---|------------------------------------|
| Current assets                 | \$ 22,172                                    | \$ 2,257                                    | \$ 24,429                          |
| Property and equipment         | 21,029                                       | (428)                                       | 20,601                             |
| Identifiable intangible assets | 71,792                                       | (3,463)                                     | 68,329                             |
| Goodwill                       | 50,873                                       | 679   | 51,552                             |
| Long-term assets               | 170  | —   | 170                                |
| Total assets acquired          | \$ 166,036                                   | \$ (955)                                    | \$ 165,081                         |
| Current liabilities            | (10,769)                                     | (892)                                       | (11,661)                           |
| Long-term liabilities (1)      | (15,265)                                     | 282   | (14,983)                           |
| Net assets acquired            | \$ 140,002                                   | \$ (1,565)                                  | \$ 138,437                         |

(1) Includes \$14.7 million and \$12.9 million as initially reported and as adjusted, respectively, in deferred tax liabilities associated with tangible and intangible assets acquired.

Of the \$68.3 million of acquired intangible assets, \$54.2 million was provisionally assigned to customer relationships which are amortized over fifteen years, \$0.7 million was provisionally assigned to the Genoptix trade name which is being amortized over one year, and \$13.4 million was provisionally assigned to trade marks which are assigned as indefinite-lived assets.

The goodwill arising from the acquisition of Genoptix includes revenue synergies as a result of our existing customers and Genoptix' customers having access to each other's testing menus and capabilities and also from the new product lines, which Genoptix adds to the Company's product portfolio, including the use of COMPASS and CHART trade names. None of the goodwill is expected to be deductible for income tax purposes. The provisional fair value of accounts receivable acquired is approximately \$16.6 million, net of a \$1.5 million fair value adjustment.

The following unaudited pro forma information (in thousands) have been provided for illustrative purposes only and are not necessarily indicative of results that would have occurred had the acquisition of Genoptix occurred on January 1, 2018, nor are they necessarily indicative of future results.

|   | Nine Months Ended September 30, 2018 |
|---|--------------------------------------|
| Revenue                                     | \$ 274,609                           |
| Net loss                                    | \$ (1,164)                           |
| Net income available to common shareholders | \$ 2,284                             |

The unaudited pro forma consolidated results have been prepared by adjusting our historical results to include the acquisition of Genoptix as if it occurred on January 1, 2018. These unaudited pro forma consolidated historical results were then adjusted for

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certain items, primarily related to a net increase in amortization expense during the nine months ended September 30, 2019 due to higher intangible assets recorded related to the acquisition of Genoptix and a reduction in interest expense during the nine months ended September 30, 2018, as the Company did not acquire the existing debt.

**Note F – Goodwill and Intangible Assets**

Goodwill as of September 30, 2019 and December 31, 2018 was \$198.6 million and \$197.9 million, respectively. In 2019, the Company recorded measurement period and other adjustments of \$0.7 million. Refer to Note E, Acquisition, herein for further detail.

Intangible assets consisted of the following as of (in thousands):

|                               | Amortization<br>Period | September 30, 2019 |                             |                   |
|-------------------------------|------------------------|--------------------|-----------------------------|-------------------|
|                               |                        | Cost               | Accumulated<br>Amortization | Net               |
| Trade Name                    | 12-24 months           | \$ 3,679           | \$ 3,552                    | \$ 127            |
| Non-Compete Agreement         | 24 months              | 27                 | 27                          | —                 |
| Customer Relationships        | 180 months             | 139,271            | 23,761                      | 115,510           |
| Trade Name - Indefinite-lived | —                      | 13,447             | —                           | 13,447            |
| <b>Total</b>                  |                        | <b>\$ 156,424</b>  | <b>\$ 27,340</b>            | <b>\$ 129,084</b> |

|                               | Amortization<br>Period | December 31, 2018 |                             |                   |
|-------------------------------|------------------------|-------------------|-----------------------------|-------------------|
|                               |                        | Cost              | Accumulated<br>Amortization | Net               |
| Trade Name                    | 12-24 months           | \$ 3,675          | \$ 3,042                    | \$ 633            |
| Non-Compete Agreement         | 24 months              | 27                | 18                          | 9                 |
| Customer Relationships        | 180 months             | 141,626           | 16,798                      | 124,828           |
| Trade Name - Indefinite-lived | —                      | 14,559            | —                           | 14,559            |
| <b>Total</b>                  |                        | <b>\$ 159,887</b> | <b>\$ 19,858</b>            | <b>\$ 140,029</b> |

The Company recorded approximately \$2.4 million and \$1.4 million in straight-line amortization expense of intangible assets for the three months ended September 30, 2019 and 2018, respectively, and approximately \$7.5 million and \$4.3 million for the nine months ended September 30, 2019 and 2018, respectively. The Company records amortization expense as a general and administrative expense.

The estimated amortization expense related to amortizable intangible assets for each of the four succeeding fiscal years and thereafter as of September 30, 2019 is as follows (in thousands):

|                   |                   |
|-------------------|-------------------|
| Remainder of 2019 | \$ 2,448          |
| 2020              | 9,285             |
| 2021              | 9,285             |
| 2022              | 9,285             |
| 2023              | 9,285             |
| Thereafter        | 76,049            |
| <b>Total</b>      | <b>\$ 115,637</b> |

**Note G – Debt**

The following table summarizes the long term debt, net at September 30, 2019 and December 31, 2018 (in thousands):

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|   | September 30, 2019 | December 31, 2018 |
|---|--------------------|-------------------|
| Term loan   | \$ 100,000         | \$ 96,750         |
| Revolving credit facility   | —                  | 5,000             |
| Financing obligations   | 9,732              | 11,548            |
| Total debt  | \$ 109,732         | \$ 113,298        |
| Less: Debt issuance costs   | (723)              | (997)             |
| Less: Current portion of long-term debt and financing obligations | (12,000)           | (14,171)          |
| Total long-term debt, net   | \$ 97,009          | \$ 98,130         |

The carrying value of the Company's term loan and financing obligations approximates fair value based on the current market conditions for similar instruments.

Senior Secured Credit Agreement

On June 27, 2019 (the "Closing Date"), the Company entered into a new senior secured credit agreement (the "New Credit Agreement") with PNC Bank National Association ("PNC"), as administrative agent, and the lenders party thereto. The New Credit Agreement provides for a \$100.0 million revolving credit facility (the "Revolving Credit Facility"), a \$100.0 million term loan facility (the "Term Loan Facility"), and a \$50.0 million delayed draw term loan which has an availability period beginning on the Closing Date and ending on December 27, 2020 (the "Delayed Draw Term Loan"). The Term Loan Facility and amounts borrowed under the Revolving Credit Facility are secured on a first priority basis by a security interest in substantially all of the tangible and intangible assets of the Company.

Borrowings under the New Credit Agreement bear interest at a rate per annum equal to an applicable margin plus, at the Company's option, either (1) the Adjusted LIBOR rate for the relevant interest period, as defined within the agreement (2) an alternate base rate determined by reference to the greatest of (a) the federal funds rate for the relevant interest period plus 0.5% per annum, (b) the prime lending rate of PNC and (c) the daily LIBOR rate plus 1% per annum, or (3) a combination of (1) and (2). The applicable margin will range from 1.25% to 2.25% for LIBOR loans and 0.25% to 1.25% for base rate loans, in each case based on NeoGenomics' Consolidated Leverage Ratio (as defined in the New Credit Agreement). Interest on borrowings under the New Credit Agreement is payable on the last day of each month, in the case of each base rate loan, and on the last day of each interest period (but no less frequently than every three months), in the case of LIBOR loans. The Company has previously entered into interest rate swap agreements to hedge against changes in the variable rate for a portion of our long term debt. See Note H, Derivative Instruments and Hedging Activities, for more information on these instruments.

The Revolving Credit Facility includes a \$10.0 million swing loan sublimit, with swing loans bearing interest at the alternate base rate plus the applicable margin. Any principal outstanding under the Revolving Credit Facility is due and payable on June 27, 2024 or such earlier date as the obligations under the New Credit Agreement become due and payable pursuant to the terms of the New Credit Agreement. No amounts were outstanding under Revolving Credit Facility as of September 30, 2019.

Principal payments on the Term Loan Facility will be due on the last day of each fiscal quarter beginning September 30, 2019, with an annual principal amortization of 5% in the first year, 5% in the second year, 7.5% in the third year, 7.5% in the fourth year, and 10% in each year thereafter, with the remainder due upon maturity on June 27, 2024 or such earlier date as the obligations under the New Credit Agreement become due and payable pursuant to the terms of the New Credit Agreement.

On September 30, 2019, the Company had current outstanding borrowings under the Term Loan Facility of approximately \$6.3 million, and long-term outstanding borrowings of approximately \$93.7 million, net of unamortized debt issuance costs of \$0.7 million. These costs were recorded as a reduction in the carrying amount of the related liability and are being amortized over the life of the loan.

In addition to paying interest on outstanding principal under the New Credit Agreement, the Company will be required to pay a commitment fee in respect of the unutilized portion of the commitments under the Revolving Credit Facility and the Delayed Draw Term Loan. The commitment fee rate will initially be 0.25% per annum, and, beginning in the fourth quarter of 2019, will range from 0.15% to 0.35% depending on NeoGenomics' Consolidated Leverage Ratio. The Company will also pay customary letter of credit and agency fees.

The Term Loan Facility contains various covenants including entering into certain indebtedness; ability to incur liens and encumbrances; make certain restricted payments, including paying dividends on its equity securities or payments to redeem, repurchase or retire its equity securities; enter into certain burdensome agreements; make investments, loans and acquisitions; merge or consolidate with any other person; dispose of assets; enter into certain sale and leaseback transactions; engage in transactions with its affiliates, and materially alter the business it conducts. In addition, the Company must meet certain maximum leverage ratios and fixed charge coverage ratios as of the end of each fiscal quarter.

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The Term Loan Facility requires the Company to mandatorily prepay the Term Loan Facility and amounts borrowed under the Revolving Credit Facility with (i) 100% of net cash proceeds from certain sales and dispositions, subject to certain reinvestment rights, and (ii) 100% of net cash proceeds from certain issuances or incurrences of additional debt.

Prior Financing Agreement

Simultaneous with entering into the New Credit Agreement, on June 27, 2019, the Company terminated the Prior Financing Agreement and repaid all outstanding amounts owed thereunder.

The Prior Financing Agreement, originally entered into on December 22, 2016, with Regions Bank as administrative agent and collateral agent, provided for a \$5.0 million term loan facility (the "Prior Term Loan Facility") and a \$75.0 million revolving credit facility (the "Prior Revolving Credit Facility"). On June 21, 2018, the Company entered into an amendment to the Prior Credit Agreement (the "Amendment") which provided for an additional term loan in the amount of \$30.0 million, for which revised terms are included below.

On December 31, 2018, the Company had current outstanding borrowings under the Prior Term Loan Facility, as amended, of approximately \$7.9 million, and long-term outstanding borrowings of approximately \$87.9 million, net of unamortized debt issuance costs of \$1.0 million. During the fourth quarter of 2018, \$5.0 million was drawn from the Prior Revolving Credit Facility, resulting in outstanding borrowings of \$5.0 million as of December 31, 2018. The Prior Term Loan Facility and Prior Revolving Credit Facility were terminated on June 27, 2019. In association with the early termination of debt, the Company incurred a loss on the extinguishment of debt of \$1.0 million.

Borrowings under the Prior Term Loan Facility bore interest at a rate per annum equal to an applicable margin plus, at the Company's option, either (1) the Adjusted LIBOR rate for the relevant interest period, as defined within the Credit Agreement, (2) an alternate base rate determined by reference to the greatest of (a) the prime lending rate of Regions, (b) the federal funds rate for the relevant interest period plus 0.5% per annum and (c) the one month LIBOR rate plus 1% per annum (the "Alternate Base Rate"), or (3) a combination of (1) and (2). The applicable margin ranged from 2.25% to 4.00% for LIBOR loans and 1.25% to 3.00% for base rate loans, in each case based on NeoGenomics' consolidated leverage ratio (as defined in the Prior Financing Agreement and revised in the Amendment). Interest on borrowings was payable on the last day of each month, in the case of each base rate loan, and on the last day of each interest period (but no less frequently than every three months), in the case of Adjusted LIBOR loans.

The Prior Revolving Credit Facility included a \$10.0 million swing loan sublimit, with swingline loans bearing interest at the Alternate Base Rate plus the applicable margin.

The Prior Term Loan Facility and amounts borrowed under the Prior Revolving Credit Facility were secured on a first priority basis by a security interest in substantially all of the tangible and intangible assets of the Company. The Prior Term Loan Facility contained various affirmative and negative covenants including ability to incur liens and encumbrances; make certain restricted payments, including paying dividends on its equity securities or payments to redeem, repurchase or retire its equity securities; enter into certain restrictive agreements; make investments, loans and acquisitions; merge or consolidate with any other person; dispose of assets; enter into sale and leaseback transactions; engage in transactions with its affiliates, and materially alter the business it conducts. In addition, the Company was required to meet certain maximum leverage ratios and fixed charge coverage ratios as of the end of each fiscal quarter.

The Prior Financing Agreement required the Company to mandatorily prepay the Prior Term Loan Facility and amounts borrowed under the Prior Revolving Credit Facility with (i) 100% of net cash proceeds from certain sales and dispositions, subject to certain reinvestment rights, (ii) 100% of net cash proceeds from certain issuances or incurrences of additional debt, (iii) beginning with the fiscal year ended December 31, 2018, 75% of consolidated excess cash flow (as defined) if the Company's consolidated leverage ratio was greater than or equal to 3.25:1.0 or 50% of consolidated excess cash flow (as defined) if the Company's consolidated leverage ratio was less than or equal to 3.25:1.0 but greater than or equal to 2.75:1.0 and (iv) 100% of net cash proceeds from issuances of permitted equity securities by the Company made in order to cure a failure to comply with the financial covenants.

Financing Obligations

The Company has entered into loans with various banks to finance the purchase of laboratory equipment, office equipment and leasehold improvements. These loans mature at various dates through 2022 and the weighted average interest rate under such loans was approximately 4.67% as of September 30, 2019 and 4.56% as of December 31, 2018.

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Maturities of Long-Term Debt

Maturities of long-term debt as of September 30, 2019 are summarized as follows (in thousands):

|   | Term Loan        | Financing Obligations | Total Long-Term Debt |
|---|------------------|-----------------------|----------------------|
| Remainder of 2019                       | \$ 2,500         | \$ 1,667              | \$ 4,167             |
| 2020                                    | 5,000            | 5,270                 | 10,270               |
| 2021                                    | 6,250            | 2,455                 | 8,705                |
| 2022                                    | 7,500            | 340                   | 7,840                |
| 2023                                    | 8,750            | —                     | 8,750                |
| 2024                                    | 70,000           | —                     | 70,000               |
| <b>Total Debt</b>                       | <b>100,000</b>   | <b>9,732</b>          | <b>109,732</b>       |
| Less: Current portion of long-term debt | (6,250)          | (5,750)               | (12,000)             |
| Less: Debt issuance costs               | (723)            | —                     | (723)                |
| Long-term debt, net                     | <u>\$ 93,027</u> | <u>\$ 3,982</u>       | <u>\$ 97,009</u>     |

**Note H – Derivative Instruments and Hedging Activities**

In December of 2016 and June of 2018, the Company entered into interest rate swap agreements to reduce the Company's exposure to interest rate fluctuations on the Company's variable rate debt obligations. These derivative financial instruments are accounted for at fair value as cash flow hedges, which effectively modifies the Company's exposure to interest rate risk by converting a portion of its floating rate debt to a fixed rate obligation, thus reducing the impact of interest rate changes on future interest expense.

Under these hedging agreements, the Company receives a variable rate of interest based on LIBOR and we pay a fixed rate of interest. The following table summarizes the interest rate swap agreements.

|                 | December 2016 Hedge | June 2018 Hedge   |
|-----------------|---------------------|-------------------|
| Notional Amount | \$50 million        | \$20 million (1)  |
| Effective Date  | December 30, 2016   | June 29, 2018     |
| Index           | One month LIBOR     | One month LIBOR   |
| Maturity        | December 31, 2019   | December 31, 2021 |
| Fixed Rate      | 1.59 %              | 2.98 %            |

(1) The notional amount increases to \$70 million upon maturity of December 2016 hedge on December 31, 2019.

The fair value of the interest rate swaps are included in other assets or liabilities, when applicable. As of September 30, 2019 and December 31, 2018, the fair value of the derivative financial instruments included in other long-term assets were \$0.04 million and \$0.48 million, respectively. As of September 30, 2019 and December 31, 2018, the fair value of the derivative financial instruments included in other long-term liabilities were \$2.3 million and \$0.9 million, respectively. Fair value adjustments are recorded as an adjustment to accumulated other comprehensive earnings, except that any gains and losses on ineffectiveness of the interest rate swap would be recorded as an adjustment to other expense (income), net. Fair value adjustments will be reclassified to interest expense in the period during which the hedged transaction affects earnings, whether upon termination or maturity. Hedge effectiveness is assessed quarterly. The Company determined that the interest rate swaps are highly effective and, thus, there is no impact to the Company's Consolidated Statements of Operations. Upon termination of the interest rate swap agreement, the Company will reclassify gains or losses on derivative instruments from accumulated other comprehensive income ("AOCI") to earnings. The December 2016 interest rate swap agreement matures in December 2019. Upon maturity, gains or losses, if any, on this derivative instrument will be reclassified from AOCI to earnings. Based on interest rates in effect at September 30, 2019, the Company estimates the amount reclassified from AOCI to earnings during the next twelve months as the anticipated cash flows occur will be immaterial. There were no amounts reclassified for gains or losses on derivative instruments during the three and nine months ended September 30, 2019.

**Note I – Class A Redeemable Convertible Preferred Stock**

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On December 30, 2015, the Company issued 14,666,667 shares of its Series A Redeemable Convertible Preferred Stock ("Series A Preferred Stock") as part of the consideration for the acquisition of Clariant. The Series A Preferred Stock had a face value of \$7.50 per share for a total liquidation value of \$110 million. On December 22, 2016, the Company redeemed 8,066,667 shares of the Series A Preferred Stock for \$55.0 million in cash. The redemption amount per share equaled \$6.82 (\$7.50 minus the liquidation discount of 9.09%). In December 2017, the Company issued 264,000 additional shares of preferred stock as a paid-in-kind dividend, resulting in a balance of 6,864,000 shares of Series A Preferred Stock outstanding at March 31, 2018. On June 25, 2018, the Company redeemed the remaining outstanding preferred stock for an aggregate redemption amount of \$50.1 million, prior to consideration of any transaction related expenses. The shares were redeemed at \$7.30 per share, representing the applicable 4.55% redemption discount on the original liquidation preference plus an additional \$0.14 per share in respect of accrued and unpaid dividends for 2018. Following the redemption, no shares of preferred stock remain outstanding.

The \$9.1 million gain was calculated as the carrying value of the shares of preferred stock before the redemption of \$7.8 million plus the amount of the beneficial conversion feature originally recorded with the redeemed shares of \$21.3 million, as compared to the total consideration being paid, in this case the \$50.1 million.

Issue Discount

The Company recorded the Series A Preferred Stock at a fair value of approximately \$73.2 million, or \$4.99 per share, on the date of issuance. The difference between the fair value of \$73.2 million and the liquidation value of \$110 million represents a discount of \$36.8 million from the initial face value representing the impact the rights and features of the instrument had on the value to the Company. After the partial redemption, the Series A Preferred stock had a fair value of approximately \$32.9 million, or \$4.99 per share. The difference between the fair value of \$32.9 million and the liquidation value of \$49.5 million represented a discount of approximately \$16.6 million.

Beneficial Conversion Features ("BCF")

The fair value of the common stock into which the Series A Preferred Stock was convertible exceeded the allocated purchase price fair value of the Series A Preferred Stock at the date of issuance and after the partial redemption in December of 2016 by approximately \$44.7 million and \$20.1 million, respectively, resulting in a beneficial conversion feature. The Company recognized the beneficial conversion feature as non-cash, deemed dividends to the holder of Series A Preferred Stock over the first three years the Series A Preferred Stock was outstanding, as the date the stock first becomes convertible was three years from the issue date. In addition to the BCF recorded at the original issue date, the Company recorded additional BCF discounts for payment-in-kind shares accrued for the quarter ended March 31, 2018 as dividends.

Classification

Prior to redemption, the Company classified the Preferred Stock as temporary equity on the Consolidated Balance Sheets due to certain change in control events that could have occurred and would have been outside of the Company's control, including deemed liquidation events described in the Series A Certificate of Designation.

**Note J – Equity**

The Company recorded approximately \$3.3 million and \$1.1 million in stock based compensation expense for the three months ended September 30, 2019 and 2018, respectively, and approximately \$7.7 million and \$5.0 million in stock based compensation expense for the nine month periods ended September 30, 2019 and 2018, respectively.

A summary of the stock option activity under the Company's plans for the nine months ended September 30, 2019 is as follows:

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|   | Number of<br>Shares | Weighted Average<br>Exercise Price |
|---|---------------------|------------------------------------|
| Options outstanding at December 31, 2018  | 6,839,417           | \$ 7.63                            |
| Options granted                           | 943,345             | \$ 19.74                           |
| Less:                                     |                     |                                    |
| Options exercised                         | 1,439,869           | \$ 6.58                            |
| Options canceled or expired               | 174,927             | \$ 13.15                           |
| Options outstanding at September 30, 2019 | 6,167,966           | \$ 9.56                            |
| Exercisable at September 30, 2019         | 2,995,419           | \$ 7.20                            |

The fair value of each stock option award granted during the nine months ended September 30, 2019 was estimated as of the grant date using a trinomial lattice model with the following weighted average assumptions:

|   | Nine Months Ended<br>September 30, 2019 |
|---|---|
| Expected term (in years)                        | 3.0 - 4.5                               |
| Risk-free interest rate (%)                     | 2.5%                                    |
| Expected volatility (%)                         | 38.9% - 44.0%                           |
| Dividend yield (%)                              | —                                       |
| Weighted average fair value/share at grant date | \$5.76                                  |

As of September 30, 2019, there was approximately \$5.7 million of unrecognized share based compensation expense related to stock options that will be recognized over a weighted-average period of approximately 1.37 years.

A summary of the restricted stock activity under the Company's plans for the nine months ended September 30, 2019 is as follows:

|                                 | Number of Restricted<br>Shares | Weighted Average Grant<br>Date Fair Value |
|---------------------------------|--------------------------------|---|
| Nonvested at December 31, 2018  | 282,508                        | \$ 9.01                                   |
| Granted                         | 227,188                        | \$ 19.91                                  |
| Vested                          | (121,801)                      | \$ 9.60                                   |
| Forfeited                       | (51,389)                       | \$ 11.72                                  |
| Nonvested at September 30, 2019 | 336,506                        | \$ 15.75                                  |

Employee Stock Purchase Plan (ESPP)

The Company offers an ESPP through which eligible employees may purchase shares of our common stock at a discount of 5% of the fair market value of the Company's common stock.

During the three months ended September 30, 2019 and 2018, employees purchased 28,672 and 21,100 shares, respectively under the ESPP. The expense recorded for these periods was approximately \$0.1 million and \$0.1 million, respectively. During the nine months ended September 30, 2019 and 2018, employees purchased 101,959 and 87,288 shares, respectively, under the ESPP. The expense recorded for these periods was approximately \$0.4 million and \$0.2 million, respectively.

Working Capital Adjustment

In the first quarter of 2019, the Company recorded a \$2.4 million working capital adjustment to the original cash consideration, as defined within the Merger Agreement. In June 2019, the Company received the proceeds of the working capital adjustment as \$0.4 million in cash with the remainder received as a return of 99,254 shares of common stock.

Public Offering of Common Stock

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In May 2019, the Company completed an offering of 8,050,000 shares of registered common stock, at a price of \$21.25 per share, for gross proceeds of approximately \$171.1 million. The Company received approximately \$160.8 million in net proceeds after deducting underwriting fees of approximately \$10.3 million.

**Note K - Income Taxes**

To calculate its interim tax provision, at the end of each interim period, the Company estimates the annual effective tax rate and applies such rate to its year-to-date ordinary earnings. The effect of changes in enacted tax laws or rates and excess tax benefits and tax deficiencies related to stock option exercises are recognized in the interim period in which the change occurs. In addition, the effect of significant, unusual, or infrequent items are recognized in the interim period in which the event occurs. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including, but not limited to, the expected operating income for the year, projections of the proportion of income earned in foreign jurisdictions, permanent and temporary differences between book and tax amounts, and the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained or the tax environment changes.

The income tax benefit for the nine months ended September 30, 2019 relates primarily to non-qualified stock option exercises, disqualified incentive stock option exercises, as well as a pre-tax loss incurred related to legal settlements, which includes the Health Discovery Corporation litigation (see Note L, Commitments and Contingencies) for which the income tax benefit was recognized within the quarter ended March 31, 2019. The Company's effective tax rate was a benefit of 41.3% for the nine months ended September 30, 2019, differs from the federal statutory rate of 21% primarily due to tax deductions for equity compensation in excess of GAAP expense, offset by losses in foreign jurisdictions with no associated tax benefit and other non-deductible permanent differences.

**Note L – Commitments and Contingencies**

Legal Matters

The Company was involved in litigation with Health Discovery Corporation (“HDC”) regarding the use of certain licensed technology under a Master License Agreement (“MLA”) dated January 6, 2012 between the Company and HDC. An arbitration hearing took place in December 2018, where the Company vigorously defended its legal rights and remedies pertaining to this licensing dispute. On April 25, 2019, the American Arbitration Association’s Panel of Arbitrators (the “Panel”) issued their ruling (the “Final Award”) which, in pertinent part, terminated the MLA, awarded \$1.5 million to HDC in connection with the claims that SmartFlow infringes a valid patent and that internal use by NeoGenomics was subject to milestone and royalty payments, and awarded \$5.1 million to HDC with respect to the claim of lack of development and commercialization of SVM-CYTO. All other claims by HDC were denied. The Company’s request for a declaratory judgment was denied and its counterclaims were denied.

The Company recorded an accrual of \$4.9 million, net of tax, for this matter during the quarter ended March 31, 2019 and paid \$6.7 million to HDC related to this matter in the quarter ended June 30, 2019. This payment settled all obligations of the Company in connection with this litigation. The Company no longer utilizes any HDC technology.

**Note M – Related Party Transactions**

On November 4, 2016, the Company entered into an amended and restated consulting agreement with Steven C. Jones, a director, officer and shareholder of the Company whereby Mr. Jones would provide consulting services to the Company in the capacity of Executive Vice President. The Amended and Restated Consulting Agreement has an initial term of November 4, 2016 through April 30, 2020, which automatically renews for additional one year periods unless either party provides notice of termination at least three months prior to the expiration of the initial term or any renewal term. On May 6, 2019, the Company and Mr. Jones entered into a letter agreement to modify certain provisions of the consulting agreement (the “Letter Agreement”) which modifications included, by mutual agreement of the parties, the following: automatic expiration of the consulting agreement on April 30, 2020 unless the parties mutually agree to renew it in writing; a description of consulting services to be provided to the Company (the “Services”) with a target of up to 15 hours per month of working time and attention to the Company; a fixed monthly cash consulting fee in the amount of \$5,000 per month for the provision of the Services; and continuation of health insurance coverage at the levels currently in effect. In addition, Mr. Jones relinquished the title of Executive Vice President effective as of April 4, 2019.

During the three months ended September 30, 2019 and 2018, Mr. Jones earned approximately \$15,750 and \$38,000, respectively, for consulting work performed and for reimbursement of related expenses. During the three months ended September 30, 2019 and 2018, Mr. Jones earned approximately \$13,125 and \$12,500, respectively, as compensation for his services on the Board. During the nine months ended September 30, 2019 and 2018, Mr. Jones earned approximately \$76,250



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and \$125,000, respectively, for consulting work performed and for reimbursement of related expenses. During the nine months ended September 30, 2019 and 2018, Mr. Jones also earned \$38,125 and \$37,500, respectively, as compensation for his services on the Board.

On June 1, 2018, the Company granted stock options and restricted stock to each of its Board members as part of its annual Board compensation process. Mr. Jones was granted 3,017 stock options and 6,897 shares of restricted stock for his services on the Board. The options were granted at a price of \$1.60 per option and each option had a fair market value of \$3.74. The options vested on June 1, 2019. The restricted stock had a fair value of \$1.60 per share and vested on June 1, 2019.

On June 6, 2019, the Company granted stock options and restricted stock to each of its Board members as part of its annual Board compensation process. Mr. Jones was granted 4,269 stock options and 3,419 shares of restricted stock for his services on the Board. The options were granted at a price of \$2.52 per option and each option had a fair market value of \$8.14. The options vest on June 6, 2020. The restricted stock has a fair value of \$2.52 per share and vests on June 6, 2020.

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**Note N – Segment Information**

The Company has two operating segments for which it recognizes revenue; Clinical Services and Pharma Services. Our Clinical Services segment provides various clinical testing services to community-based pathology practices, hospital pathology labs and academic centers with reimbursement from various payers including client direct billing, commercial insurance, Medicare and other government payers, and patients. Our Pharma Services segment supports pharmaceutical firms in their drug development programs by supporting various clinical trials and research.

The financial information reviewed by the Chief Operating Decision Maker (“CODM”) includes revenues, cost of revenue and gross margin for each of the Company’s operating segments. Assets are not presented at the segment level as that information is not used by the CODM.

The following table summarizes the segment information (in thousands):

|                                | Three Months Ended September 30, |           | Nine Months Ended September 30, |            |
|--------------------------------|----------------------------------|-----------|---------------------------------|------------|
|                                | 2019                             | 2018      | 2019                            | 2018       |
| <b>Net revenues:</b>           |                                  |           |                                 |            |
| Clinical Services              | \$ 92,565                        | \$ 59,449 | \$ 267,757                      | \$ 175,960 |
| Pharma Services                | 12,107                           | 9,647     | 34,205                          | 24,306     |
| Total Revenue                  | 104,672                          | 69,096    | 301,962                         | 200,266    |
| <b>Cost of revenue:</b>        |                                  |           |                                 |            |
| Clinical Services              | 47,526                           | 31,509    | 136,557                         | 94,586     |
| Pharma Services                | 6,314                            | 5,266     | 18,492                          | 15,525     |
| Total Cost of Revenue          | 53,840                           | 36,775    | 155,049                         | 110,111    |
| <b>Gross Profit:</b>           |                                  |           |                                 |            |
| Clinical Services              | 45,039                           | 27,940    | 131,200                         | 81,374     |
| Pharma Services                | 5,793                            | 4,381     | 15,713                          | 8,781      |
| Total Gross Profit             | 50,832                           | 32,321    | 146,913                         | 90,155     |
| <b>Operating expenses:</b>     |                                  |           |                                 |            |
| General and administrative     | 33,054                           | 21,055    | 94,773                          | 59,106     |
| Research and development       | 2,611                            | 446       | 6,407                           | 2,475      |
| Sales and marketing            | 11,508                           | 6,900     | 35,048                          | 21,355     |
| Total operating expenses       | 47,173                           | 28,401    | 136,228                         | 82,936     |
| <b>Income from Operations</b>  | 3,659                            | 3,920     | 10,685                          | 7,219      |
| Interest expense, net          | 203                              | 1,873     | 3,333                           | 4,766      |
| Other (income) expense         | (35)                             | (30)      | 5,124                           | 31         |
| Loss on extinguishment of debt | —                                | —         | 1,018                           | —          |
| Income before taxes            | 3,491                            | 2,077     | 1,210                           | 2,422      |
| Income tax expense (benefit)   | 1,348                            | 54        | (500)                           | 135        |
| <b>Net income</b>              | \$ 2,143                         | \$ 2,023  | \$ 1,710                        | \$ 2,287   |

**NEOGENOMICS, INC.**  
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*NeoGenomics, Inc., a Nevada corporation, (referred to collectively with its subsidiaries as "NeoGenomics", "we", "us", "our" or the "Company" in this Form 10-Q) is the registrant for SEC reporting purposes. Our common stock is listed on the NASDAQ Capital Market under the symbol "NEO".*

**Introduction**

The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included herein. The information contained below includes statements of the Company's or management's beliefs, expectations, hopes, goals and plans that, if not historical, are forward-looking statements subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. For a discussion on forward-looking statements, see the information set forth in the introductory note to this quarterly report on Form 10-Q under the caption "Forward-Looking Statements", which information is incorporated herein by reference.

**Overview**

We operate a network of cancer-focused testing laboratories in the United States, Europe and Asia. Our mission is to improve patient care through exceptional cancer-focused testing services. Our vision is to become the World's leading cancer testing and information company by delivering uncompromising quality, exceptional service and innovative solutions.

As of September 30, 2019, the Company had laboratory locations in Fort Myers and Tampa, Florida; Aliso Viejo, Carlsbad and Fresno, California; Houston, Texas; Atlanta, Georgia; Nashville, Tennessee; Rolle, Switzerland and Singapore. The Company currently offers the following types of testing services:

- a. Cytogenetics (karyotype analysis) - the study of normal and abnormal chromosomes and their relationship to disease. This involves analyzing the chromosome structure to identify changes from patterns seen in normal chromosomes. Cytogenetic studies are often performed to provide diagnostic, prognostic and occasionally predictive information for patients with hematological malignancies.
- b. Fluorescence In-Situ Hybridization ("FISH") - a molecular cytogenetic technique that focuses on detecting and localizing the presence or absence of specific DNA sequences and genes on chromosomes. The technique uses fluorescent probes that bind to only those parts of the chromosome with which they show a high degree of sequence similarity. Fluorescence microscopy is used to visualize the fluorescent probes bound to the chromosomes. FISH can be used to help identify numerous types of gene alterations, including amplifications, deletions, and translocations.
- c. Flow cytometry - a technique utilized to measure the characteristics of cell populations. Typically performed on liquid samples such as peripheral blood and bone marrow aspirate, it may also be performed on solid tissue samples such as lymph nodes, following additional processing steps. Cells are labeled with selective fluorescent antibodies and analyzed as they flow in a fluid stream through a beam of light. The properties measured in these antibodies include the relative size, relative granularity or internal complexity, and relative fluorescence intensity. These fluorescent antibodies bind to specific cellular antigens and are used to identify abnormal and/or malignant cell populations. Flow cytometry is typically utilized in diagnosing a wide variety of hematopoietic and lymphoid neoplasms. Flow cytometry is also used to monitor patients during the course of therapy to identify extremely low levels of residual malignant cells, known as minimal residual disease ("MRD").
- d. Immunohistochemistry ("IHC") and Digital Imaging – refers to the process of localizing cellular proteins in tissue sections and relies on the principle of antigen-antibody binding. IHC is widely used in the diagnosis of abnormal cells such as those found in cancer. Specific surface membrane, cytoplasmic, or nuclear markers may be identified. IHC is also widely used to understand the distribution and localization of differentially expressed proteins. Digital imaging allows clients to visualize scanned slides, and also perform quantitative analysis for certain stains. Scanned slides are received online in real time and can be previewed often a full day before the glass slides can be shipped back to clients.
- e. Molecular testing - a rapidly growing field which includes a broad range of laboratory techniques utilized in cancer testing. Most molecular techniques rely on the analysis of DNA and/or RNA, as well as the structure and function of genes at the molecular level. Molecular testing technologies include: DNA fragment length analysis; polymerase chain reaction ("PCR") analysis; reverse transcriptase polymerase chain reaction ("RT-PCR") analysis, real-time (or quantitative) polymerase chain reaction ("qPCR") analysis; bi-directional Sanger sequencing analysis; and Next-Generation Sequencing ("NGS") analysis.

- f. Morphologic analysis – refers to the process of analyzing cells under the microscope by a pathologist, usually for the purpose of diagnosis. Morphologic analysis may be performed on a wide variety of samples, such as peripheral blood, bone marrow, lymph node, and other sites such as lung, breast, etc. The services provided at NeoGenomics may include primary diagnosis, in which a sample is received for processing and our pathologists provide the initial diagnosis; or may include secondary consultations, in which slides and/or tissue blocks are received from an outside institution for second opinion. In the latter setting, the expert pathologists at NeoGenomics assist our client pathologists on their most difficult and complex cases.

#### Clinical Services Segment

The clinical cancer testing services we offer to community-based pathologists are designed to be a natural extension of, and complementary to, the services that they perform within their own practices. We believe our relationship as a non-competitive partner to community-based pathology practices, hospital pathology labs and academic centers empowers them to expand their breadth of testing and provide a menu of services that matches or exceeds the level of service found in any center of excellence around the world. Community-based pathology practices and hospital pathology labs may order certain testing services on a technical component only (“TC” or “tech-only”) basis, which allows them to participate in the diagnostic process by performing the professional component (“PC”) interpretation services without having to hire laboratory technologists or purchase the sophisticated equipment needed to perform the technical component of the tests. We also support our pathology clients with interpretation and consultative services using our own specialized team of pathologists for difficult or complex cases and provide overflow interpretation services when requested by clients.

In addition, we directly serve oncology and other clinician practices that prefer to have a direct relationship with a laboratory for cancer-related testing services. We typically service these types of clients with a comprehensive service offering where we perform both the technical and professional components of the tests ordered. Included in these service offerings are our COMPASS and CHART reports. COMPASS is a hematopathologist-directed multi-platform comprehensive evaluation, which includes an integrated assessment in the final COMPASS consultation report. CHART is a longitudinal patient report comprised of a series of COMPASS reports generated over time. In certain instances larger clinician practices have begun to internalize some components of pathology services. When pathology interpretation services are internalized, our “tech-only” service offering allows these larger clinician practices to also participate in the diagnostic process by performing the PC interpretation services on TC testing performed by NeoGenomics. In these instances, NeoGenomics will typically provide all of the more complex, molecular testing services.

#### Pharma Services Segment

Our Pharma Services segment supports pharmaceutical firms in their drug development programs by supporting various clinical trials and research. This portion of our business often involves working with the pharmaceutical firms (sponsors) on study design as well as performing the required testing. Our medical team often advises the sponsor and works closely with them as specimens are received from the enrolled sites. We also work on developing tests that will be used as part of a companion diagnostic to determine patients’ response to a particular drug. As studies unfold, our clinical trials team reports the data and often provide key analysis and insights back to the sponsors.

Our Pharma Services segment provides comprehensive testing services in support of our pharmaceutical clients’ oncology programs from discovery to commercialization. In biomarker discovery, our aim is to help our customers discover the right content. We help our customers develop a biomarker hypothesis by recommending an optimal platform for molecular screening and backing our discovery tools with the informatics to capture meaningful data. In other pre and non-clinical work, we can use our platforms to characterize markers of interest. Moving from discovery to development, we help our customers refine their biomarker strategy and, if applicable, develop a companion diagnostic pathway using the optimal technology for large-scale clinical trial testing.

Whether serving as the single contract research organization or partnering with one, our Pharma Services team provides significant technical expertise, working closely with our customers to support each stage of clinical trial development. Each trial we support comes with rapid turnaround time, dedicated project management and quality assurance oversight. We have experience in supporting submissions to the Federal Food and Drug Administration (“FDA”) for companion diagnostics. Our Pharma Services strategy is focused on helping bring more effective oncology treatments to market through providing world class laboratory services in oncology to key pharmaceutical companies in the industry.

Our Pharma Services revenue consists of three revenue streams:

- Clinical trials and research;
- Validation laboratory services; and
- Data services.

**2019 Focus Areas:**

We are committed to being an innovative leader in our industry. Over the past year, we have grown our business organically as well as through the acquisition of Genoptix in December of 2018. We have continued to expand internationally with the opening of a laboratory in Singapore. Our plans for 2019 include initiatives to drive profitable growth while successfully integrating Genoptix and maintaining exceptional service levels. We expect these initiatives to continue to position our Company to be the world's leading cancer testing and information company.

Strengthen Our World-Class Culture

Our belief is that a culture of motivated and engaged employees will deliver superior service to our clients. We are focused on continuing to strengthen our culture by actively seeking feedback and ideas from employees on ways to innovate and grow our business. We will foster employee engagement through collaborative forums, frequent team dialogue and programs to reward teams for exceptional performance.

Enhancing our culture to closely align with the values of our Company is a key priority. We will focus on creating a unified culture as we bring Genoptix and NeoGenomics employees together to become one team. We will create mentoring and training opportunities to enhance and capitalize on the talent within our Company. We believe these initiatives will foster a culture of accountability and empowerment. We also believe these initiatives are necessary to ensure the success of our Company.

Communication is a key element in our high performance culture. Through effective communication we facilitate our employees' understanding of our Company's priorities and how they contribute to the Company's overall objectives. We believe our employee retention rate is above average for the laboratory industry and continuing to strengthen our culture will enable us to continually recruit and retain talented employees.

Provide Uncompromising Quality

Maintaining the highest quality laboratory operations and service levels has enabled us to consistently grow our business. We are continuously looking for ways to improve quality and, in integrating Genoptix and NeoGenomics, we will identify best practices and implement changes to streamline processes across the organization. We are keenly focused on increasing automation and looking for solutions that will maintain quality while improving efficiency in operations.

We plan to continue to grow a culture of quality through company-wide leadership, coaching and employee engagement initiatives. Through training, we aim to empower our employees to understand the importance of quality and how to ensure quality in their respective function. We will implement initiatives to significantly improve the Corrective and Preventative Actions ("CAPA") process to ensure FDA readiness and will challenge employees to identify quality issues and find solutions.

We have been successful in retaining clients while also gaining market share. As we integrate Genoptix, our goal is to ensure that we maintain the highest quality operation.

Pursue Exceptional Service and Growth

Our plans for 2019 include initiatives to continue to drive profitable growth. We will continue to pursue market share gains by providing high complexity, cancer-related laboratory testing services to hospitals, community-based pathology practices, academic centers, clinicians, and pharmaceutical companies.

Our laboratory teams will focus on service by improving the customer experience. We intend to accomplish this through the development and launch of innovative assays, informatics products and companion diagnostics as well as enhancements to our educational programs. We expect this to result in increased product and process understanding, increased ability to gain market share as well as enabling us to maintain our high levels of client retention.

We will work to maintain our broad and innovative test menu of molecular, immunohistochemistry, and other testing, which has helped make us a "one-stop shop" for many clients who value that all of their testing can be sent to one laboratory. We believe successfully integrating Genoptix' and NeoGenomics' operations will allow us to increase efficiency and reduce cost per test. We will continue to look for growth opportunities through mergers and/or acquisitions and are focused on strategic opportunities that would be complementary to our menu of services and would increase our earnings and cash flow in the short to medium time frame.

### **Competitive Strengths**

In addition to the competitive strengths discussed below, the Company believes that its superior testing technologies and instrumentation, laboratory information system, client education programs and broad domestic and growing international presence also differentiate NeoGenomics from its competitors.

#### Turnaround Times

We strive to provide industry leading turnaround times for test results to our clients nationwide, both in the Clinical Services and Pharma Services segments. By providing information to our clients in a rapid manner, physicians can begin treating their patients as soon as possible. Our consistent timeliness of results in our Clinical Services segment is a competitive strength and a driver of additional testing requests by our referring physicians. Rapid turnaround times allow for the performance of other adjunctive tests within an acceptable diagnosis window in order to augment or confirm results and more fully inform treatment options. Additionally, we believe that our rapid turnaround time on testing and our project milestones are a key differentiator in the Pharma Services segment.

#### World-class Medical and Scientific Team

Our team of medical professionals and Ph.D.'s are specialists in the field of genetics, oncology and pathology. As of September 30, 2019, we employed, or are contracted with, approximately 100 full-time M.D.'s and Ph.D.'s. We have many nationally and world-renowned pathologists on staff, which is a key differentiator from many smaller laboratories. Our clinical customers look to our staff and their expertise and they often call our medical team on challenging cases. For our Pharma Services segment, many sponsors work with our medical team on their study design and on the interpretation of results from the studies. Our medical team is a key differentiator as we have a depth of medical expertise that many other laboratories cannot offer to Pharmaceutical companies.

#### Innovative Service Offerings

We believe we currently have the most extensive menu of tech-only FISH services in the country as well as extensive and advanced tech-only flow cytometry and IHC testing services. These types of testing services allow the professional interpretation component of a test to be performed and billed separately by our physician clients. Our tech-only services are designed to give pathologists the option to choose, on a case-by-case basis, whether they want to order just the technical information and images relating to a specific test so they can perform the professional interpretation, or order "global" services and receive a comprehensive test report which includes a NeoGenomics pathologist's interpretation of the test results. Our clients appreciate the flexibility to access NeoGenomics' medical staff for difficult or complex cases or when they are otherwise unavailable to perform professional interpretations.

We offer a comprehensive suite of technical and interpretation services, to meet the needs of those clients who are not credentialed and trained in interpreting genetic tests and who require pathology specialists to interpret the testing results for them. In our global service offerings, our lab performs the technical component of the tests and our M.D.'s and Ph.D.'s provide the service of interpreting the results of those tests. Our professional staff is also available for post-test consultative services. Clients using our global service offering rely on the expertise of our medical team to give them the answers they need in a timely manner to help inform their diagnoses and treatment decisions.

#### Global Service Offerings

We offer a comprehensive suite of technical and interpretation services, to meet the needs of those clients who are not credentialed and trained in interpreting genetic tests and who require pathology specialists to interpret the testing results for them. In our global service offerings, our lab performs the technical component of the tests and our M.D.s and Ph.D.s provide the service of interpreting the results of those tests. Our professional staff is also available for post-test consultative services. Clients using our global service offering rely on the expertise of our medical team to give them the answers they need in a timely manner to help inform their diagnoses and treatment decisions. Many of our tech-only clients also rely on our medical team for difficult or challenging cases by ordering our global testing services on a case-by-case basis or our medical team can serve as a backup to support our clients who need help to satisfy the continued and demanding requirements of their practice. Our reporting capabilities allow for all relevant case data from our global services to be captured in one summary report. When providing global services, NeoGenomics bills for both the technical and professional component of the test, which results in a higher reimbursement level.

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National Direct Sales Force

Our direct sales force has been trained extensively in cancer genetic testing and consultative selling skills to service the needs of clients. Our sales team for the clinical cancer testing services is organized into ten regions. Our Pharma Services segment has a dedicated team of business development specialists who are experienced in working with pharma sponsors and helping them with the testing needs of their research and development projects as well as Phase 1-3 studies. These sales representatives utilize our custom Customer Relationship Management System ("CRM") to manage their territories, and we have integrated all of the important customer care functionality within our Laboratory Information System ("LIS") into the CRM so that our sales representatives can stay informed of emerging issues and opportunities within their regions. Our in-house customer care team is aligned with our field sales team to serve the needs of our clients by utilizing the same LIS and CRM. Our field teams can see in real-time when a client calls the laboratory, the reason for the call, the resolution, and if face-to-face interaction is needed for follow-up.

**Seasonality**

The majority of our clinical testing volume is dependent on patients being treated by hematology/oncology professionals and other healthcare providers. The volume of our testing services generally declines modestly during the summer vacation season, year-end holiday periods and other major holidays, particularly when those holidays fall during the middle of the week. In addition, the volume of our testing tends to decline due to extreme adverse weather conditions, such as excessively hot or cold spells, heavy snow, hurricanes or tornadoes in certain regions, consequently reducing revenues and cash flows in any affected period.

Please see the section captioned Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC on February 26, 2019 and as amended and filed with the SEC on May 8, 2019, for a detailed description of our business.

**Results of Operations for the Three and Nine Months Ended September 30, 2019 as Compared to the Three and Nine Months Ended September 30, 2018**

The following table presents the Consolidated Statements of Operations as a percentage of revenue:

|                                | Three Months Ended September 30, |         | Nine Months Ended September 30, |         |
|--------------------------------|----------------------------------|---------|---------------------------------|---------|
|                                | 2019                             | 2018    | 2019                            | 2018    |
| Net revenue                    | 100.0 %                          | 100.0 % | 100.0 %                         | 100.0 % |
| Cost of revenue                | 51.4 %                           | 53.2 %  | 51.3 %                          | 55.0 %  |
| Gross Profit                   | 48.6 %                           | 46.8 %  | 48.7 %                          | 45.0 %  |
| Operating expenses:            |                                  |         |                                 |         |
| General and administrative     | 31.6 %                           | 30.5 %  | 31.4 %                          | 29.5 %  |
| Research and development       | 2.5 %                            | 0.6 %   | 2.1 %                           | 1.2 %   |
| Sales and marketing            | 11.0 %                           | 10.0 %  | 11.6 %                          | 10.7 %  |
| Total operating expenses       | 45.1 %                           | 41.1 %  | 45.1 %                          | 41.4 %  |
| Income from operations         | 3.5 %                            | 5.7 %   | 3.6 %                           | 3.6 %   |
| Interest expense, net          | 0.2 %                            | 2.7 %   | 1.1 %                           | 2.4 %   |
| Other income                   | — %                              | — %     | 1.7 %                           | — %     |
| Loss on extinguishment of debt | — %                              | — %     | 0.3 %                           | — %     |
| Income before income taxes     | 3.3 %                            | 3.0 %   | 0.5 %                           | 1.2 %   |
| Income tax (benefit) expense   | 1.3 %                            | 0.1 %   | (0.2)%                          | 0.1 %   |
| Net income                     | 2.0 %                            | 2.9 %   | 0.7 %                           | 1.1 %   |

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The following table presents consolidated net revenue for the test type indicated:

| (\$ in thousands) | Three Months Ended September 30, |           |           |          | Nine Months Ended September 30, |            |            |          |
|-------------------|----------------------------------|-----------|-----------|----------|---------------------------------|------------|------------|----------|
|                   | 2019                             | 2018      | \$ Change | % Change | 2019                            | 2018       | \$ Change  | % Change |
| Clinical Services | \$ 92,565                        | \$ 59,449 | \$ 33,116 | 55.7 %   | \$ 267,757                      | \$ 175,960 | \$ 91,797  | 52.2 %   |
| Pharma Services   | 12,107                           | 9,647     | 2,460     | 25.5 %   | 34,205                          | 24,306     | 9,899      | 40.7 %   |
| Total Revenue     | \$ 104,672                       | \$ 69,096 | \$ 35,576 | 51.5 %   | \$ 301,962                      | \$ 200,266 | \$ 101,696 | 50.8 %   |

**Revenue**

Clinical Services revenue for the three and nine month periods ending September 30, 2019 increased \$33.1 million and \$91.8 million, respectively, compared to the same periods in 2018. Testing volumes also increased in our clinical genetic testing business by approximately 34.9% and 33.2% for the three and nine month periods ending September 30, 2019, respectively, compared to the same periods in 2018. The increases in revenue and volume primarily reflect the acquisition of Genoptix and organic volume growth, as well as the benefit of a more favorable test mix and reimbursement initiatives. We continue to negotiate managed care and group purchasing contracts to increase our in-network coverage and facilitate the addition of new accounts.

Pharma Services revenue for the three and nine month periods ended September 30, 2019 increased \$2.5 million and \$9.9 million, compared to the same periods in 2018. In addition, our backlog of signed contracts has continued to grow from \$106.1 million as of June 30, 2019 to \$118.3 million as of September 30, 2019. The expansion of our Pharma facility in Houston, Texas, provides additional capacity to manage this backlog. We expect this backlog to result in higher revenues in future quarters.

We also expect to achieve continued revenue growth in our Pharma Services segment due to our international presence. In addition to our laboratory in Rolle, Switzerland, we announced a global strategic partnership with Pharmaceutical Product Development, LLC ("PPD") in 2018, and continued our international expansion including the opening of a laboratory in Singapore.

The following table shows Clinical Services revenue, cost of revenue, requisitions received and tests performed for the three and nine months ended September 30, 2019 and 2018. This data excludes tests performed for Pharma customers.

Testing revenue and cost of revenue are presented in thousands below:

|                                      | Three Months Ended September 30, |           |          | Nine Months Ended September 30, |            |          |
|--------------------------------------|----------------------------------|-----------|----------|---------------------------------|------------|----------|
|                                      | 2019                             | 2018      | % Change | 2019                            | 2018       | % Change |
| Requisitions (cases) received        | 145,312                          | 108,467   | 34.0 %   | 427,406                         | 323,682    | 32.0 %   |
| Number of tests performed            | 250,518                          | 185,738   | 34.9 %   | 735,165                         | 551,721    | 33.2 %   |
| Average number of tests/requisitions | 1.72                             | 1.71      | 0.7 %    | 1.72                            | 1.70       | 0.9 %    |
| Total clinical testing revenue       | \$ 92,565                        | \$ 59,449 | 55.7 %   | \$ 267,757                      | \$ 175,960 | 52.2 %   |
| Average revenue/requisition          | \$ 637                           | \$ 548    | 16.2 %   | \$ 626                          | \$ 544     | 15.2 %   |
| Average revenue/test                 | \$ 369                           | \$ 320    | 15.4 %   | \$ 364                          | \$ 319     | 14.2 %   |
| Cost of revenue                      | \$ 47,526                        | \$ 31,509 | 50.8 %   | \$ 136,557                      | \$ 94,586  | 44.4 %   |
| Average cost/requisition             | \$ 327                           | \$ 290    | 12.6 %   | \$ 320                          | \$ 292     | 9.3 %    |
| Average cost/test                    | \$ 190                           | \$ 170    | 11.8 %   | \$ 186                          | \$ 171     | 8.3 %    |

We continue to realize growth in our clinical testing revenue, which we believe is the direct result of our efforts to innovate by developing and maintaining one of the most comprehensive cancer testing menus in the industry. Our broad test menu enables our sales teams to identify opportunities for increasing revenues from existing clients and allows us to gain market share from competitors as well as attract new clients looking for a one-stop shop.

Average revenue per test increased 15.4% and 14.2% for the three and nine month periods ended September 30, 2019, respectively, compared to the corresponding period in 2018. These changes reflect the acquisition of Genoptix, favorable test



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mix, as well as the positive impact of our internal reimbursement initiatives, partially offset by changes in Medicare reimbursement and regulation.

Cost of Revenue and Gross Profit

Average cost per test increased 11.8% and 8.3% for the three and nine month periods ended September 30, 2019, compared to the corresponding period in 2018, primarily due to the acquisition of Genoptix. This increase was partially offset by increased automation in our laboratories as well as the benefit of increased economies of scale and continuous process improvement.

Cost of revenue includes payroll and payroll related costs for performing tests, maintenance and depreciation of laboratory equipment, rent for laboratory facilities, laboratory reagents, probes and supplies, and delivery and courier costs relating to the transportation of specimens to be tested.

The consolidated cost of revenue and gross profit metrics are as follows:

| (\$ in thousands)                 | Three Months Ended September 30, |           |          | Nine Months Ended September 30, |            |          |
|-----------------------------------|----------------------------------|-----------|----------|---------------------------------|------------|----------|
|                                   | 2019                             | 2018      | % Change | 2019                            | 2018       | % Change |
| <b>Cost of revenue:</b>           |                                  |           |          |                                 |            |          |
| Clinical Services                 | \$ 47,526                        | \$ 31,509 | 50.8 %   | \$ 136,557                      | \$ 94,586  | 44.4 %   |
| Pharma Services                   | 6,314                            | 5,266     | 19.9 %   | 18,492                          | 15,525     | 19.1 %   |
| Total Cost of Revenue             | \$ 53,840                        | \$ 36,775 | 46.4 %   | \$ 155,049                      | \$ 110,111 | 40.8 %   |
| Cost of revenue as a % of revenue | 51.4 %                           | 53.2 %    |          | 51.3 %                          | 55.0 %     |          |
| <b>Gross Profit:</b>              |                                  |           |          |                                 |            |          |
| Clinical Services                 | \$ 45,039                        | \$ 27,940 | 61.2 %   | \$ 131,200                      | \$ 81,374  | 61.2 %   |
| Pharma Services                   | 5,793                            | 4,381     | 32.2 %   | 15,713                          | 8,781      | 78.9 %   |
| Total Gross Profit                | \$ 50,832                        | \$ 32,321 | 57.3 %   | \$ 146,913                      | \$ 90,155  | 63.0 %   |
| Gross Profit Margin               | 48.6 %                           | 46.8 %    |          | 48.7 %                          | 45.0 %     |          |

Consolidated cost of revenue in dollars increased for the three and nine months ended September 30, 2019 when compared to the same period in 2018 while cost of revenue as a percentage of revenue decreased year-over-year. These increases in cost of revenue are largely due to the acquisition of Genoptix.

Gross profit margin increased for the three and nine months ended September 30, 2019, compared to the same periods in 2018. Gross margin improvement reflects the impact of volume growth, higher revenue per test, productivity gains, and cost efficiencies.

General and Administrative Expenses

General and administrative expenses consist of payroll and payroll related costs for our billing, finance, human resources, information technology and other administrative personnel as well as stock-based compensation. We also allocate professional services, facilities expense, IT infrastructure costs, depreciation, amortization and other administrative-related costs to general and administrative expenses.

Consolidated general and administrative expenses are as follows:

| (\$ in thousands)          | Three Months Ended September 30, |           |           |          | Nine Months Ended September 30, |           |           |          |
|----------------------------|----------------------------------|-----------|-----------|----------|---------------------------------|-----------|-----------|----------|
|                            | 2019                             | 2018      | \$ Change | % Change | 2019                            | 2018      | \$ Change | % Change |
| General and administrative | \$ 33,054                        | \$ 21,055 | \$ 11,999 | 57.0 %   | \$ 94,773                       | \$ 59,106 | \$ 35,667 | 60.3 %   |
| As a % of revenue          | 31.6 %                           | 30.5 %    |           |          | 31.4 %                          | 29.5 %    |           |          |

General and administrative expenses increased \$12.0 million and \$35.7 million for the three and nine months ended September 30, 2019, respectively, compared to the same period in 2018. The increase reflects the acquisition of Genoptix as well as higher payroll and payroll related costs due to increases in personnel. Additionally, these expenses include approximately \$0.3 million and \$2.1 million for the three and nine months ended September 30, 2019 in acquisition and integration related costs.

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We expect our general and administrative expenses to increase but remain stable as a percentage of revenue as we add employee and compensation expenses, incur additional expenses associated with the expansion of our facilities, and as we continue to expand our physical and technological infrastructure to support our anticipated growth.

Research and Development Expenses

Research and development expenses relate to costs of developing new proprietary and non-proprietary genetic tests, including payroll and payroll related costs, maintenance of laboratory equipment, laboratory supplies (reagents), and outside consultants and experts assisting our research and development team.

Consolidated research and development expenses for the periods presented are as follows:

| (\$ in thousands)        | Three Months Ended September 30, |        |           |          | Nine Months Ended September 30, |          |           |          |
|--------------------------|----------------------------------|--------|-----------|----------|---------------------------------|----------|-----------|----------|
|                          | 2019                             | 2018   | \$ Change | % Change | 2019                            | 2018     | \$ Change | % Change |
| Research and development | \$ 2,611                         | \$ 446 | \$ 2,165  | 485.4 %  | \$ 6,407                        | \$ 2,475 | \$ 3,932  | 158.9 %  |
| As a % of revenue        | 2.5 %                            | 0.6 %  |           |          | 2.1 %                           | 1.2 %    |           |          |

Research and development expenses increased \$2.2 million and \$3.9 million for the three and nine months ended September 30, 2019, compared to the same period in 2018. This 485.4% increase was driven by investments in new test development, particularly in our Next-Generation Sequencing and FDA initiatives.

We anticipate research and development expenditures will increase in future quarters as we invest in innovation projects and bringing new tests to market.

Sales and Marketing Expenses

Sales and marketing expenses are primarily attributable to employee-related costs including sales management, sales representatives, sales and marketing consultants and marketing and customer service personnel.

Consolidated sales and marketing expenses for the periods presented are as follows:

| (\$ in thousands)   | Three Months Ended September 30, |          |           |          | Nine Months Ended September 30, |           |           |          |
|---------------------|----------------------------------|----------|-----------|----------|---------------------------------|-----------|-----------|----------|
|                     | 2019                             | 2018     | \$ Change | % Change | 2019                            | 2018      | \$ Change | % Change |
| Sales and marketing | \$ 11,508                        | \$ 6,900 | \$ 4,608  | 66.8 %   | \$ 35,048                       | \$ 21,355 | \$ 13,693 | 64.1 %   |
| As a % of revenue   | 11.0 %                           | 10.0 %   |           |          | 11.6 %                          | 10.7 %    |           |          |

Sales and marketing expenses increased \$4.6 million and \$13.7 million for the three and nine months ended September 30, 2019, when compared to the same periods in 2018. This increase primarily reflects the acquisition of Genoptix as well as higher commissions due to our increase in revenues, the expansion of our sales team and continued investment in marketing. We expect higher commissions expense in the coming quarters as the sales representatives' continue generating new business with a focus on oncology office sales. We expect our sales and marketing expenses over the long term to align with changes in revenue.

Interest Expense, net

Net interest expense is comprised of interest incurred on our term debt, revolving credit facility and our other financing obligations offset by the interest income we earn on cash balances. Net interest expense for the three months ending September 30, 2019 decreased 89.2%, or \$1.7 million, compared to the same period in 2018. For the nine months ended September 30, 2019, net interest expense decreased by 30.1%, or \$1.4 million. We expect our interest expense to fluctuate based on timing of advances and payments on our revolving credit facility as well as changes in interest rates and cash balances.

**NEOGENOMICS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Earnings Per Share

The following table provides consolidated net income available to common stockholders for each period along with the computation of basic and diluted net earnings per share for the three and nine months ended September 30, 2019 and 2018:

| (in thousands, except per share amounts)           | Three Months Ended September 30, |          | Nine Months Ended September 30, |          |
|--|----------------------------------|----------|---------------------------------|----------|
|  | 2019                             | 2018     | 2019                            | 2018     |
| <b>Net income available to common shareholders</b> | \$ 2,143                         | \$ 2,023 | \$ 1,710                        | \$ 5,735 |
| Basic weighted average shares outstanding          | 103,899                          | 87,253   | 99,149                          | 87,381   |
| Diluted weighted average shares outstanding        | 107,880                          | 90,899   | 102,766                         | 89,925   |
| Basic net earnings per share                       | \$ 0.02                          | \$ 0.02  | \$ 0.02                         | \$ 0.07  |
| Diluted net earnings per share                     | \$ 0.02                          | \$ 0.02  | \$ 0.02                         | \$ 0.06  |

Non-GAAP Measures

**Use of Non-GAAP Financial Measures**

The Company's financial results and financial guidance are provided in accordance with GAAP and using certain non-GAAP financial measures. Management believes that the presentation of operating results using non-GAAP financial measures provides useful supplemental information to investors and facilitates the analysis of the Company's core operating results and comparison of core operating results across reporting periods. Management also uses non-GAAP financial measures for financial and operational decision making, planning and forecasting purposes and to manage the Company's business. Management believes that these non-GAAP financial measures enable investors to evaluate the Company's operating results and future prospects in the same manner as management. The non-GAAP financial measures do not replace the presentation of GAAP financial results and should only be used as a supplement to, and not as a substitute for, the Company's financial results presented in accordance with GAAP. There are limitations inherent in non-GAAP financial measures because they exclude charges and credits that are required to be included in a GAAP presentation, and do not present the full measure of the Company's recorded costs against its net revenue. In addition, the Company's definition of the non-GAAP financial measures below may differ from non-GAAP measures used by other companies.

**Definitions of Non-GAAP Measures**

Non-GAAP Adjusted EBITDA

"Adjusted EBITDA" is defined by NeoGenomics as net income from continuing operations before: (i) interest expense, (ii) tax expense, (iii) depreciation and amortization expense, (iv) non-cash stock-based compensation expense, and, if applicable in a reporting period, (v) acquisition and integration related expenses, (vi) non-cash impairments of intangible assets, (vii) debt financing costs, (viii) and other significant non-recurring or non-operating (income) or expenses.

**NEOGENOMICS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following is a reconciliation of GAAP net income to Non-GAAP EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2019:

| (in thousands)                               | Three Months Ended September 30, |           | Nine Months Ended September 30, |           |
|--|----------------------------------|-----------|---------------------------------|-----------|
|  | 2019                             | 2018      | 2019                            | 2018      |
| Net income (GAAP)                            | \$ 2,143                         | \$ 2,023  | \$ 1,710                        | \$ 2,287  |
| Adjustments to net income:                   |                                  |           |                                 |           |
| Interest expense, net                        | 203                              | 1,873     | 3,333                           | 4,766     |
| Income tax expense (benefit)                 | 1,348                            | 54        | (500)                           | 135       |
| Amortization of intangibles                  | 2,380                            | 1,421     | 7,482                           | 4,255     |
| Depreciation                                 | 4,848                            | 4,034     | 15,200                          | 11,477    |
| EBITDA (non-GAAP)                            | \$ 10,922                        | \$ 9,405  | \$ 27,225                       | \$ 22,920 |
| Further adjustments to EBITDA:               |                                  |           |                                 |           |
| Acquisition and integration related expenses | 334                              | —         | 2,143                           | —         |
| Loss on extinguishment of debt               | —                                | —         | 1,018                           | —         |
| Other significant non-recurring expense (1)  | 364                              | 670       | 5,509                           | 2,486     |
| Non-cash, stock-based compensation           | 3,275                            | 1,191     | 7,727                           | 5,148     |
| Adjusted EBITDA (non-GAAP)                   | \$ 14,895                        | \$ 11,266 | \$ 43,622                       | \$ 30,554 |

(1) Certain other items that neither relate to the ordinary course of our business nor reflect our underlying business performance are also excluded, including applicable facility moving expenses, expenses and/or proceeds related legal settlements and other items.

**Liquidity and Capital Resources**

To date, we have financed our operations primarily through cash generated from operations, public and private sales of equity securities, and bank debt borrowings.

The following table presents a summary of our consolidated cash flows for operating, investing and financing activities for the nine months ended September 30, 2019 and 2018 as well balances of cash and cash equivalents and working capital:

| (in thousands)                                 | Nine Months Ended September 30, |            |
|--|---------------------------------|------------|
|  | 2019                            | 2018       |
| Net cash provided by (used in):                |                                 |            |
| Operating activities                           | \$ 20,010                       | \$ 29,333  |
| Investing activities                           | (13,554)                        | (11,091)   |
| Financing activities                           | 162,624                         | 87,412     |
| Effects of foreign exchange rate changes       | —                               | (35)       |
| Net change in cash and cash equivalents        | 169,080                         | 105,619    |
| Cash and cash equivalents, beginning of period | \$ 9,811                        | \$ 12,821  |
| Cash and cash equivalents, end of period       | \$ 178,891                      | \$ 118,440 |
| Working Capital (1), end of period             | \$ 223,094                      | \$ 147,215 |

(1) Defined as current assets less current liabilities.

**Cash Flows from Operating Activities**

During the nine months ended September 30, 2019, cash flows from operating activities were \$20.0 million, a \$9.3 million decrease compared to the same period in 2018. The decrease was primarily due to an increase in accounts receivable of \$12.0 million, as well as an increase in inventory of \$4.6 million. Receivables have increased year-over-year due to increases in revenue. These increases were partially offset by a decrease in accrued expenses of \$7.0 million.

**NEOGENOMICS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Cash Flows from Investing Activities

During the nine months ended September 30, 2019, cash used in investing activities was \$13.6 million, an increase of approximately \$2.5 million compared to the same period in 2018. This was primarily due to an increase in the purchases of property and equipment, partially offset by the working capital adjustment related to the Genoptix acquisition.

Cash Flows from Financing Activities

During the nine months ended September 30, 2019, cash provided by financing activities was \$162.6 million compared to \$87.4 million in the same period in 2018. Cash provided by financing activities during the nine months ended September 30, 2019 consisted primarily of net cash proceeds of \$160.8 million resulting from the equity offering and \$10.1 million from stock option exercises, offset by net repayment of the term loan and other finance obligations of \$7.2 million.

Credit Facility

On June 27, 2019, the Company entered into a new senior secured credit agreement ("New Credit Agreement") with PNC Bank National Association. Simultaneous with entering into the New Credit Agreement, the Company terminated the Prior Financing Agreement and repaid all outstanding amounts owed thereunder. For further details regarding the new and prior agreements, see Note G, Debt. In order to reduce our exposure to interest rate fluctuations on this floating rate debt obligation, we entered into interest rate swap agreements. For more information on these hedging instruments, see Note H, Derivative Instruments and Hedging Activities, to the Consolidated Financial Statements herein. The interest rate swap agreement effectively converts a portion of our floating rate debt to a fixed obligation, thus reducing the impact of interest rate changes on future interest expense. We believe this strategy will enhance our ability to manage cash flow within our Company.

Liquidity Outlook

We had approximately \$178.9 million in cash and cash equivalents as of September 30, 2019. In addition, the new senior secured credit agreement provides for up to \$250.0 million in borrowing capacity of which \$100.0 million is outstanding at September 30, 2019. Based on our level of Adjusted EBITDA and the balance drawn, approximately \$115 million was available at that same date. We believe that the cash on hand, available credit lines and positive cash flows generated from operations will provide adequate resources to meet our operating commitments and interest payments for at least the next 12 months from the issuance of these financial statements.

Capital Expenditures

We currently forecast capital expenditures in order to execute on our business plan and maintain growth; however, the actual amount and timing of such capital expenditures will ultimately be determined by the volume of business. We currently anticipate that our cash payments for capital expenditures for the year ending December 31, 2019 will be in the range of \$18 million to \$20 million. During the nine months ended September 30, 2019, we purchased approximately \$17.6 million of capital equipment, software and leasehold improvements, which included \$14.0 million in cash payments. The remaining \$3.7 million was financed under loan obligations. We have funded and plan to continue funding these capital expenditures with financing obligations, cash, and through bank loan facilities, if necessary.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions and select accounting policies that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

There have been no significant changes to our critical accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018, as amended, except for the adoption of new accounting standards, including the new standard related to leases. For further details regarding our leases, see Note C, Leases.

**Related Party Transactions**

On November 4, 2016, the Company entered into an amended and restated consulting agreement with Steven C. Jones, a director, officer and shareholder of the Company whereby Mr. Jones would provide consulting services to the Company in the capacity of Executive Vice President. The Amended and Restated Consulting Agreement has an initial term of November 4, 2016 through April 30, 2020, which automatically renews for additional one year periods unless either party provides notice of termination at least three months prior to the expiration of the initial term or any renewal term. On May 6, 2019, the Company and Mr. Jones entered into a letter agreement to modify certain provisions of the consulting agreement (the "Letter Agreement") which modifications included, by mutual agreement of the parties, the following: automatic expiration of the consulting agreement on April 30, 2020 unless the parties mutually agree to renew it in writing; a description of consulting services to be provided to the Company (the "Services") with a target of up to 15 hours per month of working time and attention to the Company; a fixed monthly cash consulting fee in the amount of \$5,000 per month for the provision of the Services; and continuation of health insurance coverage at the levels currently in effect. In addition, Mr. Jones relinquished the title of Executive Vice President effective as of April 4, 2019.

During the three months ended September 30, 2019 and 2018, Mr. Jones earned approximately \$15,750 and \$38,000, respectively, for consulting work performed and for reimbursement of related expenses. During the three months ended September 30, 2019 and 2018, Mr. Jones earned approximately \$13,125 and \$12,500, respectively, as compensation for his services on the Board. During the nine months ended September 30, 2019 and 2018, Mr. Jones earned approximately \$76,250 and \$125,000, respectively, for consulting work performed and for reimbursement of related expenses. During the nine months ended September 30, 2019 and 2018, Mr. Jones also earned \$38,125 and \$37,500, respectively, as compensation for his services on the Board.

On June 1, 2018, the Company granted stock options and restricted stock to each of its Board members as part of its annual Board compensation process. Mr. Jones was granted 3,017 stock options and 6,897 shares of restricted stock for his services on the Board. The options were granted at a price of \$11.60 per option and each option had a fair market value of \$3.74. The options vested on June 1, 2019. The restricted stock had a fair value of \$11.60 per share and vested on June 1, 2019.

On June 6, 2019, the Company granted stock options and restricted stock to each of its Board members as part of its annual Board compensation process. Mr. Jones was granted 4,269 stock options and 3,419 shares of restricted stock for his services on the Board. The options were granted at a price of \$22.52 per option and each option had a fair market value of \$8.14. The options vest on June 6, 2020. The restricted stock has a fair value of \$22.52 per share and vests on June 6, 2020.

**Off-balance Sheet Arrangements**

We do not use special purpose entities or other off-balance sheet financing techniques that we believe have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital resources.

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

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange rates, interest rates and other relevant market rate or price changes. We are exposed to market risk associated with changes in the LIBOR interest rate and foreign currency exchange rates. We regularly evaluate our exposure to such changes and may elect to minimize this risk through the use of interest rate swap agreements. For further details regarding our significant accounting policies relating to derivative instruments and hedging activities, see Note B to our Consolidated Financial Statements included in our Annual Report on Form 10-K. We do not have any material foreign operations or foreign sales and thus have limited exposure to foreign currency exchange rate risk.

**ITEM 4. CONTROLS AND PROCEDURES**

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As required by SEC Rule 15d-15, our management carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the nine months ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II — OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

From time to time the Company is engaged in legal proceedings in the ordinary course of business, see Note L, Commitments and Contingencies.

**ITEM 1A. RISK FACTORS**

There have been no material changes in our risk factors from those set forth in Part I, Item 1A, “Risk Factors” contained in our Annual Report on Form 10-K for the for the year ended December 31, 2018; as filed with the SEC on February 26, 2019 and as amended and filed with the SEC on May 8, 2019.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.



## ITEM 6. EXHIBITS

| EXHIBIT NO. | DESCRIPTION  |
|-------------|--|
| 10.1        | <a href="#"><u>Commercial Lease Agreement, dated September 13, 2019, by and between NeoGenomics Laboratories, Inc. and Seagate Alico I, LLC</u></a>  |
| 10.2        | <a href="#"><u>Development Agreement, dated September 13, 2019, by and between NeoGenomics Laboratories, Inc. and Seagate Alico I, LLC</u></a>   |
| 31.1        | <a href="#"><u>Certification by Principal Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>  |
| 31.2        | <a href="#"><u>Certification by Principal Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>  |
| 32.1        | <a href="#"><u>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</u></a>   |
| 101         | The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Comprehensive Income (Loss) and (v) related notes |

**SIGNATURES**

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

**Date: November 13, 2019**

**NEOGENOMICS, INC.**

By: /s/ Douglas M. VanOort  
Name: Douglas M. VanOort  
Title: Chairman and Chief Executive Officer

By: /s/ Kathryn B. McKenzie  
Name: Kathryn B. McKenzie  
Title: Vice President & Chief Accounting Officer

COMMERCIAL LEASE

[NeoGenomics Headquarters, Ft. Myers, Florida]

This Commercial Lease (this "Lease") is made as of the / 13<sup>th</sup> day of September, 2019, by and between SEAGATE ALICO I, LLC, a Florida limited liability company (the "Landlord"), and NEOGENOMICS LABORATORIES, INC. a Florida corporation (the "Tenant").

RECITALS

A. Landlord is the contract purchaser of that certain approximately 13.72 acres of real property described on **Exhibit A** attached hereto which real property, along with appurtenant easements, are collectively referred to as the "Land". Landlord intends to develop on the Land two (2) Buildings (each a "Building" and collectively the "Buildings") containing, in the aggregate, up to (but not more than) 150,000 gross square feet of commercial space, up to 100,000 square feet of which may be developed as general office space and the balance of which shall be developed and used as laboratory, warehouse and/or industrial use (as defined in the Lee County zoning code) together with parking and other improvements as generally depicted on the conceptual site plans attached hereto as **Exhibit B** (collectively the "Site Plan"), all of the foregoing, including the Land, the Buildings and the parking, and other improvements depicted on **Exhibit B** or otherwise constructed on the Land, hereinafter collectively referred to as the "Premises". The Premises shall be constructed according to the Final Base Building Design (as defined in the Development Agreement) and in accordance with the terms of the Development Agreement. The Tenant Improvements (as defined in the Development Agreement) shall be also constructed by Landlord, with the costs of the Tenant Improvements paid by Landlord and Tenant, all in accordance with the terms of the Development Agreement.

B. Tenant desires to lease the Premises from Landlord and Landlord desires to lease the Premises to Tenant, subject to the terms and conditions hereof.

**NOW, THEREFORE**, in consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENTS:

**1. DEFINITIONS.**

The following terms shall have the meanings set forth in this Section 1, unless the context otherwise requires:

**1.1 "Additional Rent"** means all sums payable by Tenant hereunder in addition to Base Rent.

**1.2 "Base Rent"** shall be as defined in Section 5.1 and calculated in accordance with Section 5.1 and **EXHIBIT E**, attached hereto.

**1.3 "Force Majeure"** is defined as any act or event that prevents the affected party from performing its obligations including, but not be limited to, the following acts or events that prevent or delay the affected party in the performance of its obligations under this Lease of the Development Agreement: (i) unusually severe weather and natural phenomena, including without limitation, storms, floods, lightning and earthquakes; (ii) fires or other casualty not within the reasonable control

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of the affected party; (iii) wars, civil disturbances, riots, insurrections and sabotage; (iv) transportation disasters, whether by sea, rail, air or land; (v) strikes or other labor disputes; (vi) material, supply, and/or labor shortages, (vii) vandalism, (viii) delays in the issuance of permits by any governmental agency and (ix) actions or failures to act of a governmental authority, including changes in laws or codes not reasonably foreseeable, that were not voluntarily induced or promoted by the affected party, or brought about by the breach of its obligations.

**1.4 "Delivery Date"** shall mean and refer to the date that Landlord delivers possession of the Buildings, to Tenant with Landlord's Work (including the Tenant Improvement Work) substantially complete; as used herein, "substantially complete" shall mean completion of Landlord's Work (except for traditional "punch-list items"); provided, however, in the event that substantial completion of the Landlord's Work is delayed beyond the Target Date as a result of a Tenant Delay, then, for purposes of determining the Rent Commencement Date, substantial completion of the Landlord's Work shall be deemed to occur on the date that substantial completion would have occurred (such date being referred to herein as the "**Deemed Delivery Date**") but for such Tenant Delay.

**1.5 "Design and Budget Period"** shall mean the period of time commencing on the execution of this Lease and continuing until 5:00 pm EST on October 28th, 2019.

**1.6 "Declarations"** shall be as defined in Section 3.3, below.

**1.7 "Development Agreement"** means that certain development agreement executed simultaneously herewith between Landlord and Tenant, a copy of which is attached hereto as **Exhibit F**, pursuant to which Landlord shall cause the Land to be developed and Buildings to be constructed.

**1.8 "Development Density Restriction"** shall mean that, without Landlord's consent (which may be withheld at Landlord's sole discretion), the Land may not be developed with more than 150,000 gross square feet of commercial space (up to 100,000 square feet of which may be developed as general office space and the balance of which shall be developed and used as laboratory, warehouse and/or industrial use (as defined in the Lee County zoning code).

**1.9 "Event of Default"** is defined in Section 20, below.

**1.10 "Landlord's Work"** is defined in Section 4.1, below.

**1.11 "Lease Date"** means the date hereof.

**1.12 "Lease Year"** shall mean each twelve (12) month period of this Lease beginning on the Rent Commencement Date and ending on the day immediately prior to each anniversary thereof; provided, however, if the Rent Commencement Date does not occur on the first day of a month, the first Lease Year shall commence on the Rent Commencement Date and end on the last day of the twelfth full calendar month following the Rent Commencement Date.

**1.13 "Permitted Encumbrances"** shall mean and refer to those matters identified on **Exhibit C**, attached hereto.

**1.14 "** shall mean any party to this Lease.

**1.15 "Rent"** means Base Rent and Additional Rent.

**1.16 "Rent Commencement Date"** shall mean and refer to the earlier of (a) the Delivery Date, or (b) the Deemed Delivery Date.

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**1.17 "Rentable Area"** means the entire rentable square footage of the Buildings which shall be measured by Landlord's Architect based on the final as-built plans for the Buildings, and thereafter promptly confirmed by Landlord and Tenant, in writing, in the form of a supplement to this Lease.

**1.18 "Target Date"** shall mean July 5, 2021.

**1.19 "Tenant Delay"** shall be as defined in the Development Agreement.

**1.20 "Tenant's Base Contribution"** shall mean and refer to the sum of Twenty-Five Million Dollars (\$25,000,000) which Tenant shall contribute towards the payment of the Total Project Costs, as set forth more particularly in the Development Agreement. Tenant's Base Contribution shall be in addition to Tenant's financial responsibility to pay for the cost of all Tenant Improvements that exceed the Tenant Improvement Allowance.

**1.21 "Term"** shall mean and refer to the period of time commencing on the Delivery Date and ending at 11:59 pm EST on the last day of the 20<sup>th</sup> Lease Year thereafter.

**1.22 "Termination Date"** means the earlier of the last day of the Term, or the date this Lease is terminated by Landlord pursuant to a right granted hereunder.

**1.23 "Total Project Costs"** is defined in **Exhibit E**, attached hereto.

## **2. LEASE OF PREMISES.**

**2.1 Demise of the Premises.** Subject to the contingency set forth in Sections 2.2 and 2.3, below, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises. Landlord shall deliver possession of the Premises to Tenant pursuant to the terms of Section 4 hereof. Notwithstanding the foregoing, Landlord will not be obligated to deliver possession of the Buildings to Tenant until Landlord has received from Tenant (i) the first installment of Base Rent (provided that Landlord shall have sent Tenant a reminder notice therefor within thirty (30) days prior to the date that Landlord intends to deliver possession) and (ii) a copy of certificates of each insurance policy required to be maintained by Tenant hereunder.

**2.2 Purchase Contingency.** Tenant acknowledges that, as of the date of this Lease, Landlord is the contract purchaser of the Land, pursuant to that certain commercial contract between Landlord (as the buyer thereunder) and Paul H. Freeman, Trustee (as the "Seller" thereunder) dated May 6, 2019, as amended by Amendment dated June 27, 2019, as may be further amended from time to time (the "**Purchase Contract**"). Tenant acknowledges that Landlord does not intend to close on the acquisition of the Land until after Final Base Building Design and final plans and specifications for the Shared Infrastructure (both as defined in the Development Agreement) are approved by Tenant and a building permit is available to enable construction of the Buildings to commence. If, for any reason, the Purchase Contract is terminated or if Landlord otherwise does not acquire the Land, then Landlord shall have the right to terminate this Lease, without penalty, by furnishing not less than three (3) days prior written notice thereof to Tenant, in which event any deposits and prepaid rent shall be returned by Landlord to Tenant and the parties hereto shall have no further obligations hereunder. Tenant acknowledges the Land must be included in a re-plat being prepared by Seller (a "**Re-Plat**"), and that such Re-Plat must be approved by Lee County and recorded by Seller prior to Seller closing on the sale of the Land to Landlord.

**2.3 Design and Budget Contingency.** Tenant and Landlord acknowledge that as of the execution of this Lease, final plans and specifications for the Landlord Work (including the Tenant

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Improvements) have not been completed; consequently, the initial Project Budget attached to the Development Agreement is estimated and based on rough concept plans. Landlord and Tenant agree that if, for any reason, Landlord and Tenant are unable (by no later than the expiration of the Design and Budget Period) to agree upon: (a) plans and specifications for the Landlord Work (including the Tenant Improvement Work) (whether in final form, or -- at the discretion of both parties -- in sufficient form to provide both parties with acceptable comfort as to the status of such plans and the integrity of the budget estimates that are capable of being estimated based on such plans and specifications then available) and any corresponding adjustment to the Target Date, (b) final schedules to be attached to the Development Agreement, or (c) an acceptable updated Project Budget (including any desired increases or decreases to the Tenant's Base Contribution and/or Tenant Improvement Allowance), then in any of such instances, Landlord and Tenant shall each have the right to terminate this Lease (without penalty hereunder) by furnishing written notice thereof to the other party hereto by no later than the expiration of the Design and Budget Period, in which event this Lease shall be of no further force or effect. It is the parties' expectations that if the Landlord and Tenant are able to agree upon sufficiently detailed plans and specifications (and an updated Project Budget related thereto) and any corresponding adjustment to the Target Date, such agreement will be memorialized (prior to the expiration of the Design and Budget Period) in the form of an amendment to this Lease and/or the Development Agreement (each in form and content acceptable to Landlord and Tenant, in their respective sole discretion). However, for the avoidance of doubt, the termination of this Lease by either party pursuant to this Section 2.3, shall not affect the obligations of Tenant to reimburse Seagate for pre-development expenses, pursuant to that certain Pre-Development Reimbursement Agreement between Tenant and Seagate dated May 22, 2019, as amended.

### **3. TERM; USE.**

**3.1 Term.** Landlord hereby leases the Premises to Tenant for the Term.

**3.2 Confirmation of Dates.** Within thirty (30) days of the Delivery Date, Landlord and Tenant shall execute and deliver to each other a certificate in the form attached hereto as **Exhibit D** confirming the Delivery Date, the Rent Commencement Date and Termination Date, and such other information as either party shall reasonably request.

**3.3 Declarations.** Tenant agrees not use the Premises in a manner that would materially violate the terms of (i) that certain Declaration of Easements, Covenants and Operation Obligations recorded under ORI No. 2018000112353 and ORI No. 2018000283447, Public Records of Lee County, Florida, as may be further amended from time to time, (ii) that certain Declaration of Covenants and Restrictions of The North Alico Property Owners' Association as recorded under ORI No. 2005000065896, as amended and/or supplemented under ORI No. 2008000213922, ORI No. 2008000213924, ORI No. 2008000234500, ORI No. 2009000002723, Public Records of Lee County, Florida, as may be further amended from time to time, and (iii) any other declaration of restrictive covenant or deed restriction hereafter recorded against the Land provided that the same does not preclude Tenant from using the Premises for general office and laboratory use, subject, at all times, to the Development Density Restriction (collectively, the "**Declarations**"), as such Declarations are applicable to tenants occupying the Land. Landlord shall take all actions necessary to comply with the terms of the Declarations.

**3.4 Compliance with Laws.** Tenant shall not use or occupy or allow the Premises or any part thereof to be used or occupied in contravention of any zoning regulation, Law, Insurance Board Order, certificate of occupancy or other permit covering or affecting the use or occupancy of the Premises or any part thereof, or in any manner which, in Landlord's reasonable judgment, would materially and adversely affect the value of the Premises.

### **4. DEVELOPMENT OF LAND AND CONSTRUCTION.**

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**4.1 Landlord's Work.** Landlord will cause the Land to be developed (including the off-site Shared Infrastructure) and Buildings to be constructed and completed in the manner set forth in the Final Base Building Design and Final Shared Infrastructure Plans and Specifications, and Landlord shall also complete the Tenant Improvement work in accordance with the Final TI Design, all in accordance with and as more particularly described in the Development Agreement and this Lease (collectively, the "**Landlord's Work**").

Landlord represents and warrants to Tenant that it will diligently pursue the Requisite Approvals and all building permits necessary to perform Landlord's Work in accordance with all applicable laws, rules and ordinances, and will provide true, correct and complete copies of same to Tenant. As used herein, the "**Requisite Approvals**" shall mean the obtaining by Seller of approval and recording of the Re-Plat, the obtaining by Landlord of a development order to develop the Land in accordance with the Final Base Building Design and Final Shared Infrastructure Plans and Specifications, and the obtaining by Landlord of all other private approvals and all final governmental approvals and permits and other third-party agreements and easements required for the Shared Infrastructure and all appeal periods therefor have expired without appeal or challenge having been made.

## **5. BASE RENT; LATE CHARGES; TAXES, INSURANCE, ASSOCIATION FEES; UTILITIES; MANAGEMENT FEE.**

**5.1 Base Rent; 2% Annual Increases.** Commencing on and continuing after Rent Commencement Date, Tenant agrees to pay to Landlord annual Base Rent for the Buildings (the "**Base Rent**") in an amount per annum calculated in the manner as provide below in this Section 5.1 and as further described on **Exhibit E**, attached hereto. Base Rent shall be payable during each Lease Year in equal monthly installments on the first (1st) day of each calendar month during the Term. The annual Base Rent for the first Lease Year shall be calculated in accordance with Exhibit "E", attached hereto. Thereafter, on the first day of Lease Years 2 through 20 the annual Base Rent shall be increased by two percent (2%) of the Annual Base Rent of the immediately preceding Lease Year.

**5.2 Pro-Rated Amounts; Sales Tax; Late Payments.** If the Rent Commencement Date and/or the Termination Date is a day other than the first (1st) day of a calendar month, then Base Rent and Additional Rent for any partial calendar month shall be prorated on the basis of the actual number of days in such month. All Base Rent, Additional Rent and any other amounts that become payable from Tenant to Landlord hereunder shall be subject to Florida State sales tax, including any discretionary local sales taxes that may from time to time be levied, all of which shall be paid by Tenant (a) to Landlord at the time each payment due Landlord hereunder is remitted to Landlord or (b) directly to the Florida Department of Revenue (with evidence thereof promptly delivered to Landlord) with respect to sales tax due on any payments of Additional Rent or other sums required to be paid by Tenant hereunder, which Tenant is entitled (by an express provision of this Lease) to pay directly to such third party. Rent shall be paid in full in U.S. Dollars at Landlord's address (which Landlord may change from time to time, upon written Notice to Tenant), without notice or demand, and without abatement, deduction, suspension, offset, counterclaim or defense of any kind or nature whatsoever except as may be specifically allowed herein or pursuant to applicable law. If Tenant fails to pay any installment of Rent within thirty (30) days after the due date (the "**Late Payment Date**"), then Tenant shall pay to Landlord, without notice or demand, as Additional Rent hereunder, a late payment fee equal to five percent (5%) of the unpaid amount. Tenant acknowledges that such amount is fair and reasonable estimate of the additional costs which Landlord will incur on account of such untimely payment.

**5.3 Payment of Taxes.** From and after the Rent Commencement Date, Tenant shall pay as Additional Rent all real estate taxes, assessments and charges levied by any governmental or quasi-governmental authority (including any municipal service districts, special taxing districts, community development districts) upon the Premises and personal property taxes levied against

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Tenant's leasehold improvements and/or any other personal property of Tenant located at the Premises or personal property of Landlord located at the Premises and used (by Landlord or Tenant) in the operation, maintenance, repair and/or use of the Premises, as same may be defined by Lee County, Florida, together with all interest and penalties (imposed due to Tenant's fault) thereon, or upon or against any Base Rent or Additional Rent reserved or payable hereunder, or upon or against this Lease or the leasehold estate hereby created, or the gross receipts from the Premises, or the earnings arising from the use thereof, other than (i) franchise, capital stock or similar taxes, if any, of Landlord, or (ii) income, estate, excess profits or other similar taxes upon Landlord's receipts, and/or the receipts of any of the persons who are members of Landlord, if any (unless the taxes referred to in clauses (i) and (ii) are in lieu of or a substitute for any other tax, assessment or charge upon, or with respect to the Premises which, if such other tax, assessment or charge were in effect, would be payable by Tenant, in which event such taxes shall be computed as though the Premises were the only property of Landlord and/or of each such member and the Base Rent payable hereunder the only income of Landlord and/or of each such member). Nothing above is intended to require that Landlord and/or any of the persons who are members of Landlord to submit any more documentation than is necessary to support the receipts from the Premises. Landlord shall request that the proper governmental authority send all tax assessment and charge bills to be paid by Tenant directly to the Tenant, but, if Landlord receives such a bill, it shall forward same immediately to Tenant. Tenant shall pay said taxes, assessments and charges by no later than sixty (60) days prior to the date the same becomes due and payable. Tenant shall notify Landlord of such payment when made which notification shall include copies of the bills paid and evidence of payment, so as to afford Landlord the opportunity to verify the payment. Notwithstanding the foregoing, in the event Landlord's lender requires the taxes payable by Tenant hereunder to be escrowed on a monthly basis, Tenant shall comply with such lender's procedures therefor (and such escrowed monthly payments shall be deemed Additional Rent).

**5.4 Proration for Beginning and end of Term.** The customary adjustments and apportionments of real estate taxes, assessments and charges shall be made between Landlord and Tenant as of the date of the expiration or earlier termination of this Lease.

**5.5 Right to Contest.** Tenant, at its cost and expense, and if legally required in the name of Landlord, may contest by appropriate legal proceedings conducted in good faith and with due diligence, the amount, validity, or application, in whole or in part, or any assessment upon which a tax will be based, of any tax assessment or charge required to be paid hereunder, or any legal requirement or insurance requirement, provided that neither the Premises nor any part thereof or interest therein would be in any danger of being sold, forfeited or lost by reason of such proceedings, and provided further in the case of a legal requirement, Landlord would not be in any imminent danger of any civil or criminal liability for failure to comply therewith, and the Premises would not be subject to the imposition of any lien as a result of such failure. Landlord shall reasonably cooperate with Tenant so long as Tenant pays all out of pocket expenses incurred by reason of such cooperation. Each such contest shall be promptly prosecuted to a final conclusion, and Tenant shall pay and save Landlord harmless against all losses, judgments, decrees and costs, including reasonable attorneys' fees and expenses in connection therewith, and shall promptly, after the final determination of such contest, pay and discharge the amounts which shall be levied, assessed or imposed and deemed to be payable therein, together with all penalties, fines, interest, costs and expenses thereon or in connection therewith. Tenant shall be entitled to all refunds received as a result of such contests, provided Tenant shall have been liable for the payment of such tax, assessment, legal or insurance requirement.

**5.6 Payment of Assessments under Declarations.** From and after the Rent Commencement Date, Tenant shall pay as Additional Rent the sums necessary to reimburse Landlord for all assessments (whether regular, special, specific or otherwise) levied against the Land pursuant to the Declarations. Tenant shall pay such sums within thirty (30) days of Tenant's receipt of a copy of the invoice issued to Landlord for the applicable assessment.

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**5.7 Management Fee Payable to Landlord.** As Additional Rent, on the first (1<sup>st</sup>) day of each calendar month during the Term, but beginning on the Rent Commencement Date, Tenant shall pay to Landlord the sum of \$2,500 as a management fee to Landlord (the "**Management Fee**"), prorated for partial months. The Management Fee is an agreed stipulated amount paid by Tenant to Landlord each month, to reimburse Landlord for a portion of the costs and expenses incurred by Landlord in administering this Lease. The monthly amount payable as a Management Fee shall increase on each anniversary of the Rent Commencement Date during the Term by two percent (2%).

## **6. SIGNS AND ANTENNAE.**

**6.1 General Restriction.** Subject to Section 6.2, below, no awning, canopy, sign, placard, exterior lighting, aerial or antenna shall be placed, affixed or installed on the doors, roof or exterior walls or windows of the Buildings without Landlord's prior written consent, not to be unreasonably withheld, conditioned or delayed. If Landlord gives such consent, Landlord may reasonably regulate the manner of display thereof and may require the temporary removal in the event a Category 2 or higher hurricane is expected to make landfall in Lee County Florida. Landlord may remove, at the sole expense of Tenant, any items installed without Landlord's prior written consent or which are being displayed in an unapproved manner, after providing Tenant with notice and a thirty (30) day period in which to cure same. Upon the Termination Date, Tenant, at its own cost and expenses, shall forthwith remove all signs, placards, awnings, canopies, antennae and aerials and repair any damage to the Buildings resulting from such installation or removal.

**6.2 Tenant Responsible for Signage Approvals.** Any signs approved by Landlord shall be installed only in accordance with all necessary governmental and quasi-governmental requirements affecting the Premises. Landlord shall pursue, at Tenant's request and cost and expense, any approvals under the Declarations and/or local laws, rules or regulations required to erect any awning, canopy, sign, placard, exterior lighting, aerial or antenna on the Buildings desired by Tenant.

## **7. MAINTENANCE AND REPAIRS; TENANT'S ALTERATIONS.**

**7.1 Tenant Responsible for all Maintenance and Repairs.** At all times after the Delivery Date and during the Term hereof, the Tenant shall be responsible, at its sole cost and expense, for performing or causing to be performed all maintenance, repairs and/or replacements of all portions of the Premises (including all portions of the Buildings) and keeping the same in good and safe condition and in proper repair, including, without limitation, maintenance, repair and/or replacement of: (a) the roofs of the Building and the foundation and structural walls of the Buildings, (b) structural members of the Buildings such as steel columns, beams and floors, (c) the Buildings' systems (including the heating, ventilation and air conditioning systems, the plumbing systems, the electrical systems and the life-safety systems) (d) the exterior of the Buildings (including annual pressure washing and periodic re-painting), (e) the parking areas, including parking lot lighting, and landscaping of the Premises (including sealing, striping and curbing, and the repair of potholes), (f) dry-detention areas, and (g) all other exterior portions of the Premises, including, without limitation, lawns and landscaping. Tenant shall be liable for any damages (other than consequential damages) sustained by Landlord resulting from the failure of Tenant to make repairs or replacements for which Tenant is responsible under this Lease after notice to Landlord by Tenant of the need for such repairs and the lapse of a period of time sufficient, with the exercise of reasonable diligence, for the making of such repairs. Landlord shall have the right to make emergency repairs or replacements which are the obligation of Tenant and to charge Tenant therefor. For the avoidance of doubt, Tenant's obligations under this Section 7 shall include replacements or renewals, whether or not characterized as capital improvements. All repairs and replacements shall be at least equal in quality and class to the condition on the Delivery Date.

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**7.2 HVAC Maintenance Contracts.** Tenant shall maintain service contracts (with a licensed HVAC contractor acceptable to Landlord) on all components of the heating, ventilating and air conditioning ("HVAC") system serving the Buildings, including but not limited to changing filters, checking belts and oiling of units. The Tenant shall provide the Landlord with evidence of a service contract upon the commencement of occupancy and annually thereafter. If Tenant refuses or neglects to maintain a service contract, Landlord may contract for such service contract and Tenant shall pay Landlord (by no later than 15 days after written demand) the costs incurred by Landlord thereunder plus twenty percent (20%) for overhead as Additional Rent. Tenant shall provide Landlord with an annual inspection report setting forth the condition of the HVAC system, prepared by the service contractor, annually and prior to surrender of the Premises. Tenant shall promptly undertake all repairs and maintenance described in the annual statement (as well as any repairs otherwise required throughout the Term) and shall provide Landlord written evidence of the completion of such repairs immediately upon completion.

For the making of repairs hereunder, either party shall with respect to repairs to be made by such party have the benefit of any net proceeds of any insurance policies in fact received as a result of any event which necessitated such repairs. Any sum in excess of the amount required to pay for such repairs shall belong to Tenant.

**7.3 Alterations.** Tenant shall not, at any time during the Term, make any penetrations of or any material alterations to the Buildings to the extent such proposed penetrations or material alterations affect the roofs or other structural elements of the Buildings or the mechanical systems therein, without Landlord's prior written approval, which shall not be unreasonably withheld, conditioned or delayed (so long as such proposed work will not void any unexpired warranties). All alterations, decorations, improvements or additions made to the Buildings or any other portion of the Premises or the attachment of any fixtures or equipment thereto shall be performed at Tenant's sole cost and expense. Landlord, at no cost to it, shall cooperate with Tenant's efforts to obtain any permits or certificates from governmental authorities (or private approvals) required or desirable in connection with the making of any changes, alterations and improvements to the Premises. Tenant shall reimburse Landlord for its out-of-pocket expenses incurred to third party professionals for the review of plans and specifications for any alterations sought to be made by Tenant requiring Landlord's approval hereunder and for the supervising of such alterations. All alterations, improvements, additions or fixtures, whether installed before or after execution of this Lease, shall remain at the Premises at the expiration or sooner termination of this Lease and become the property of Landlord, unless Landlord shall, at the time of providing consent with respect to such alteration, improvement, addition or fixture, have given written notice to Tenant to remove same and repair any damage caused thereby on or before said Termination Date. If Tenant shall fail to so remove same and repair such damage by no later than the Termination Date, Tenant shall reimburse Landlord immediately upon demand for the cost of removing same and repairing any damage to the Premises caused by said removal. In doing any such work of installation, removal, alteration or relocation, Tenant shall use due care to cause as little damage or injury as possible to the Premises and to repair all damage or injury that may occur to the Premises in connection with such work. Any contractors employed by Tenant for any work at the Premises must be properly licensed and approved in writing in advance by Landlord and shall carry workman's compensation insurance, public liability insurance and property damage insurance in amounts, form and content and with companies reasonably satisfactory to Landlord.

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## 8. UTILITY CHARGES.

From and after the Delivery Date, Tenant shall pay directly to any municipal authority or to any public or private provider which shall furnish the same, all the charges for sewage, water, gas, electricity, cable, telephone, internet and/or any other telecommunications provider with respect to all of such utilities available to and/or consumed at or supplied to the Premises, and will comply with all public service and/or municipal authority requirements for the maintenance and continuation of said services. In no event shall Landlord be liable for an interruption or failure in the supply of any such utilities to the Premises.

## 9. INSURANCE.

**9.1 Property and Other Casualty Insurance.** Tenant shall at all times during the term of this Lease, at Tenant's sole cost and expense keep the Premises and all Tenant Improvements, insured against loss or damage by fire, windstorm, flood, earthquake, terrorism and all other risks covered by a comprehensive insured perils property form with replacement cost and agreed amount endorsements. The property insurance policy shall include coverage for damage arising from boiler explosion or a mechanical breakdown. Landlord, Landlord's mortgagee and such other parties as Landlord may designate shall be named as additional insured, loss payee and mortgagee, as their interests may appear. Tenant shall also maintain "Business Income and Extra Expense" insurance coverage written on an all risk basis, including flood, windstorm, earthquake and terrorism with limits equal to not less than 100% of all payments due under this Lease for a twelve (12) month period.

Tenant shall timely pay to Landlord the entire deductible amount applicable to any claims under such insurance, as Additional Rent.

**9.2 Commercial Liability Insurance.** Tenant shall at all times during the term of this Lease purchase and keep in full force and effect a policy of commercial general liability insurance with respect to the Premises and all business operated thereon, with a combined single limit of not less than \$1,000,000 per occurrence and \$2,000,000 general aggregate, and not less than \$1,000,000 for property damage liability. The policies shall name Landlord and Landlord's mortgagee as additional insureds. All policies of liability insurance shall be written on an "occurrence form" and shall include, without limitation, the following coverages or endorsements: Premises/Operations, Products/Completed Operations, Independent Contractors, Personal/Advertising Inquiry and Contractual Liability. A separate, dedicated aggregate shall apply to the Premises. The coverage shall be primary and non-contributing for any claim arising from the Premises. The policy shall provide for the separation of insureds and shall not contain any insured versus insured exclusions. The policy shall also include a waiver of subrogation regarding Landlord.

**9.3 Tenant's Contents.** Tenant shall be responsible for obtaining such insurance as it may deem advisable for all property located in the Premises. It is understood that Landlord does not insure the risk of loss or damage to Tenant's property. Tenant waives any claim against Landlord and shall hold Landlord harmless from any claim for loss or damage to contents, merchandise, fixtures, equipment or work done by Tenant regardless of the cause of any such damage or loss.

**9.4 Worker's Compensation Insurance.** Tenant shall obtain and keep in force at all times during the term of this Lease a policy of workers' compensation and employer's liability insurance, in the amounts required by state law. Tenant shall obtain and keep in force Employer's Liability coverage with limits of not less than \$1,000,000 per accident. This policy shall include a waiver of subrogation as to Landlord.

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**9.5 Automobile Liability Insurance.** Tenant shall obtain and keep in force Automobile Liability insurance with a combined single limit of not less than \$1,000,000 per occurrence aggregate. The policy shall include coverage for hired and non-owned vehicles in addition to vehicles owned by Tenant. This policy shall include a waiver of subrogation as to Landlord.

**9.6 Umbrella Liability Insurance.** Tenant shall obtain and keep in force Umbrella Liability insurance with a combined single limit of not less than \$10,000,000 per occurrence aggregate. Coverage at a minimum shall be excess of General Liability, Automobile Liability and Employer's Liability Coverages and shall, at a minimum, incorporate the same terms and conditions as the primary liability policies.

**9.7 Insurance Requirements.** Tenant shall provide the Landlord with certificates of insurance evidencing all insurance required by this Lease or if required by Landlord's mortgagee, full copies of the policies, including identification of the Landlord and Landlord's mortgagee as an additional insured, loss payee or mortgagee, as applicable. Evidence of property insurance shall be a certificate on the ACORD 28 form or its equivalent. Landlord or Landlord's mortgagee may from time to time during the term of this Lease increase the above stated coverages or require additional coverages, as Landlord may determine in its reasonable discretion or as required to meet the requirements of Landlord's mortgagee provided the additional coverage is consistent with the insurance coverages maintained on similar buildings by prudent owners in Lee County, Florida. Tenant shall timely pay the entire deductible applicable to any claims under such insurance as Additional Rent. Coverage for the Landlord and Landlord's mortgagee as an additional insured shall be as broad as the coverage for Tenant. All insurance shall be provided by insurers, of recognized national standing licensed or otherwise authorized to do business in Florida, acceptable to Landlord and Landlord's mortgagee and having a rating of A/VIII or better by A.M. Best Company. All policies of insurance required to be maintained by Tenant hereunder shall be endorsed with a provision requiring the insurer to give Landlord at least thirty (30) days written notice prior to any cancellation or change in policy provisions. Nothing in this Section 9 shall prevent Tenant from taking out insurance of the kind and in the amount provided for under this Section 9 under a blanket insurance policy or policies (certificates thereof reasonably satisfactory to Landlord shall be delivered to Landlord) which may cover other properties owned or operated by Tenant as well as the Premises; provided, however, that any such policy of blanket insurance of the kind provided for shall (a) specify therein the amounts thereof exclusively allocated to the Premises or Tenant shall furnish Landlord and Landlord's mortgagee with a written statement from the insurers under such policies specifying the amounts of the total insurance exclusively allocated to the Premises, and (b) not contain any clause which would result in the insured thereunder being required to carry any insurance with respect to the property covered thereby in an amount not less than any specific percentage of the full replacement cost of such property in order to prevent the insured therein named from becoming a co-insurer of any loss with the insurer under such policy; and further provided, however, that such policies of blanket insurance shall, as respects the Premises, contain the various provisions required of such an insurance policy by the provisions of this Section 9.

**9.8. Waiver of Subrogation.** Tenant hereby releases Landlord (and anyone claiming through or under Landlord by way of subrogation or otherwise), from any and all liability or responsibility for any loss, even if such loss shall have been caused by the fault or negligence of Landlord, anyone for whom Landlord may be responsible or Landlord's contractors or agents.

**9.9 Subtenant Insurance.** Tenant shall require all subtenants of the Premises to maintain property insurance for the full replacement value of their tenant improvements and personal property and to maintain commercial general liability insurance under the same terms as outlined in Sections 9.2 and

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9.7 of this Lease. Tenant shall also require all subtenants to maintain fire legal liability coverage in an amount not less than \$300,000.00 with coverage limits being subject to approval by Landlord. Tenant shall require any subtenant in the Premises to waive all rights of subrogation against Tenant, Landlord and all of Landlord's, members, officers, contractors, agents, property managers and employees on the same terms as Section 9.8.

**9.10 Lender Requirements.** Upon not less than fifteen (15) days prior notice to Tenant, Landlord shall have the right to purchase, at Tenant's expense, any supplemental or additional insurance that may from time to time be required by any lender of Landlord (with respect to the Premises) and in such event, Tenant shall be obligated to reimburse Landlord (as Additional Rent) for the costs and expenses thereof, which reimbursement shall be paid by Tenant to Landlord by no later than thirty (30) days after Tenant's receipt of written demand therefor.

## 10. INDEMNITY.

**10.1 Indemnification of Landlord.** Tenant assumes the risk of, and shall defend, indemnify and hold Landlord (including its members, officers, partners, employees, and agents) harmless for, from and against any and all claims, demands, actions, damages, injuries, judgments, liabilities, losses, costs and expenses (including, without limitation, reasonable attorneys' fees, disbursements and court costs) arising out of, related to or incurred in connection with any of the following occurring during the Term, and caused in whole or in part by: (a) anything done in, on or about the Buildings by Tenant, its agents or employees (including, without limitation, the making of repairs or Alterations), (b) any failure on the part of Tenant to perform or comply with any of its obligations under this Lease, and/or (c) any negligent, willful, intentional or other tortious act committed by Tenant or any employee, agent, contractor, sub contractor, supplier or vendor of Tenant (each, a "**Tenant Party**"). Notwithstanding the foregoing, Tenant shall not be required to indemnify Landlord for an intentional bad act of Landlord or any officer, employee or agent of Landlord.

**10.2 Indemnification by Landlord.** Landlord assumes the risk of, and shall defend, indemnify and hold Tenant (including its members, officers, partners, employees, and agents) harmless for, from and against any and all claims, demands, actions, damages, injuries, judgments, liabilities, losses, costs and expenses (including, without limitation, reasonable attorneys' fees, disbursements and court costs) arising out of, related to or incurred in connection with any of the following occurring during the Term, and caused by (a) any failure on the part of Landlord to perform or comply with any of its obligations under this Lease, or (b) any willful, intentional or other tortious act committed by Landlord or its members, officers, partners, employees and agents, prior to the Delivery Date.

**10.3 Not Affected by Insurance.** The provisions of this Section 10 shall (a) not in any way be affected by the absence in any case of any covering insurance or the failure or refusal of any insurance company to perform any obligation on its part, and (b) shall survive the termination of this Lease.

## 11. DAMAGE AND DESTRUCTION.

**11.1 Destruction of Premises.** If either of the Buildings are damaged or partially destroyed by fire or other casualty to the extent of less than one-half of the then cost of replacement thereof above foundation, the same shall be repaired as quickly as is practicable, by Tenant, except that the obligation of Tenant to rebuild shall be limited to repairing or rebuilding of the Building(s) to the condition the same was in immediately prior to such damage or destruction, including all Tenant Improvements. Any cost of repair or reconstruction in excess of available insurance proceeds shall be paid by Tenant. The estimated amount of such shortfall shall be deposited with Landlord or

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Landlord's mortgagee prior to the commencement of repairs or reconstruction. If either Building is destroyed or damaged to the extent of one-half or more of the then replacement cost thereof, subject to Tenant's right to terminate this Lease as set forth below, Landlord may elect either:

- (a) to require Tenant to restore the Premises; or
- (b) to terminate this Lease.

Landlord shall make this election by giving notice in writing to Tenant within ninety (90) days after the date of the damage or destruction. In the event Landlord elects to require Tenant to restore the Premises, any cost of repair or reconstruction in excess of available insurance proceeds shall be paid by Tenant. The estimated amount of such shortfall shall be deposited with Landlord or Landlord's mortgagee prior to the commencement of restoration. In the event the Landlord elects to terminate this Lease, this Lease shall terminate as of the date of such notice, Landlord shall retain any insurance proceeds and Tenant shall pay to Landlord the amount of any deductible.

If either Building is destroyed or damaged to the extent of one-half or more of the then replacement cost of the Building during the last two (2) years of the Lease term, Tenant may terminate this Lease by giving Landlord written notice within thirty (30) days after the date of the damage, stating the termination date, which shall be not less than thirty (30) days after the date of the termination notice, and paying to Landlord at the time of the notice, the amount of any deductible applicable to the insurance coverage for the damage and all insurance proceeds shall belong to Landlord and shall be paid to Landlord to the extent received by Tenant. In the event the amount of the insurance proceeds plus the deductible paid to Landlord (collectively, the "**Insurance Proceeds**") is less than the amount of any outstanding debt owed by Landlord to its mortgagee which is secured by the Premises together with any fees or penalties imposed due to early payment (collectively, the "Outstanding Debt"), Tenant shall pay to Landlord the difference between the Outstanding Debt and the Insurance Proceeds within twenty (20) days after receipt of written notice of such amount from Landlord. Tenant's obligations hereunder shall survive the expiration or earlier termination of this Lease.

**11.2 Rebuilding by Landlord.** If Landlord shall undertake to restore or repair the Building, it shall initiate and pursue the necessary work with all reasonable dispatch, in a manner consistent with sound construction methods. All insurance proceeds shall be held by Landlord's mortgagee or a third-party trustee acceptable to Landlord's mortgagee and disbursed to pay the cost of restoration in accordance with such conditions and procedures as Landlord's mortgagee may require.

**11.3 No Abatement of Rent Upon Destruction of Premises.** Base Rent and Additional Rent shall not be abated or reduced due to the occurrence of any casualty, damage or destruction, either partial or complete, of the Premises.

## 12. CONDEMNATION.

**12.1 Right to Terminate.** If at any time during the Term so much of the Office Buildings are taken by condemnation, eminent domain or by agreement in lieu so as to render the remainder unsuitable for Tenant's intended use thereof (a "**Taking**"), then Tenant shall have the right to elect to terminate this Lease, in which case (a) this Lease shall terminate as of the date of such Taking, and (b) Tenant shall pay all Rent and other amounts due through such termination date, and any payments of Rent and other amounts previously made by Tenant for any period subsequent to such termination date shall, so long as no Event of Default then exists hereunder, be returned to Tenant after first deducting therefrom all amounts owed by Tenant. Whether or not the Lease is terminated, Landlord shall be entitled to the entire award for the fee interest in the Premises, but the Tenant reserves its right to make any claim against the condemning authority for any damages it may suffer for the value

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of the unexpired portion of the Term, plus loss of trade fixtures, moving expenses and loss of business.

**12.2 Abatement.** If this Lease has not been terminated after a Taking, a just proportion of the Rent shall abate during such period from the date of Taking if and to the extent that Tenant shall be deprived of possession of any portion of the Premises for the period of restoration thereof. Thereafter, a just proportion of the Rent shall be abated according to the nature and extent of the part of the Building(s) acquired or condemned for the balance of the Term of this Lease. Tenant shall at its cost and expense promptly commence and complete restoration of the Buildings or other portions of the Premises to as nearly as practicable its condition and utility immediately prior to the Taking, except for any reduction in area caused by the Taking.

### **13. NET LEASE; TRUE LEASE.**

**13.1 Net Lease.** The obligations of Tenant hereunder shall be separate and independent covenants and agreements, and Base Rent and Additional Rent and all other sums payable by Tenant hereunder shall continue to be payable in all events, and the obligations of Tenant hereunder shall continue during the term without setoff, counterclaim, recoupment, abatement, suspension, reduction or defense. This Lease is the absolute and unconditional obligation of Tenant, and the obligations of Tenant under this Lease shall not be affected by any interference with Tenant's use of any of the Premises for any reason, including, but not limited to, the following: (i) any damage to, removal, abandonment, salvage, loss, contamination of or release from, scrapping or destruction of or any requisition or taking of any portion of the Premises or any part thereof by any cause whatsoever, (ii) any condemnation, (iii) any defect in the condition, merchantability, design, construction, quality or fitness for use of the Premises or any part thereof, or the failure of the Premises to comply with any legal requirements, including any inability to occupy or use any such Premises by reason of such non-compliance, (iv) any eviction by paramount title or otherwise, (v) Tenant's acquisition of ownership of any of the Premises other than pursuant to an express provision of this Lease, (vi) any default on the part of Landlord under this Lease or under any other agreement, (vii) any restriction, prevention or curtailment of or interference with the construction on or any use of any portion of the Leased Premises or any part thereof including eviction, (viii) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by Landlord or Tenant, (ix) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to Landlord, Tenant or any other person, or any action taken with respect to this Lease by any trustee or receiver of Landlord, Tenant or any other person, by any court, in any such proceeding, (x) any claim that Tenant has or might have against any person, including, without limitation, Landlord or any vendor, manufacturer, contractor of or for any portion of the Premises, (xi) any invalidity or unenforceability or illegality or disaffirmance of this Lease or any provision thereof or hereof against or by Landlord or Tenant, (xii) the impossibility or illegality of performance by Landlord, Tenant or either of them, (xiii) any action by any court, administrative agency or other governmental authority, (xiv) any defect or delay in the construction of the Building or any failure of the Building to be constructed or (xv) any other cause or circumstances whether similar or dissimilar to the foregoing and whether or not Tenant shall have notice or knowledge of any of the foregoing. Tenant hereby specifically waives any and all rights arising from or in connection with any occurrence whatsoever which may now or hereafter be conferred upon it by law (x) to surrender or terminate this Lease or (y) entitle Tenant to any abatement, reduction, suspension or deferment of the Rent.

**13.2 True Lease.** Landlord and Tenant agree that this Lease is a true lease and does not represent a financing arrangement. Each party shall reflect the transaction represented hereby in all applicable books, records and reports (including income tax filings) in a manner consistent with "true lease" treatment rather than "financing" treatment.

**13.3 Tenant's Obligations Not Effected by Landlord's Bankruptcy.** Tenant shall remain obligated under this Lease in accordance with its terms and shall not take any action to terminate, rescind or avoid this Lease, notwithstanding any bankruptcy, insolvency, reorganization,

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liquidation, dissolution or other proceeding affecting Landlord or any action with respect to this Lease which may be taken by any trustee, receiver or liquidator or by any court.

#### **14. DISCHARGE OF LIENS.**

**14.1 Payment or Transfer to Cash or Bond.** If any construction liens or mechanic's liens are recorded against the Premises based upon any act of Tenant or anyone claiming through Tenant, Tenant shall, within thirty (30) days after receipt of Notice thereof, cause such lien to be paid and discharged or shall transfer such lien to cash or bond and cause the same to be discharged of record from the Premises.

**14.2 Prohibition on Liens against Landlord's Interest.** Notice is hereby given, and Tenant shall cause all construction contracts to which it is a party to so provide, that (a) Landlord shall not be liable for any labor, materials or services furnished or to be furnished at the direction of Tenant, (b) all contractors, materialmen, suppliers and vendors performing any work and/or delivering any materials to the Premises for or on behalf of Tenant shall not look to Landlord, the Premises or any of Landlord's other assets for payment therefor, and (c) no mechanic's, materialmen's or other lien for any such labor, materials or services shall attach to or affect the rights or interests of Landlord in this Lease or to any interest in the Premises or any part thereof or any rentals therefrom.

#### **15. ENTRY ON PREMISES BY LANDLORD**

**15.1 General.** Tenant shall, following reasonable prior notice and accompanied by a representative of Tenant, permit Landlord and its authorized representatives and designees to enter the Premises (including the Buildings) for the purposes of (a) inspecting the same, (b) monitoring Tenant's compliance with the terms and conditions of this Lease, (c) posting notices to protect its rights, (d) to the extent Landlord is obligated to perform under the provisions of this Lease or which may be necessary in case of emergency or by reason of Tenant's failure to make any repairs or perform any work which Tenant is obligated to perform hereunder, and (f) exercising any of its rights or performing any of its obligations under this Lease.

**15.2 Showing to Prospects.** Landlord and its designees also shall have the right to enter the Buildings at all reasonable times, upon twenty-four (24) hour advance notice and accompanied by a representative of Tenant, for the purpose of showing the Buildings to mortgagees or to prospective purchasers of Landlord's interests in the Buildings or any part thereof and, during the two (2) years prior to the expiration of the Term, for the purpose of showing the same to prospective tenants. In either event described in Sections 15.1 and 15.2, Landlord shall use reasonable efforts to avoid unreasonable interference with Tenant's business.

**15.3 No Rise to Claims by Tenant.** Subject to the terms of this Lease, Landlord's entry shall be permitted without the same constituting (a) a forcible or unlawful entry into, or a detainer, of the Buildings, (b) a constructive eviction of Tenant in whole or in part, (c) a nuisance, or (d) a breach of this Lease.

#### **16. COMPLIANCE WITH LAWS.**

Tenant shall promptly comply (and shall cause the Premises and use thereof to comply), at its own expense, with (a) all present and future legislative, judicial and administrative statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, decisions, rules, resolutions, restrictions, regulations and requirements (collectively, "**Laws**") of all federal, state, county, municipal and other governments, and all courts, departments, commissions, boards, bureaus,

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agencies, authorities, offices, officials and officers thereof ("**Governmental Authorities**"), and (b) all orders, rules and regulations ("**Orders**") of the National and Local Boards of Fire Underwriters or any other body or bodies exercising similar functions ("**Insurance Boards**"), in each case to the extent resulting from the use of the Premises (or any portion thereof) by Tenant or any other Tenant Party.

## **17. SURRENDER OF PREMISES; HOLDING OVER**

**17.1** Tenant shall, on the Termination Date, immediately and peaceably quit and surrender the Premises to Landlord or its designee, without fraud or delay, broom clean and in good working order, condition and repair, ordinary wear and tear, Landlord's uncorrected responsibilities and casualty and/or condemnation excepted, free and clear of all tenancies, occupancies, liens, charges, encumbrances and other defects in leasehold title, except those caused by Landlord or to which Landlord has consented in writing. Tenant shall, upon the Termination Date, remove all of Tenant's trade fixtures, equipment and other personal property located on the Premises ("**Tenant's Equipment**") from the Premises and completely repair all damage to the Premises or to any part thereof caused by such removal. All Tenant's Equipment which remains on the Premises after the Termination Date conclusively shall be deemed to have been abandoned and Landlord may, at its option (but subject to the rights of third parties), either cause such property to be placed into public storage for Tenant's account, retain the same as its own property or otherwise dispose of the same, in any case at Tenant's sole expense.

**17.2** Any holdover after the expiration of the Term shall be construed as a tenancy at sufferance on the same terms and conditions as contained in this Lease, insofar as the same are applicable to a month-to-month tenancy, except that monthly Base Rent and Additional Rent shall be two hundred percent (200%) of the monthly Base Rent and Additional Rent for the last full month of the Term.

## **18. ASSIGNMENT AND SUBLETTING.**

**18.1 General Restriction.** Except as otherwise provided in this Section 18, Tenant shall not assign this Lease or any right or interest therein without the prior written consent of Landlord. It shall be a condition of any assignment of Tenant's interest in this Lease that the assignee shall execute an instrument in writing unconditionally assuming and agreeing to perform and observe all covenants and conditions to be performed and observed by Tenant under this Lease from and after the effective date of such assignment. For purposes of this Section 18 and except as hereinabove contained, the sole criteria upon which Landlord may base its decision to grant or deny its consent to any assignment shall be as follows: (i) the use to be made of the Premises by the proposed assignee, and (ii) the financial strength of the proposed assignee (which financial strength of such proposed assignee as of the date of the proposed assignment, must be equal to or better than Tenant's financial strength as of June 30, 2019). Notwithstanding any assignment or subletting by the Tenant under this Lease, the Tenant shall not be released from any obligations of this Lease by virtue of such assignment or subletting.

**18.2 Subleasing.** Tenant, and its successors and assigns, shall have the unrestricted right to sublet the Premises, in whole or in part, but only for a term or terms which shall expire prior to the expiration of the Term of this Lease, and provided that each such sublease shall be subject and subordinate to the rights of Landlord hereunder.

**18.3 Mortgaging of Leasehold Interest.** Tenant shall not mortgage or pledge this Lease, or any right or interest therein, without the prior written consent of Landlord. Landlord agrees that if such a lien holder shall give written notice to Landlord of its name and address, together with a copy of the instrument under which such lien holder acquired an interest in the Lease, then Landlord, in the event of Tenant's default, shall give notice to such holder at said address when any notice of

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default is given to Tenant and shall permit such holder (i) to cure any default of Tenant hereunder and (ii) to enter into a direct lease with Landlord for the remainder of the term of this Lease on the same terms as those set forth in this Lease.

**18.4 Use by Related Corporations.** Tenant may, without Landlord's written consent, permit any corporations or other business entities which control, are controlled by, or are under common control with Tenant ("**Related Corporations**") to use or occupy the whole or any part of the Premises for any of the purposes permitted to Tenant. Such use or occupancy shall not be deemed to vest in any such Related Corporation any right or interest in this Lease or in the Premises, nor shall such use or occupancy release, discharge or modify any of Tenant's obligations hereunder.

**18.5 Certain Transfers Permitted.** Tenant may, upon written notice to Landlord but without Landlord's written consent, assign or transfer its entire interest in this Lease and the leasehold estate hereby created or sublet the whole or any part of the Premises on one or more occasions to a "subsidiary" or "affiliate" of Tenant or to a "successor corporation" of Tenant, as such terms are hereinafter defined. A "**subsidiary**" of Tenant shall mean any corporation or other business entity not less than 50% of whose outstanding voting stock or beneficial interests shall at the time be owned, directly or indirectly, by Tenant or by one or more of its subsidiaries. An "**affiliate**" of Tenant shall mean any corporation or other business entity which, directly or indirectly, controls or is controlled by or is under common control with Tenant. A "**successor corporation**" shall mean (i) a corporation or other business entity into which or with which Tenant, or its corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions for the merger or consolidation of corporations or other business entities, provided that by operation of law or by effective provisions contained in the instruments for merger or consolidation the liabilities of the corporations or business entities participating in such merger or consolidation are assumed by the corporation or business entity surviving such merger or consolidation; or (ii) a corporation or other business entity acquiring this Lease and the Premises hereby demised, the good-will and all or substantially all of the other property and assets of Tenant or its corporate successors or assigns, and assuming all or substantially all of the liabilities of Tenant or its corporate successors or assigns; or (iii) any successor to a successor corporation or business entity becoming such by either of the methods described above in clauses (i) and (ii). Acquisition by Tenant, or its corporate successors or assigns of a substantial portion of the assets, together with the assumption of all or substantially all the obligations and liabilities of any corporation or business entity, shall be deemed a merger of such corporation or business entity into Tenant for purposes of this Section. Notwithstanding any assignment, transfer or assumption of any obligations by a subsidiary, affiliate or successor corporation, under this Section 18.5, as the case may be, Tenant shall remain liable for the performance of all the terms, conditions and covenants of this Lease, unless Landlord agrees to the contrary in writing.

## **19. CONVEYANCES OF LANDLORD'S INTERESTS IN THE PREMISES; LANDLORD'S MORTGAGES; SUBORDINATION.**

### **19.1 Subordination.**

(a) At Landlord's option, this Lease shall be automatically subordinated to any existing mortgages covering the Premises, any extension or renewal thereof, or to any new mortgages which may be placed thereon from time to time. Tenant shall, by no later than ten (10) days after written request of Landlord, execute whatever instruments may be required by any such lender to confirm and further memorialize such subordination. Tenant Shall, at any time during the term of this Lease,

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upon request of Landlord's lender, execute any amendments to this Lease reasonably requested by any such lender.

(b) If any mortgage is foreclosed or sold in execution of a judgment, or Landlord's interest under this Lease is conveyed or transferred by deed or assignment in lieu of foreclosure: (i) no person which, as a result of any of the foregoing, has succeeded to the interest of Landlord in this Lease and none of the successors or assigns of such person (any such person, and his, her, or its successors and assigns, being hereinafter called a "Successor") shall be liable for any default by Landlord or any other matter that occurred before the date the Successor succeeded to Landlord's interest in this Lease nor shall the Successor be bound by or subject to any offsets or defenses that Tenant may have against any predecessor in interest of Successor; upon request of any Successor, Tenant shall attorn as Tenant under this Lease subject to the provisions of this subsection (b), to the Successor and shall execute and deliver such instruments as may be necessary or appropriate to evidence such attornment within ten (10) days after receipt of a written request to do so; and (iii) no Successor shall be bound to recognize any prepayment by more than thirty (30) days of any Base Rent, Additional Rent or other sum payable under this Lease or any amendment or modification of this Lease made without the consent of the then current Successor if required under the mortgage held by such Successor.

(c) Tenant agrees to give any such Successor, in the same manner as notices are required to be given under this Lease, a copy of any notice of default served upon the Landlord, provided that before such notice, Tenant has been notified in writing (by way of notice of assignment of rents and leases, or otherwise) of the address for giving such notices. Tenant further agrees that if Landlord shall have failed to cure the default within the time provided for in this Lease, then the Successor shall have an additional sixty (60) days within which to cure the default or if the default cannot be cured within that time, then such additional time as may be necessary to cure the default (including, but not limited to, commencement of foreclosure, termination, ejectment, or default proceedings, if necessary, to effect such cure) in which event this Lease shall not be terminated while such remedies are being diligently pursued.

**No Restriction on Landlord's Right to Sell or Convey.** Nothing contained in this Lease shall be deemed in any way to limit, restrict or otherwise affect Landlord's absolute right at any time and from time to time to convey, sell, assign, encumber or otherwise transfer all or any portion of Landlord's interests in the Premises (subject to this Lease) or to assign, pledge or give a security interest in all or any portion of its interest in this Lease and/or in all or any portion of the Rent.

## 20. DEFAULT PROVISIONS.

**20.1 Defaults by Tenant.** Each of the following shall constitute a material breach of this Lease and an event of default by Tenant ("**Event of Default**") hereunder:

(a) Tenant's failure to pay any installment of Rent within ten (10) days of receipt of Notice of non-payment; or

(b) Tenant violates, breaches or fails to comply with any other term, condition or provision of this Lease, and Tenant fails to cure such violation, breach or non-compliance within thirty (30) days after Notice from Landlord specifying such violation, breach or non-compliance; provided, however, if such violation, breach or non-compliance (excluding the non-payment of any sum due Landlord hereunder) cannot reasonably be cured within such thirty (30) day period and Tenant commences such cure promptly upon receipt of such notice and thereafter diligently and continuously takes such action as may be necessary to effect such cure, then Tenant shall have such longer period of time as may be reasonably necessary to cure such violation, breach or non-compliance, it being understood that the cure provisions of this Subsection 20.1(b) shall not apply to any of the other Events of Default provided for in this Section 20.1; or

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(c) If Tenant (a "**Debtor**") shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent or shall file any petition or answer seeking any reorganization, arrangement, recapitalization, readjustment, liquidation, dissolution or similar relief under any present or future federal bankruptcy code or any other present or future applicable Law ("**Bankruptcy Law**"), or shall seek or consent to or acquiesce in the appointment of any trustee, custodian, receiver or liquidator of such Debtor or of all or any substantial part of its properties or of Tenant's interests in the Premises or any portion thereof, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as the same become due; or

(d) If, within ninety (90) days after the commencement of any proceedings against any Debtor seeking any reorganization, arrangement, recapitalization, readjustment, liquidation, dissolution or similar relief under any Bankruptcy Law, such proceedings shall not have been finally vacated and dismissed; or if, within ninety (90) days after the appointment, without the consent or acquiescence of any Debtor, of any trustee, custodian, receiver or liquidator of such Debtor or of all or any substantial part of its property or of Tenant's interests in the Premises or any portion thereof, such appointment shall not have been finally vacated and dismissed; or if, within ninety (90) days after the levying or fixing of any order or writ of execution, warrant, attachment or garnishment against Tenant's interests in the Premises or any portion thereof, or against any Debtor, such order or writ shall not have been finally vacated and dismissed.

**20.2 Landlord's Remedies.** Upon the occurrence of any Event of Default by Tenant and at any time thereafter, Landlord may (from time to time), but shall not be required to, exercise any one or more of the following remedies, in addition to any others now or hereafter available to Landlord at law or in equity, without such exercise being deemed (a) an acceptance of surrender of the Premises, (b) a discharge of Tenant from liability hereunder, or (c) a termination of this Lease (which only may occur by Landlord's giving the notice referred to in Subsection 20.2(e) below):

(a) Re-enter and repossess the Premises or any part thereof by all lawful means, and dispossess and remove Tenant and all other Persons and property from the Premises, without liability therefor or for any loss or damage occurring in connection therewith and without being deemed guilty of trespass and without prejudice to any remedies which otherwise may be available to Landlord. In no event shall any re-entry be deemed an acceptance of surrender of the Premises and/or this Lease or construed as an election on Landlord's part to terminate this Lease (which only may occur by Landlord's giving the notice referred to in Subsection 20.2(e) below); nor shall it absolve or discharge Tenant from liability under this Lease. Notwithstanding any such re-entry, or reletting pursuant to Subsection 20.2(b) below, Landlord may, at any time thereafter, elect to terminate this Lease for any previous or any future Event of Default.

(b) Attempt to re-let the Premises or any part thereof in the name of Landlord, Tenant or otherwise, for such term or terms (which may be greater or less than the period, which would otherwise have constituted the balance of the Term) and on such conditions (which may include concessions or free rent) as Landlord, in its sole and absolute discretion, may determine, and collect and receive the rent therefor. In no event, however, shall Landlord be under any obligation to re-let the Premises or any part thereof, except that Landlord shall make reasonable efforts to do so and to mitigate its damages, and, subject to the foregoing, Landlord shall in no way be responsible or liable for any failure to re-let or for any failure to collect any rent due upon any such re-letting. Landlord, at Landlord's option, may make such renovations and repairs and other physical changes in and to the Premises as Landlord, in its sole and absolute discretion, considers advisable or necessary in connection with any such re-letting or proposed re-letting, without relieving Tenant of any liability under this Lease or otherwise affecting any such liability. In no event shall Tenant be entitled to receive any proceeds of any re-letting, even if they exceed the sums payable by Tenant hereunder.

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(c) Bring suit to recover possession of the Premises and/or to collect all Rent and other sums and charges payable by Tenant hereunder and/or to specifically enforce any provision hereof and/or to seek damages.

(d) Collect, by suit or otherwise, each installment of Rent (together with other sums payable by Tenant hereunder) as they became due, and/or any deficiency (the "**Deficiency**") between the Rent and the net proceeds of any re-letting of the Premises (after first deducting from any re-letting proceeds all of Landlord's expenses in connection with such re entry and/or re-letting, including, without limitation, all repossession costs, brokerage and management commissions, operating expenses, reasonable attorneys' fees and disbursements, alteration costs and other expenses of preparing the Premises for such re-letting). In any proceeding to enforce its rights and remedies under this Lease, Landlord shall be entitled to collect all costs and expenses incurred by Landlord, including, without limitation, attorneys' fees and experts' fees. Landlord shall be entitled to recover all such amounts monthly or as the same shall arise and no suit to collect such amounts for any period shall prejudice Landlord's right to collect such amounts for any prior or subsequent period by a similar proceeding. Alternatively, Landlord shall have the right to accumulate such amounts and sue to recover the same from time to time as Landlord may determine. Except as expressly set forth herein, in no event shall Tenant be entitled to a credit in respect of any proceeds from any re-letting and then only to the extent that such proceeds are actually received by Landlord.

(e) Landlord may enter upon the Premises and take such action, incur such expenses and employ such counsel as may be necessary or desirable therefor, all without waiving or curing Tenant's default in failing to do the same.

(f) Even if Landlord has previously exercised one or more other rights, Landlord may thereafter elect to exercise all other rights enumerated above or otherwise available under this Lease or applicable law, and/or Landlord may give Notice to Tenant stating that this Lease shall terminate on the date specified in such Notice, in which event Tenant shall remain liable for damages as provided in this Subsection 20.2(f). Upon any termination of this Lease, Tenant shall immediately quit and peaceably surrender the Premises to Landlord in the condition required by Section 20.1 above. If Tenant remains in possession or occupancy after termination of this Lease, it shall become a holdover tenant under a tenancy at sufferance. At any time after termination of this Lease, Landlord shall be entitled to recover an amount equal to the sum of (i) all amounts due Landlord hereunder through the termination, together with interest thereon at the lesser of highest lawful rate of interest and 6% per annum, plus (ii) the then present worth (computed on the basis of applying a discount rate of 6% per annum) of the amount by which the Rent during what would have been the balance of the Term exceeds the amount of such rental loss that Tenant proves reasonably could have been avoided, plus (iii) any other sums necessary to compensate Landlord for all of the damages proximately caused by Tenant's failure to perform its obligations hereunder. For the purposes of this Subsection 20.2(e), Additional Rent for each remaining Lease Year during what would have been the balance of the Term shall be deemed to be the amount of Additional Rent payable by Tenant for the most recent twelve full calendar months immediately preceding the termination (or, if there have not been twelve full calendar months following the Rent Commencement Date, for the number of full calendar months since the Rent Commencement Date projected over a twelve month period), prorated for any partial Lease Year. Upon any termination of this Lease, Landlord shall be entitled to retain all monies, if any, previously paid by Tenant as rental advances, security or otherwise, but such monies shall be credited by Landlord against any Rent or other damages to which Landlord is entitled hereunder.

**20.3 Waivers by Tenant.** Tenant, for and on behalf of itself and all Persons claiming by, through or under Tenant (including, without limitation, Tenant's trustee-in-bankruptcy and all of Tenant's creditors), hereby expressly waives, so far as permitted by law, any and all rights which Tenant and all such Persons have to (a) have a jury determine any issue in dispute between Landlord

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and Tenant, (b) redeem the Premises or any portion thereof, (c) re-enter or repossess the Premises or any portion thereof, and (d) restore the operation of this Lease after Tenant shall have been dispossessed by a judgment, writ or other court order, or after any re entry or repossession by Landlord, or after any termination of this Lease, whether such dispossession, re-entry or termination shall be by operation of law or pursuant to the provisions of this Lease. The terms "enter", "re-enter", "entry" or "re-entry", as used in this Lease, are not and shall not be deemed to be restricted to their technical legal meanings.

**20.4 Application of Funds.** If, following the occurrence of any Event of Default hereunder, Landlord elects not to terminate this Lease or if this Lease shall terminate as a result of or while there exists an Event of Default hereunder, any funds (including interest earned thereon, if any) then held by Landlord or a Landlord's mortgagee in which Tenant has an interest may be applied by Landlord for the purposes of curing any Event of Default and/or to pay any damages to which Landlord is entitled hereunder. If this Lease is terminated, the balance remaining, if any, shall be paid to Tenant.

**20.5 Defaults of Landlord.** Should Landlord be in default under the terms of this Lease, Landlord shall cure such default within thirty (30) days after written notice of such default from Tenant, or in the event such default is of such a character as to require more than thirty (30) days to cure, Landlord shall commence such cure within said thirty (30) days and thereafter use due diligence to cure such default. No purported default by Landlord hereunder shall allow or permit Tenant to recover any damages or create any right of offset, rent abatement or delayed payment of any kind or any delay or avoidance of any performance of any obligations hereunder or to terminate this Lease, and Tenant's sole remedy for a Landlord default shall be an action for specific performance or injunction as the case may be.

**21. ESTOPPEL CERTIFICATES.** At any time during the Term, each party shall, within ten (10) days after the other party's request, accurately complete, execute and return to the other party an estoppel certificate concerning the status and business terms of this Lease as each party may reasonably request. All such statements and/or certificates may be conclusively relied upon by either party and/or any purchaser, encumbrancer, or lender of a party's interest in the Premises.

**22. BROKERAGE.** Tenant warrants to Landlord that Tenant dealt and negotiated solely with Landlord for the Lease and with no other broker, firm, company or person, except Cushman & Wakefield I Commercial Property Southwest Florida, LLC and SW Management and Realty, LLC ("**Brokers**"). SW Management Realty, LLC is an affiliate of Landlord and Seagate. Tenant (for good and valuable consideration) shall indemnify and hold Landlord harmless from and against any and all claims, suits, proceedings, damages, obligations, liabilities, counsel fees, costs, losses, expenses, orders and judgments imposed upon, incurred by or asserted against Landlord by reasons of the falsity or error of its own aforesaid warranty. Landlord shall be solely responsible for all commissions due to Brokers.

**23. QUIET ENJOYMENT.** Landlord covenants that Tenant, upon paying all Rent as provided herein and upon complying with all of its other obligations hereunder, shall lawfully and quietly hold, occupy and enjoy the Premises during the Term without hindrance or molestation by Landlord or by anyone lawfully claiming by, through or under Landlord, subject, however, to the terms and conditions of this Lease.

#### **24. ADDITIONAL REPRESENTATIONS AND WARRANTIES.**

**24.1** Tenant hereby represents and warrants to Landlord that (a) the person executing and delivering this Lease on Tenant's behalf has been duly authorized to do so, (b) Tenant has full power, right and legal capacity to enter into this Lease and to fully perform all of its obligations hereunder, (c) if Tenant is other than an individual, the exercise of such rights and powers has been duly

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authorized by all requisite actions (and consented to by all necessary third parties, if any), and (d) this Lease is binding upon Tenant in accordance with its terms.

24.2 Landlord represents and warrants to Tenant that (a) the person executing and delivering this Lease on Landlord's behalf has been authorized to do so, (b) it has full power, right and authority to enter into this Lease and (subject to Landlord's acquisition of the Land) to fully perform all of its obligations hereunder, (c) the exercise of such rights and powers has been duly authorized by all requisite actions (and consented to by all necessary third parties), (d) this Lease is binding upon Landlord in accordance with its terms, (e) there are no pending or, to the best of its knowledge, threatened condemnation proceedings affecting all or any portion of the Premises, and (:f) upon its acquisition of the Land, Landlord will be the sole owner in fee simple of the Premises.

**25. LIMITATION OF LIABILITY.** Tenant agrees that (a) the obligations of Landlord under this Lease do not constitute personal obligations of Landlord or of any members, directors, officers, partners or shareholders of Landlord, (b) Tenant and all Persons claiming by, through or under Tenant shall look solely to Landlord's interests in the Premises, and not to any other assets of Landlord or any of its members, officers, directors, partners or shareholders for satisfaction of any liability of Landlord with respect to this Lease, and (c) Tenant shall not seek recourse against any of such members, directors, officers, partners or shareholders or against any of their personal assets or any of Landlord's other assets for such satisfaction.

**26. CONSENTS.** Each of Landlord and Tenant agrees that with respect to any approval or consent required of it under this Lease as to which such party has expressly agreed that it may not unreasonably withhold or delay such consent or approval, it shall, within thirty (30) days after receipt of any request for consent or approval (except when another response time is specified in this Lease, in which event such other time shall govern), respond in writing either granting or denying the same and, if denied, stating therein with particularity the basis for such denial. Failure to timely deny any such request shall be deemed to be an approval thereof. No consent or approval by Landlord or Tenant shall be deemed to waive or render unnecessary such party's consent or approval of any subsequent similar act by the other party.

**27. RECORDING.** Tenant shall not record this Lease without the written consent of Landlord; however, upon the request of either party hereto the other party shall join in the execution of memorandum or so called "short form" of this Lease for the purpose of recordation. Said memorandum or short form of this Lease shall describe the parties, the Premises and the term of this Lease and shall incorporate this Lease by reference.

## **28. ENVIRONMENTAL LIABILITIES.**

**28.1** Unless the context otherwise specifies or requires, the following terms shall have the meanings herein specified:

(a) "**Environmental Law**" means any federal, state or local law, statute, ordinance, rule, regulation, judgment or order concerning environmental quality, health, environmental hygiene or safety and/or the protection of, or regulation of the discharge of Hazardous Materials into the air, ground or water, including without limitation, the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901 et seq. ("**RCRA**"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C., Section 9601 et seq. ("**CERCLA**"), and the Hazardous Materials Transportation Act, U.S.C. Section 1801, et. seq. ("**HMTA**"), as all of the foregoing shall be amended from time to time, and all rules, regulations and guidelines promulgated or adopted pursuant thereto.

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(b) "**Hazardous Materials**" means and includes (i) those substances included within the definitions of "hazardous substances", "hazardous materials", "hazardous waste", "toxic substances", "solid waste", "pollutants" or "contaminants" in CERCLA, RCRA, and HMTA, (ii) asbestos, (iii) polychlorinated biphenyls, (iv) any substance the presence of which on the Premises is prohibited or regulated by any Environmental Law, (v) any petroleum, including crude oil, petroleum hydrocarbons or any fraction thereof, and all other petroleum-based products, (vi) underground storage tanks, (vii) any natural gas or natural gas product, (viii) urea formaldehyde foam insulation, (ix) polychlorinated biphenyls, (x) freon and other chlorofluorocarbons, and (xi) any other substance which by any Environmental Law requires special handling or notification of any federal, state or local governmental entity in its collection, storage, treatment, or disposal.

(c) "**Hazardous Materials Contamination**" means the dumping, discharge, disposal, release, seepage, emission, leakage, use, manufacture and/or generation of Hazardous Materials in violation of Environmental Law into, from, under, above, around, at, in, or onto, or the contamination of (i) the Buildings, (ii) any other portion of the Premises, (iii) any groundwater, air or other elements under, above, around, at, in, or on the Premises, or (iv) any other property, as a result of Hazardous Materials at any time (whether before or after the date of this Lease) emanating from the Buildings or other portions of the Premises.

**28.2** Tenant covenants that is shall not cause (nor permit any Tenant Party to cause) any Hazardous Materials to be dumped, placed, stored, manufactured, generated, held, used, located, leaked, discharged, released, seeped, emitted or disposed of into, from, on, under, above, around, in or at the Premises or any part thereof, in violation of Environmental Law without the prior written consent of Landlord; provided, however, that Landlord hereby consents to Tenant's proper storage (in incidental quantities) and proper use in the Buildings of those supplies which are commonly and routinely used for general office purposes (such as copier toner, liquid paper, glue, ink and common household cleaning materials) and in connection with Tenant's intended use of the Premises, provided such storage and use comply with all laws regulating any such supplies, including, without limitation, all Environmental Laws. Tenant shall provide written notice to Landlord promptly upon Tenant's acquiring knowledge of the improper use, presence or storage of any Hazardous Materials in violation of Environmental Law at, under, above, around, in or on the Premises or any Hazardous Materials Contamination, and shall include with such notice all other information and materials relating thereto. Upon any breach of the first sentence of this Section 28.2, Tenant shall promptly comply with all Environmental Laws requiring the removal, treatment and/or disposal of such Hazardous Materials or Hazardous Materials Contamination and provide Landlord with satisfactory evidence of such compliance.

**28.3** Landlord shall have the right (but not the obligation), without in any way limiting Landlord's other rights and remedies under this Lease, to enter upon the Premises and/or to take such other actions as it deems necessary or advisable to investigate, clean up, remove, resolve or minimize the impact of, or otherwise deal with, any actual or suspected breach by Tenant of its obligations under this Section 28. All costs and expenses incurred by Landlord in the exercise of its rights under this Section 28 in the event of such an actual breach shall be payable by Tenant as Additional Rent within thirty (30) days following written demand therefor.

**28.4** Tenant shall defend, indemnify and hold harmless Landlord for, from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities and losses (including, without limitation, diminution in the value of the Premises, remediation expenses, damages for the loss or restriction of use or rentable or useable space or of any amenity of the Premises or any other portion of the Premises, sums paid in settlement of claims, reasonable attorneys' fees, consultant fees, expert fees and costs of investigation) which arise during or after the Term directly or indirectly from Tenant's breach of its obligations under this Section 28. Notwithstanding the foregoing, Tenant shall have no responsibility whatsoever for, and Landlord shall indemnify and hold harmless from and against any and all loss, damages, cost or expense arising out of or relating to (i) any Hazardous Materials Contamination existing prior to the Delivery Date; (ii) any Hazardous Materials Contamination emanating from outside the Premises; and (iii) any Hazardous Materials

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Contamination not caused by the act or omission of Tenant or any Tenant Party or by Tenant's breach of this Lease.

**28.5** The provisions of this Section 28 shall survive the Termination Date or the earlier termination of this Lease.

**28.6 RADON GAS:** Radon is a naturally occurring radio-active gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county health department.

**29. RIGHT OF FIRST OFFER.** Provided that no Event of Default shall have occurred and be continuing hereunder, from the Delivery Date and until the first (1s anniversary of the Delivery Date, if Landlord decides to sell the Premises, Landlord will notify Tenant of such decision so that Tenant has an opportunity to submit an offer to Landlord (if Tenant so desires). However, the Tenant is not obligated to purchase the Premises and Landlord is not obligated to sell to or otherwise negotiate with Tenant for a sale of the Premises. This Section 29 only obligates Landlord to notify the Tenant of Landlord's desire to sell Premises (if Landlord elects to sell the Premises during the first year after the Delivery Date) so that Tenant is placed on notice that the Premises is available for sale.

### **30. MISCELLANEOUS.**

**30.1 Time Periods.** Time is of the essence of this Lease and each and every provision hereof. All references to days hereunder refers to calendar days, however, if the time for the performance of any obligation hereunder expires on a day other than a business day (any day other than a Saturday, Sunday or state or federal legal holiday), the time for performance shall be extended to the next succeeding day which is a business day.

**30.2 No Merger Upon Surrender.** No surrender or termination of this Lease, other than one occurring at the natural end of the Term, shall operate as a merger of Landlord's and Tenant's estates in the Premises, but instead shall, at Landlord's option, either terminate any or all existing subleases or act as an assignment to Landlord of any or all of the same. There shall be no merger of this Lease nor of the leasehold estate created hereby with the fee estate or any other leasehold estate in or of the Premises by reason of the fact that the same entity may acquire or hold or own: (a) this Lease or such leasehold estate or any interest therein; and (b) the fee estate or ownership of any of the Premises or any interest therein. No such merger shall occur unless and until all persons having any interest in: (a) this Lease or such leasehold estate; and (b) the fee estate or any other leasehold estate in the Premises including, without limitation, Lender's interest therein, shall join in a written, recorded instrument effecting such merger.

**30.3 No Partnership.** Nothing contained in this Lease shall be deemed or construed as creating a partnership, joint venture, principal and agent, or any other relationship between Landlord and Tenant, other than that of lessor and lessee, or cause Landlord to be responsible in any way for the debts or obligations of Tenant.

**30.4 Attorney's Fees.** In the event suit is brought or an attorney is retained by either party to this Lease to enforce the terms of this Lease or to collect for the breach hereof or for the interpretation of any provision herein in dispute, the prevailing party shall be entitled to recover, in addition to any other remedy, reasonable attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith.

**30.5 Non-Waiver.** Landlord's rights, powers and remedies hereunder or at law or in equity are cumulative and non-exclusive, and each may be pursued singularly, consecutively or concurrently

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with any others. No remedial action taken hereunder by or on behalf of Landlord shall constitute a cure or waiver of, or an election of remedies with respect to, any default hereunder, or waive or modify any notice thereof, or otherwise prejudice any rights, powers or remedies of Landlord hereunder or at law or in equity. Failure or delay of Landlord to exercise any right hereunder or to enforce any breach hereof shall not operate as a waiver of such right or breach or of any other right or breach.

**30.6 Integration.** This Lease represents the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings of the parties concerning the same. No provision of this Lease shall be waived or altered or otherwise amended except pursuant to an instrument in writing signed by the party to be charged and no consent to any departure by any party from the provisions of this Lease shall be effective pursuant to an instrument in writing signed by the party who is claimed to have so consented and then such consent shall be effective only in the specific instance and for the specific purpose for which given. No course of dealings between the parties shall operate as a waiver.

**30.7 Notices.** All notices, demands and other communications required or permitted to be given under the terms of this Lease ("**Notices**") shall be in writing and delivered by hand or sent by nationally recognized overnight delivery service (such as FedEx), addressed as follows:

Notices to Landlord: Seagate Alico I, LLC  
Attn: William G. Price, Jr., Manager  
12801 Commonwealth Drive, Unit 12  
Fort Myers, FL 33913

Notices to Tenant: NeoGenomics Laboratories, Inc.  
Attn: General Counsel  
12701 Commonwealth Drive, Suite 9  
Fort Myers, FL 33913

or at such other address as a party may from time to time designate by Notice to the other party. Notice personally delivered shall be deemed given on the date of delivery. Any notice sent by overnight delivery service shall be deemed given one (1) business day following the date such Notice was properly deposited, prepaid, with the delivery service for delivery the following business day.

**30.8 Savings Clause.** Unenforceability for any reason of any provision of this Lease shall not limit or impair the operation or validity of any other provision of this Lease; provided, however, that in lieu of such unenforceable provision, there shall be added automatically as a part of this Lease a provision as similar in terms to such unenforceable provision as may be possible and be enforceable.

**30.9 Governing Law.** This Lease shall be governed by and construed in accordance with the laws of the State of Florida.

**30.10 Recitals; Headings; Interpretation.** The Recitals set forth on page 1, and each Exhibit hereto, are incorporated in this Lease. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Lease. This Lease shall be construed according to its fair meaning and neither for nor against any party hereto irrespective of which party caused the same to be drafted. Each of the parties acknowledges that it has been, or has had the opportunity to be, represented by an attorney in connection with the preparation and execution of this Lease, and that this Lease accurately and completely reflects the reasonable expectations of such party.

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**30.11 Successors and Assigns.** Subject to the provisions of Section 18 above, this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Except as expressly provided herein, no person or entity other than the parties hereto shall obtain any rights or benefits under or by virtue of this Lease.

**30.12 Execution.** This Lease may be executed in counterparts, and any set of counterparts containing original signatures of both Landlord and Tenant shall constitute an original agreement for all purposes.

**30.13 Waiver of Technical Defenses as to Execution.** Each party agrees that it will not raise or assert as a defense to any obligation under the Lease or make any claim that the Lease is invalid or unenforceable due to any failure of this document to comply with ministerial requirements including, but not limited to, requirements for corporate seals, attestations, witnesses, notarizations, or other similar requirements, and each party hereby waives the right to assert any such defense.

**30.14 Waiver of Jury Trial.** Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim involving any matter whatsoever arising out of or in any way connected with this Lease, the relationship between Landlord and Tenant, Tenant's use or occupancy of the Buildings, the right to any statutory relief or remedy, or any claim or injury or damage.

**30.15 Financial Reporting.** Tenant shall deliver to Landlord and Landlord's mortgagee (of which Tenant has notice):

(i) Quarterly Statements. Within sixty (60) days after the end of each quarterly fiscal period in each fiscal year of the Tenant during the Term (other than the last quarterly fiscal period of each such fiscal year), a copy of:

(A) the consolidated balance sheet of the Tenant and its subsidiaries as of the end of such quarter, and

(B) the consolidated statements of income, changes in shareholders' equity and cash flows of Tenant and its subsidiaries, for such quarter, setting forth in each case in comparative form the figures of the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles ("**GAAP**") or in accordance with international financial reporting standards established by the International Accounting Standards Board ("**IFRS**"), in either case, applied on a consistent basis with respect to Tenant, and applicable to quarterly financial statements generally, accompanied by a letter from the chief financial officer of Tenant confirming that to the best of Tenant's information and belief the financial statements provided fairly present, in all material respects, the consolidated financial position of the Tenant and its subsidiaries and their consolidated results of operations and cash flows for the fiscal quarter.

(ii) Annual Statements. Within one hundred twenty (120) days of the end of each fiscal year of the Tenant during the Term, a copy of:

(A) the consolidated balance sheet of the Tenant and its subsidiaries as of the end of such year, and

(B) consolidated statements of income, changes in shareholders' equity and cash flows of the Tenant and its subsidiaries, for such year, setting forth in each case in

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comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP or in accordance with IFRS, in either case, applied on a consistent basis with respect to Tenant and accompanied by a letter from the chief financial officer of the Tenant confirming that to the best of Tenant's information and belief the financial statements provided fairly present, in all material respects, the consolidated financial position of the Tenant and its subsidiaries and their consolidated results of operations and cash flows for the fiscal year.

*[Remainder of page intentionally left blank]*

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**IN WITNESS WHEREOF**, the parties hereto have caused this Lease to be duly executed and delivered as of the day and year first above written.

**WITNESSES:**

Witness: /s/Connie L. Campbell  
Print Name: Connie L. Campbell  
Witness: /s/ Helen Edenfield  
Print Name: Helen Edenfield

**LANDLORD:**

**SEAGATE ALICO I, LLC**, a Florida limited liability company  
By: /s/Matthew Price  
Print Name: Matthew Price  
Its: Manager

**WITNESSES:**

Witness: /s/Helen Edenfield  
Print Name: Helen Edenfield  
Witness: /s/Sherry Terzian  
Print Name: Sherry Terzian

**TENANT:**

**NEOGENOMICS LABORATORIES, INC.**, a Florida Corporation  
By: /s/Douglas M. VanOort  
Douglas M. VanOort, CEO

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**EXHIBIT A**  
**DESCRIPTION OF THE LAND**

The Land will consist of a portion of Tracts B and C, Florida Gulf Coast Business Center, according to the plat thereof as recorded under ORI No. 2018000283444, Public Records of Lee County, Florida, as generally depicted on the Site Plan attached as Exhibit B, below. A legal description of the Land will be prepared by Landlord at such time as the final site plan is approved, and the Re-Plat has been recorded.

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**EXHIBIT B**  
**SITE PLAN**



**EXHIBIT C**

**PERMITTED ENCUMBRANCES**

Declaration of Easements, Covenants and Operation Obligations recorded under ORI No. 2018000112353 and ORI No. 2018000283447, as further amended, all of the Public Records of Lee County, Florida

Declaration of Covenants and Restrictions of The North Alico Property Owners' Association as recorded under ORI No. 2005000065896, as amended and/or supplemented under ORI No. 2008000213922, ORI No. 2008000213924, ORI No. 2008000234500, ORI No. 2009000002723, as further amended, all of the Public Records of Lee County, Florida

Dedications, easements and other matters as set forth and shown on the Plat of Florida Gulf Coast Business Center as recorded under ORI No. 2018000028344, Public Records of Lee County, Florida.

Reservation of undivided 1/2 interest in and to all oil, gas, phosphates below 150 feet in deed recorded in Official Records Book 1234, page 998, Public Records of Lee County, Florida

Deed of Conservation Easement granted in favor of North Alico Property Owners' Association, Inc. as recorded under ORI No. 2007000123331, Public Records of Lee County, Florida.

Notice of Temporary Median Opening as recorded under ORI No. 2007000339852, Public Records of Lee County, Florida

Grant of Public Utility Easement and Right to Convey Utility and Service Provider Easements recorded under ORI No. 2018000191544, Public Records of Lee County, Florida

Access Easement by and between Paul H. Freeman, Trustee and Seagate Alico I, LLC, a Florida limited liability company as recorded under ORI No. Public Records of Lee County, Florida

Billboard lease/easement to be reserved by the Seller pursuant to the Purchase Agreement.

The I-75 signage easement to be reserved by the Seller pursuant to the Purchase Agreement.

The Re-Plat, which must be recorded prior Landlord closing on the Land under the Purchase Agreement.

Any dedications/easements required by any gov't agency in order to obtain permits for and complete Landlord's Work.

A development density and use restriction to be included in the deed from Seller to Landlord (or created by separate instrument in conjunction with Landlord closing on the Land, which will provide that the Land may be developed with one or more buildings containing, in the aggregate, up to (but not more than) 150,000 gross square feet of commercial space, up to 100,000 square feet of which may be developed as general office space and the balance of which shall be developed and used as laboratory, warehouse and/or industrial use (as defined in the Lee County zoning code).

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**EXHIBIT D**

**CERTIFICATE OF DELIVERY DATE, RENT COMMENCEMENT DATE, END OF  
LEASE TERM, AND RENTABLE SQUARE FOOTAGE OF BUILDINGS**

Pursuant to the Lease between SEAGATE ALICO I, LLC, a Florida limited liability company, as Landlord, and NEOGENOMIC LABORATORIES, INC., a Florida corporation, as Tenant, dated \_\_\_\_\_, 2019 (the "Lease"), Landlord and Tenant confirm that Landlord has delivered possession of the Buildings in accordance with the terms of the Lease, as of the day of \_\_\_\_\_, 20\_\_\_\_, and that such date shall be the Delivery Date for purposes of the Lease, the Rent Commencement Date is \_\_\_\_\_, and the Termination Date of the Initial Term is \_\_\_\_\_. The total Rentable Area of the Buildings \_\_\_\_\_.

LANDLORD:  
SEAGATE ALICO I, LLC

By:  
Name:  
Title:

TENANT:  
NEOGENOMICS LABORATORIES, INC.

By:  
Name:  
Title:

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**EXHIBIT E**  
**BASE RENT**

1. Annual Base Rent for the 1st Lease Year (with a pro-rated increase if the 1st Lease Year is more than 12 months long) shall be seven and 751100th percent (7.75%) of the actual Total Project Costs paid for by Landlord (either with cash equity or debt financing) (but the actual Total Project Costs used to calculate such rent shall not exceed the Total Cost Cap, as defined below). The "Total Project Costs" shall mean and refer to all costs and expenses incurred by Landlord in acquiring the Land, developing the Land and designing and constructing the Buildings and all other portions of the Landlord's Work, which shall include, without limitation: (i) the Total Land Costs (which includes due diligence and closing costs), (ii) Total Building Costs (which include permitting fees, a 5% general contractors fee for the site-work and infrastructure work to be performed by Seagate, a 4% general contractors fee for the vertical construction of the Buildings (including the Tenant Improvements), a 1% construction management fee, a 5% developer fee (paid on total Land Costs and Building Cost), architectural fees, builders risk and liability insurance), Total Development and Impact Fees (including utility tap-in and connection fees), (iv) Total Soft Costs (which includes, without limitation, architectural and engineering fees, legal fees, real estate taxes, loan fees, commitment fees and all other loan fees and costs charged by the acquisition and/or construction lender(s)), (v) the \$30,000.00 lift station reimbursement fee that Landlord must pay the Seller under the Purchase Agreement, (vi) a Tenant Improvement Allowance equal to \$33.00 per gross square foot for the main office building and \$30.00 per gross square foot of the laboratory Building, and (vii) leasing commissions payable by Landlord and arising out of this Lease. Landlord's and Seagate's books and records evidencing the Total Project Costs shall be subject to the review of Tenant, upon reasonable advance request; it being the parties' expectations that the construction of the Project be conducted in an 'open-book' manner with respect to all costs and expenses. For the avoidance of doubt, for purposes of calculating the Annual Base Rent for the 1st Lease Year, the following amounts shall not be included in "Total Project Costs paid for by Landlord": (a) any portions of the Shared Infrastructure Work for which Landlord receives reimbursement from Seller, and (b) any portions of the Total Project Costs paid for with the Tenant's Base Contribution and any other costs or expenses paid for with Tenant's Share Funds (as defined in the Development Agreement).

2. For illustrative purposes: Schedule 2 of the Development Agreement, sets forth Landlord's estimated Project Budget for the Total Project Costs, and reflects Landlord's estimate of Total Project Costs of \$42,967,033 (the "Total Cost Cap") which, after deducting Tenant's Base Contribution of \$25,000,000, reflects that the Total Project Costs paid for by Landlord being \$17,967,033 (\$9,174,361 for the office building and \$8,792,672 for the lab building) [for example calculation purposes only, if the actual Total Project Costs paid for by the Landlord (either with cash equity and/or debt financing) are \$17,967,033, then the Annual Base Rent for the first Lease Year (as adjusted pursuant to Section 4 of this Exhibit "E") shall be **\$1,392,445.06**.

3. On the first day of Lease Years 2 through 20 the Annual Base Rent shall be increased by two percent (2%) of the Annual Base Rent of the immediately preceding Lease Year.

4. Landlord and Tenant agree, that for purposes of calculating Base Rent for the 1st Lease Year:

a. The Total Cost Cap shall not be increased except as permitted by sub-section 4(b), immediately, below.

b. the Total Cost Cap shall automatically be increased by:

i. the cost to Landlord of all tenant-requested change orders (it also being acknowledged that all tenant-requested change orders shall include a 4% builder fee charged by Landlord's contractor and a 1% construction management fee charged by Seagate);

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ii. Subject to sub-section 4(c), below, the additional costs incurred by Landlord as a result of: uninsured casualty losses, labor and/or material shortages caused by named storms, delays caused by named storms, tariffs, and/or events constituting force majeure under Florida law (collectively, "Unexpected Costs");

iii. Additional costs incurred by Landlord as a result of a Tenant Delay; and

iv. additional costs incurred by Landlord as a result of Tenant's failure to comply with the terms of this Lease, or additional costs resulting from damage to the Work caused by Tenant, its employees, agents and/or contractors.

v. Cost increases related to any components of the Landlord's Work for which final plans and specifications (approved by all requisite private parties) were not available as of July 1st, 2019.

(c) For additional clarity, it is agreed that additional costs incurred by Landlord (if any), for which Landlord is entitled to increase the Total Cost Cap under sub Section 4(b), immediately above, will not necessarily be required to be paid for "out-of-pocket" by Tenant at the time such costs are incurred (such additional costs may, at Landlord's election, be incurred and paid by Landlord if Landlord determines that such additional costs can be absorbed by off-setting saving or other budget contingencies); however, such additional costs will be included in the actual Total Project Costs and, consequently, will result in an increase in the amount of Minimum Rent payable by Tenant hereunder. On the other hand, if Tenant requests a change order that increases the Total Project Costs and cannot (in Landlord's sole discretion) be absorbed by any contingency line item in the Project Budget (meaning that Tenant would be obligated to pay Landlord for the cost increase associated with such change order, at the time the change order is executed), then the costs of such change order will not be included in the final calculation of Total Project Costs (as such costs were incurred and paid for by Tenant, not the Landlord).

Savings realized by Landlord on the Total Project Costs will reduce the Base Rent for Lease Year 1. However, for the avoidance of doubt, it is acknowledged and agreed that savings realized on one or more components of the Total Project Costs may be used to off-set cost overruns on other components or aspects of the Total Project Costs [in other words, a savings on one or more components of the Project will only reduce the Minimum Rent for Lease Year 1 to the extent that total savings (if any) on various components of the Project exceed the aggregate cost overruns (if any) on any other component(s) of the Project.] Landlord shall provide Tenant a complete accounting of the actual Total Project Costs prior to the final calculation of the Annual Base Rent for the First Lease Year. Provided, however, that if, for any reason, Landlord is unable to prepare a final accounting of the Total Project Costs to Tenant prior to the Rent Commencement Date, then Landlord's good-faith estimate shall be used to calculate an estimated Base Rent payment, and Tenant shall pay Base Rent to Landlord in accordance with the Lease and based upon Landlord's good-faith estimate until such time as the Total Project Costs can be calculated (with Landlord and Tenant cooperating in good faith to perform a final Base Rent calculation for Lease Year 1 as soon as reasonably possible after the Rent Commencement Date; with the party that owes additional rent (or a refund of rent) remitting payment of such "true-up" to the other by no later than fifteen (15) days after such final calculation is made.

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**EXHIBIT F**  
**DEVELOPMENT AGREEMENT**

**DEVELOPMENT AGREEMENT**

**THIS DEVELOPMENT AGREEMENT** (this "Agreement") is entered into as of this 13th day of September, 2019, by and between SEAGATE ALICO I, LLC, a Florida limited liability company ("Landlord") and NEOGENOMICS LABORATORIES, INC., a Florida corporation ("Tenant").

**WITNESSETH:**

**WHEREAS**, simultaneously herewith, Tenant and Landlord have entered into that certain Office Building Lease (the "Lease"), whereby Landlord has agreed to lease to Tenant, and Tenant has agreed to lease from Landlord, two (2) to-be-constructed buildings (each, a "Building" and collectively the "Buildings" or "Office Buildings") which Buildings will contain, in the aggregate, up to (but not more than) 150,000 gross square feet of commercial space, up to 100,000 square feet of which may be developed as general office space and the balance of which shall be developed and used as laboratory, warehouse and/or industrial use (as defined in the Lee County zoning code) to be constructed on the Land (as defined in the Lease) together with appurtenant driveways, parking areas and loading areas as depicted on Exhibit B to the Lease (collectively, the "Premises"); and

**WHEREAS**, Landlord has agreed to design and construct the Base Building Work (as defined herein), appurtenances, and improvements, including landscaping, that comprise the Premises (collectively, the "Project") subject to the terms and conditions herein set forth.

**NOW, THEREFORE**, for and in consideration of the recitals and the mutual covenants herein contained, intending to be legally bound hereby, Landlord and Tenant hereby agree as follows:

(1) DEFINED TERMS. Except as otherwise defined herein, the capitalized items herein shall have the same meaning as defined in the Lease.

(2) GENERAL DESCRIPTION OF PROJECT: SCOPE

(a) Acknowledgement of Scope. Landlord and Tenant acknowledge that the Project is comprised of

(i) the acquisition of the Land,

(ii) all design (including architectural and civil) and permitting required to perform the Base Building Work and Shared Infrastructure Work (the Base Building Work and Shared Infrastructure Work being collectively referred to herein as the "Landlord's Work"), and

(iii) the construction of the Landlord's Work.

Preliminary Plans. The Landlord's Work will be designed by Landlord based on the Preliminary Project Specifications attached hereto as Schedule 1 and made a part hereof. Such design shall include all horizontal site work and infrastructure work (including on-site drainage systems), landscaping, parking lots and driveways located on the Land, as well as the off-site Shared Infrastructure.

(b) Base Building Work. The "Base Building Work" for the horizontal development of the Land and construction of the Office Buildings (collectively, the "Base Building Work") shall include all site-work, the building shell, all core mechanical, electrical, and plumbing systems, surface parking sufficient to provide Tenant with the minimum number of parking spaces (including handicapped spaces), as may be required by applicable laws and ordinances, an access

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driveway and loading areas, and other requirements as set forth in the Preliminary Project Specifications described in Schedule 1 attached hereto and incorporated by reference herein.

(c) Shared Infrastructure Work. Tenant acknowledges that the a portion of the Landlord's Work will include certain off-site infrastructure that that Seller and Landlord have agreed to cause to be designed and constructed. For reference purposes, a right-of-way exhibit depicting the engineering concept for the proposed northerly east-west access road, southerly east-west access road, drainage, utilities, and related improvements (prepared by Hole Montes) is attached hereto as Schedule "4" (the "**Hole Montes Right-of-Way Plan**"). The Hole Montes Right-of-Way Plan depicts the "Northerly East-West Access Road" as section #1" and "section #3", and the "Southerly East-West Access Road" is depicted and labeled as "Section #4". The Hole Montes Right-of-Way Plan also depicts a north-south road labeled as "section #2" and "section #2A", through which a roadway and certain utility facilities will be constructed; such north-south road is referred to herein as the "**North-South Road**"). Landlord and Seller will enter into a development and cost sharing agreement (the "**Development and Cost Sharing Agreement**") whereby Landlord will agree to design and construct (in conjunction with Landlord's other site work for the development of the Land): (a) the Northerly East-West Access Road, including the installation of water/sewer infrastructure; (b) the Southerly East-West Access Road, including the installation of water/sewer infrastructure; (c) the North-South Road, including the installation of water/sewer infrastructure; (d) the Monument Sign; (e) the landscaping along the Northerly East-West Access Road ("Landscaping"); and (f) all requisite street lighting for the Northerly East-West Access Road, Southerly East-West Access Road and North-South Road (the "Street Lighting") (collectively, the "**Shared Infrastructure Work**").

(d) Tenant Improvements: Allowance: Escrow of Tenant's Base Contribution and Tenant's Share of TI Costs. Tenant shall be obligated to utilize Landlord's architect (Studio Plus Architects) (the "Architect") to design all interior improvements for the building that are not included in the Base Building Work (all of such improvements over and above the Base Building Work, including any enhanced specifications or upgraded components that Tenant may desire to make to the Base Building Work being referred to as the "Tenant Improvements"). Landlord will use Landlord's general contractor (the "Contractor") to construct the Tenant Improvements as a component of the Landlord's Work (The Base Building Work and the Tenant Improvements are sometimes collectively referred to as the "Work"). However, the cost of the design and construction of the Tenant Improvements shall be at Tenant's sole cost and expense, subject to the terms of this Section 2(d). The Tenant Improvements design shall be coordinated and integrated with the approved Base Building Work design, and shall be subject to the review and reasonable approval of Landlord as to compatibility to the Base Building Work design.

Landlord shall provide Tenant with an allowance in the amount of \$33.00 per gross square foot for the main office Building and \$30.00 per gross square foot of the laboratory Building (the "Tenant Improvement Allowance") which shall be used by Tenant to pay for what are customarily considered "hard construction costs" of the Tenant Improvement construction work (but for purposes of the foregoing sentence, "hard construction costs" shall exclude architectural, engineering, design and permitting costs). Any amount of the Tenant Improvement Allowance not expended for hard construction costs of the Tenant Improvements shall be retained by Landlord. For purposes of this Agreement, "**Tenant's Share**" shall mean and refer (a) Tenant's Base Contribution of \$25,000,000, plus (b) the amount by which the actual cost of designing, permitting and constructing the Tenant Improvements exceeds the Tenant Improvement Allowance, as reflected on the Project Budget (as the same may be updated from time to time). Tenant's Share amounts from (a) and (b) above shall be attributed to Eligible Capital Costs as defined in Florida Statute Sec. 220.191(c) and included in Schedule 5. Landlord will instruct its general contractor to maintain records in sufficient detail to enable Landlord and Tenant to identify the Tenant's Share and any adjustments to the Tenant's Share that may occur as a result of Change Orders, Tenant Delays, Force Majeure, or other circumstances not within

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the control of Landlord [by way of example, under the initial Project Budget attached hereto, Tenant's Share would be \$25,000,000 (constituting Tenant's Base Contribution) + \$2,267,335 (the amount by which the estimated cost of Tenant Improvements for the main office building exceeds the Tenant Improvement Allowance for the main office building) + \$14,706,634 (the amount by which the estimated cost of Tenant Improvements for the lab building exceeds the Tenant Improvement Allowance for the lab building) = \$41,973,969]. Tenant shall, by no later than the date that Landlord closes on Landlord's construction loan for the Project, deposit with Landlord an amount equal to the then estimated Tenant's Share (the "Tenant's Share Funds"). The Tenant's Share Funds will be held by Landlord (or Landlord's lender) in a construction disbursement account (which account may be pledged to Landlord's lender as security for Landlord's financing for the project), and disbursed by Landlord (or Landlord's lender) from time to time to pay for the costs of the Landlord's Work, which disbursements shall be made at such times as required by Landlord and Landlord's construction lender. If, at any time, Landlord's updated Budget, reflects that the total amount of Tenant's Share Funds previously paid by Tenant to Landlord is less than the Tenant's Share as reflected on such updated Budget (in such case, a "Shortfall"), then Tenant shall, by no later than ten (10) days after written request of Landlord, pay the Shortfall amount to Landlord, which payment shall be added to the Tenant's Share Funds. However, in no event shall the amount of Tenant's Base Contribution be increased without Landlord's and Tenant's written consent, which may be withheld in their respective sole discretion.

(e) Compliance With Law and Industry Standards . Landlord acknowledges that it shall be responsible for ensuring that the Base Building Work design and construction is in compliance with all applicable building codes and laws including, but not limited to, the Americans With Disabilities Act, the Florida Accessibility code, and all environmental laws and regulations, and with sound architectural and construction practices.

Tenant acknowledges that it shall be responsible for ensuring that the Tenant Improvement design and construction is in compliance with all applicable building codes and laws including, but not limited to, 'the Americans With Disabilities Act, the Florida Accessibility Code, and all environmental laws and regulations, and with sound architectural and construction practices.

### 3. PROJECT DESIGN

(a) Design of Base Building Work. An architect selected by Landlord {the "Architect" will be retained by Landlord and Tenant (under separate agreements) to perform the design of the Base Building Work for Landlord and the Tenant Improvements for Tenant. It is acknowledged that the Architect will be paid an architectural fee by Landlord in the amount of 3.75% of the costs of constructing the Base Building Work (but specifically excluding costs of sitework and infrastructure work performed by Seagate) (the "Landlord's Architectural Fees"), and that the Architect will charge an architectural fee to Tenant in the amount of 7.25% of the costs of the Tenant Improvement work (the "Tenant's Architectural Fees"). The Landlord's Architectural Fees shall be included in the Total Project Costs.

Tenant shall have review and approval rights at each stage of the Base Building Work design including hardscape and landscape; provided, however, that Tenant's approval shall not be construed to waive any requirement or obligation of the Landlord and, to the extent Tenant's exercise of such review and approval rights unreasonably impact the Project Schedule, same

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shall constitute a Tenant Delay. Notwithstanding anything to the contrary contained herein, no changes may be made to the Base Building Work design without the prior written consent of Tenant, which approval shall not be unreasonably withheld, conditioned nor delayed.

Landlord has caused the Architect to draft a conceptual design for the Base Building Work in accordance with preliminary specifications which include design development plans and drawings ("Base Building Work Progress Design"). If Tenant reasonably objects to any submittal of the Base Building Work Progress Design, Landlord shall cause the design documents to be amended to satisfy such objections and promptly resubmit them to Tenant for Tenant's review. Tenant shall review the revised submittal within five (5) business days after their delivery to reconsider the revised Base Building Work Progress Design. If Landlord shall not have received notice from Tenant that the Base Building Work Progress Design has been accepted or must be resubmitted with corrections or modifications prior to the expiration of the five (5) business day period, the Base Building Work Progress Design shall be deemed approved by the Tenant. After approval of the Base Building Work Progress Design, Landlord will provide Tenant, for Tenant's review and approval, complete and final construction drawings, plans and specifications for the Base Building Work (such plans and specifications, once approved by Landlord and Tenant, are collectively referred to as the "Final Base Building Design"). The Final Base Building Design shall account for any necessary changes, any Tenant-directed changes, and shall ensure consistency between the design documents for the Base Building Work. After the Final Base Building Design has been approved by Tenant, Landlord may not make any material changes to it without Tenant's written approval, which approval may be given or withheld in Tenant's reasonable discretion.

(b) Design of Tenant Improvements. Tenant has retained (or will retain) the Architect to prepare all design documents for the Tenant Improvements. Tenant shall cause Tenant's Architect to complete and submit to Landlord for review and approval a space plan and drawings for the Tenant Improvements ("TI Space Plan") in accordance with the dates set forth in the Project Schedule. Landlord shall have five (5) business days to approve and comment on the design documents. Following Landlord's review and approval, Tenant will cause the Architect to prepare final construction drawings, plans and specifications for the Tenant Improvements, which shall be subject to Landlord's final review and approval (such plans and specifications, once approved by Landlord, are collectively referred to as the "Final TI Design"). The Final TI Design shall account for all Landlord-directed changes reasonably required for consistency with the Final Base Building Design. Tenant shall cause the Architect to confirm and certify to Tenant and Landlord (and Landlord's lender) that the Final TI Design is in compliance with all applicable building codes and laws including, but not limited to, the Americans With Disabilities Act, the Florida Accessibility Code, and all environmental laws and regulations and with sound architectural and construction practices.

(c) Design of Shared Infrastructure. The Shared Infrastructure will be designed by Landlord and Seller and their respective civil engineers pursuant to the Development and Cost Sharing Agreement entered into (or to-be-entered into) between Landlord and Seller. Upon request, Landlord will provide Tenant with copies of the plans and specifications related thereto, but Landlord shall not be required to obtain Tenant's approval of the same so long as they are consistent (in all material respects) with the concept plans attached hereto as Schedule "4". The final plans and specifications for the Shared Infrastructure, as approved by Seller and Landlord and all applicable governmental agencies, shall be deemed the "Final Shared Infrastructure Plans and Specifications."

As between Landlord and Tenant, the Final TI Design and the Final Base Building Design shall be available throughout the Term for Tenant's reproduction, information and reference for its use and use by Landlord in alteration, modification or restoration of the

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Premises and for additions to the Project or for completion of this Project by others, in each case without additional compensation to Landlord or Architect. Landlord will instruct the Architect to provide Tenant and Landlord with a complete set of paper and electronic CADD record design drawings of the Project and Final TI Design.

Tenant acknowledges that neither Landlord nor any agent of Landlord has made, except as may be specifically set forth herein, any representation or warranty with respect to the Buildings, or the suitability of the foregoing for the conduct of Tenant's business.

#### 4. PROJECT CONTRACTORS.

(a) Construction Manager and Site contractor. Landlord's affiliate, Seagate Development Group, LLC. ("Seagate") shall act as construction manager for the Base Building Work and Tenant Improvement construction and shall also serve as the contractor for the horizontal site work for the Land as well as for the Shared Infrastructure. It is acknowledged that Seagate will be paid a contractor's fee in the amount of five percent (5%) of the costs of the site work for the Land and the costs of the Shared Infrastructure Work (the "SDG Contractor's Fee"). Additionally, Seagate will also be paid a construction management fee in the amount of one percent (1%) of the construction costs paid by Landlord to DeAngelis Diamond for the vertical construction of the Office Buildings as well as one percent (1%) of the construction costs paid by Tenant to DeAngelis Diamond for the construction of Tenant's Improvements (the "SDG Construction Management Fee"). The SDG Contractor's Fee and the SDG Construction Management Fee shall be included in the Total Project Costs.

(b) Base Building Work and Tenant Improvements Contractor. DeAngelis Diamond or another general contractor selected by Landlord ("DeAngelis Diamond") shall act as general contractor for the Base Building Work construction and Tenant Improvements. If Landlord shall subsequently engage any other general contractor or construction manager (other than Seagate) to construct or manage the Base Building Work construction, then Tenant shall have the right to approve such party and to review and approve the contract between Landlord and such party but solely for the purpose of confirming conformance with the terms of this Development Agreement and the Lease. The parties acknowledge that construction contract between Landlord and DeAngelis Diamond will provide for a 4% contractors fee/profit and will also specifically include the following fees and costs components as included in the 'cost of the work' thereunder, all of which will be a% of the 'cost of the work' and all of which will be included in the Total Project Costs:

Payment & Performance Bond 0.72%  
Liability Insurance 1.25%  
Preconstruction & Estimating 0.75%  
Builder's Risk 0.65%

General Conditions: \$1,330,000-FIXED for Base Building and Tenant Improvements

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(c) Tenant Improvements Contract. The construction contract for the Tenant Improvements shall be subject to the review and approval of Landlord and approved or rejected within 'five (5) business days of submission. The terms of the Tenant Improvements construction contract shall also be in conformance with the terms of this Development Agreement and the Lease. If Landlord objects to such contract due to any non-conformity, Tenant shall cause the contract to be amended in order to so conform.

#### 5. BID PROCESS FOR CONSTRUCTION OF THE BASE BUILDING WORK

Landlord has developed an estimated Project Budget attached hereto as Schedule 2, which sets forth Landlord's estimated budget of the Total Project Costs, and reflects Landlord's estimate of Total Project Costs of \$42,967,033 (the "Total Cost Cap"). The Project Budget and Total Cost Cap are subject to increase as provided for herein and in the Lease. Landlord will cause DeAngelis Diamond to competitively bid the components of the Base Building Work and Tenant Improvement work for which DeAngelis Diamond will perform. A minimum of three (3) qualified bids must be solicited for the Base Building Work construction. Should Tenant demand the selection of a Base Building Work subcontractor whose bid is higher than the lowest qualified bidder, a Change Order (defined in Section 6 below) to the Total Cost Cap will be issued and deemed approved by Landlord and-Tenant increasing the Total Cost Cap by the incremental difference between the low bid and the bid selected by Tenant. The Base Building Work construction will be bid using DeAngelis Diamond's standard bid procedures as follows: (i) a minimum of three (3) bids will be obtained from contractors for each component/trade; (ii) a complete evaluation will be performed on each bid to ensure the correct scope of work is included and to verify accuracy; (iii) each contractor will be evaluated, taking into consideration its length of time in business and prior relationships between Landlord and such contractor; and (iv) any large variances in bids will require the component/trade in question to be re-bid. Landlord shall promptly deliver all bids, re-bids and related information to Tenant upon receipt and shall permit Tenant to attend all bid openings. Tenant may designate sole source subcontractors or add additional potential bidders from whom Landlord shall seek bids. Any net increase (not covered by a direct payment pursuant to Section 6 below) or net decrease in the Project Budget upon completion of the Project (which Project Budget shall reflect the actual amounts spent by Landlord on the Project and remove any unspent contingency line items), as compared with the Project Budget attached hereto as Schedule 2, shall be reflected in an adjustment to the Base Rent in accordance with Section 5.1 of the Lease; provided, however, that in no event shall any net increase in the Project Budget that exceeds the Total Cost Cap result in an adjustment to the Base Rent under the Lease.

#### 6. CHANGE ORDERS

Tenant, upon receiving the consent of Landlord which shall not be unreasonably withheld or delayed (but which may also be subject to approval of Landlord's lender), shall have the right to require changes in the Base Building Work design by way of written change orders (each, a "Change Order" and collectively, the "Change Orders"). Upon issuance of a Change Order, Landlord shall prepare and submit promptly to Tenant a memorandum setting forth the impact on the Project Budget, Total Cost Cap and Project Schedule resulting from said Change Order (the "Change Order Memorandum of Agreement"). Tenant shall within five (5) business days following Tenant's receipt of the Change Order Memorandum of Agreement either (a) execute and return the Change Order Memorandum of Agreement to Landlord or (b) retract its request for the Change Order. If any requested Change Order would cause a net increase to the Project Budget that is not absorbed (at Landlord's election and also subject to any approval that may be required from Landlord's lender) by any contingency in the Project Budget, then as a condition of approving such Change Order, Tenant

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shall be required (concurrently with the execution of such Change Order) to pay to Landlord directly the amount of such net increase resulting from the Change Order. Any net decrease in the Project Budget upon completion of the Project (which Project Budget shall reflect the actual amounts spent by Landlord on the Project and remove any un-spent contingency line items), as compared with the Project Budget attached hereto as Schedule 2, shall be reflected in an adjustment to the Base Rent in accordance with Section 5.1 of the Lease.

#### 7. SCHEDULE AND COMPLETION

(a) The Landlord's Work shall be performed by Landlord in a good and workmanlike manner to completion and, subject to Force Majeure and Tenant Delay (as those terms are defined below) Landlord shall endeavor to complete such Base Building Work and Tenant Improvement Work in accordance with the Project Schedule, attached hereto as Schedule 3. Landlord shall provide for and obtain as expeditiously as possible all permits, licenses and certificates necessary for performance of the Base Building Work and Tenant Improvement Work. Landlord shall endeavor to cause substantial completion (as such term is defined in the Lease) of the Landlord's Work to occur in accordance with the Project Schedule, subject to Tenant Delay's, Force Majeure and any other delays not within the reasonable control of Landlord. "Tenant Delay" shall mean the following, to the extent it is the cause of a delay in the Project Schedule caused by Tenant:

- i. Tenant's failure to meet any timeline specified herein (a) for submission of information or approval, (b) in the Project Schedule or (c) in the Critical Path Method schedule (as defined herein);
- i. Tenant's failure, for any reason, to finalize the plans and specifications for the Tenant Improvements (and/or to make any requisite selections as to such Tenant Improvements) by no later than the dates set forth in the Project Schedule;
- i. Change Orders, to the extent the Change Order Memorandum of Agreement therefor provides for or creates a change in the Project Schedule;
- i. The performance of any work in the Premises (with or without the permission of Landlord) by any person, firm or corporation employed by or on behalf of Tenant, or any failure to complete or delay in completion of such work;
- i. Tenant's delay in paying Landlord when due for any costs to construct the Office Buildings that are the responsibility of the Tenant,
- i. Any other delay to the extent caused by Tenant or its agents;
- i. Any act or omission of Tenant, the Architect (with respect to the Architect's work on the Tenant Improvements) or Contractor, subcontractors, trades or material suppliers (with respect to their respective work on the Tenant Improvements); and
- i. Tenant's requirements for special work or materials, finishes or installations other than building standard materials.

In the event that substantial completion of the Premises is delayed beyond the Target Date as a result of Tenant Delay, then, for purposes of determining the Delivery Date, substantial completion

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of the Premises shall be deemed to occur on the date that substantial completion would have occurred but for such Tenant Delay.

(b) Force Majeure.

"Force Majeure" is defined in the Lease.

(c) Project Schedules. Landlord has submitted to Tenant a Project Schedule as shown in Schedule 3. In addition to the Project Schedule, Landlord shall prepare a calendarized Critical Path Method ("CPM") schedule showing critical dates for start and completion of various portions of the Work including design work, construction and delivery of major components and lengths of time required to complete each portion.

i. The CPM shall be prepared utilizing ProCore Project software, or similar software selected by Landlord. The CPM schedule will identify the obligations of both Landlord and Tenant. The Detailed Critical Path Method Schedule shall be consistent with the timing set forth in the Project Schedule, this Development Agreement and the Lease.

ii. Compliance. After finalization of the CPM schedule, it shall become the basic construction Progress Schedule for the Project including the work associated with the Landlord's Work and Tenant Improvements. Landlord and its contractors shall be responsible for ensuring that it is adhered to, and for ascertaining that proper coordination and time schedules are maintained between various portions of the Work.

iii. Minimum Contents. At a minimum, the CPM schedule shall contain the minimum contents set forth above, and such additional information reasonably required by Tenant.

iv. Reporting Requirements. On a regular basis (no less than monthly), Landlord shall provide Tenant with reports on the Progress Schedule including, without limitation, revisions, updates, and as-built progress reports.

(a) Progress. Landlord shall be responsible for the preparation and delivery of accurate progress reports to Tenant including actual physical percent complete, activity starts and finishes and exceptions to the current schedule.

(b) Updates/Revisions. Landlord, and its contractors, shall make revisions to the Progress Schedule to show any changes in the planned sequences and methods of Project work, and in response to Change Orders.

(c) Additional Information. Landlord, and its contractors, agree to provide Tenant with additional information and support for the Progress Schedule and any updates/revisions thereto.

v. Delays Attributed to-Project. Landlord and Tenant shall use commercially reasonable measures, consistent with Tenant's requirements for this Building to make up time for delays, so as to seek to maintain the Project Completion Date set forth in the Project Schedule.

## 8. TENANT RIGHTS OF INSPECTION AND ATTENDANCE

Tenant and its representatives shall have the right, during working hours and subject to customary and reasonable job site procedures and OSHA regulations, to review and inspect the

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Premises, and all aspects of the design and construction work. Tenant and its representatives shall also have the right to attend all design and construction meetings and review all Project correspondence and reports.

- a. Reports. Landlord shall keep Tenant fully informed as to the status and progress of all construction work with respect to the Project. Landlord shall deliver monthly reports to Tenant detailing the Landlord's Work and its expenses versus the estimated Project Budget.
- a. Meetings. Landlord shall inform Tenant of the usual location, date and time of any regularly scheduled design and construction meetings for the Project, and prompt prior notice of any change, in the date, time or location of any such construction meetings. Tenant and/or its representatives shall be permitted to attend all such design and construction meetings.
- a. No Deemed Approval; Acceptance or Waiver. Tenant's exercise of any of the rights under this section shall not constitute approval, acceptance, waiver or liability by Tenant or alter Landlord's obligations.

#### 9. PROJECT CONTRACTS.

All Work performed shall be pursuant to written agreements which are consistent with this Development Agreement which pass through the applicable obligations set forth in this Development Agreement, and which contain the following provisions:

Warranty. Landlord shall warrant to Tenant, and shall require from its contractors to warrant to Tenant that all work has been- designed, constructed and completed in a good and workmanlike manner, and all materials and equipment provided are new and free from defective or inferior equipment, materials, and workmanship, for a period of one (1) year after substantial completion.

Warranty repair work shall not be warranted for any additional period unless Landlord's subcontractor shall provide an additional warranty period for the direct benefit of Tenant or Landlord, as the case may be. Landlord will endeavor, but will not be obligated, to obtain additional warranty period coverage for warranty related work.

Within thirty (30) days following the Delivery Date, Tenant may send Landlord a list of punch-list items that are required for full completion of Landlord's Work. Landlord shall have ninety (90) days from the date Landlord receives such list to complete the items designated therein, subject to Force Majeure. In addition, during the first (1st) Lease Year, or during any longer period covered by any warranty of any of Landlord's contractors or subcontractors, Landlord shall make all repairs to the Buildings required because of defects in Landlord's materials or workmanship in connection with Landlord's Work.

#### 10. ALTERNATIVE DISPUTE RESOLUTION ("ADR")

(a) Any dispute or disagreement between Tenant and Landlord which is of a construction or design nature ("ADR Disputes") may be submitted by either party to the ADR procedures as set forth in this Section with the consent of the other party. Unless ADR is specifically provided for a particular matter or dispute, the dispute or disagreement may only be resolved by litigation in the applicable court of law, or by other means if such other means are agreed upon by all parties in interest in writing. If a party is not bound by the ADR procedures set forth herein and is a necessary party in order to resolve the dispute or disagreement, unless

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such party agrees to be bound by the ADR in writing, Tenant shall have the option of refusing to use the ADR procedures and seeking redress in the courts.

(b) Tenant and Landlord shall agree on a party to act as the arbiter ("ADR Arbiter") of ADR Disputes either in advance or within ten (10) business days from a demand in writing by either party requesting that an ADR Dispute be submitted to ADR. The ADR Arbiter may not have provided any professional services to any of the parties within three (3) years prior to the ADR Dispute or be under contract with any party, have been asked to respond or responded to any Request for Qualifications, Request for Proposals, Invitation to Bid or the like to provide services in the future to any party, be related to or affiliated with any party or any officer, director, or employee, or shareholder thereof, or otherwise have a conflict of interest that could affect the judgment of the ADR Arbiter in reaching a decision. The ADR Arbiter shall be a licensed engineer or architect in the state of Florida, qualified to design projects of the type and scope as the Landlord's Work and Tenant Improvement work and may be employed as a firm of architects or engineers. If Landlord and Tenant cannot agree on an ADR Arbiter, each of Tenant and Landlord shall select an ADR Arbiter satisfying the requirements of this Section, and the selected ADR Arbiters shall select a third who shall be the ADR Arbiter for the purposes hereof.

(c) As a pre-condition to submitting any ADR Dispute to ADR, the parties must have met first to attempt to resolve the ADR Dispute. Any ADR Dispute must be submitted to ADR within later of ten (10) business days after the event giving rise to the ADR Dispute or ten (10) business days after the meeting to attempt to resolve the ADR dispute. The ADR Dispute shall be submitted by delivering written demand on the other party and any necessary party and, if an ADR Arbiter has been pre-selected, to the ADR Arbiter. The demand must confirm that the parties have met at least once to attempt to resolve the ADR Dispute without an agreement being reached.

(d) The ADR Arbiter shall hold a hearing no sooner than fifteen (15) days and no later than twenty (20) days from submittal of the demand for ADR, and all necessary parties shall be required to attend such hearing. Such hearing shall be informal in nature and all interested parties shall have the right to be heard and present evidence. The ADR Arbiter shall render a decision, which shall be consistent with Florida law, in writing within ten (10) days after the hearing, which decision shall identify the prevailing party, and the same shall be binding on all parties. The non prevailing party in any ADR Dispute submitted to ADR shall pay the fees of the ADR Arbiter. The ADR Arbiter's decision shall be reducible to judgment and is appealable by either party.

#### 11. MISCELLANEOUS.

(a) Neither of the parties may assign its rights, or delegate its responsibilities under this Agreement, without the prior written consent of the other party.

(b) All notices hereunder shall be in writing and shall be deemed delivered upon receipt, and may be given by personal delivery, mailing by certified mail, return receipt requested, or by reputable overnight delivery service, addressed, if to Landlord:

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Seagate Alico I, LLC  
Attn: William G. Price, Jr., Manager  
12801 Commonwealth Drive, Unit 12  
Fort Myers, FL 33913

If to Tenant: NeoGenomics Laboratories, Inc.  
Attn: General Counsel  
12701 Commonwealth Drive, Suite 9  
Fort Myers, FL 33913

Either party may change the address or addressees for notice by giving the other party notice thereof in the manner provided herein.

(c) The provisions of this Agreement are not intended to create, nor shall they in any way be interpreted to create, a joint venture, a partnership, or any other similar relationship between the parties.

(d) In the event that any party hereto brings or commences legal proceedings to enforce any of the terms of this Agreement, and a judgment or award shall determine the successful party in such action, such party shall be entitled to receive from the losing party in such action a reasonable sum as attorneys' fees and court costs, to be fixed by the courts in such action.

(e) The captions heading the various sections of this Agreement are for convenience and identification only, and shall not be deemed to limit or define the contents of their respective sections.

*[Remainder of page intentionally left blank]*

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Agreement as of the date first above written.

**Landlord:**

**Tenant:**

NEOGENOMICS LABORATORIES, INC.

By: /s/Matthew Price  
Name: Matthew Price  
Title: Manager

By: /s/Douglas M. VanOort, CEO  
Douglas M. VanOort, CEO

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**SCHEDULE 1**  
**Preliminary Project Specifications**  
**[to be prepared during the Design and Budget Period]**

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**SCHEDULE 2**  
**Project Budget**



**SCHEDULE 3**  
**Project Schedule**



**SCHEDULE 4**  
**Hole Montes Shared Infrastructure Exhibit**



**SCHEDULE 5**  
**Eligible Capital Costs - Florida Statute Sec. 220.191**

220.191 Capital investment tax credit.-

(1) DEFINITIONS.-For purposes of this section:

(a) "Commencement of operations" means the beginning of active operations by a qualifying business of the principal function for which a qualifying project was constructed.

(b) "Cumulative capital investment" means the total capital investment in land, buildings, and equipment made in connection with a qualifying project during the period from the beginning of construction of the project to the commencement of operations.

(c) "Eligible capital costs" means all expenses incurred by a qualifying business in connection with the acquisition, construction, installation, and equipping of a qualifying project during the period from the beginning of construction of the project to the commencement of operations, including, but not limited to:

1. The costs of acquiring, constructing, installing, equipping, and financing a qualifying project, including all obligations incurred for labor and obligations to contractors, subcontractors, builders, and materialmen.
2. The costs of acquiring land or rights to land and any cost incidental thereto, including recording fees.
3. The costs of architectural and engineering services, including test borings, surveys, estimates, plans and specifications, preliminary investigations, environmental mitigation, and supervision of construction, as well as the performance of all duties required by or consequent to the acquisition, construction, installation, and equipping of a qualifying project.
4. The costs associated with the installation of fixtures and equipment; surveys, including archaeological and environmental surveys; site tests and inspections; subsurface site work and excavation; removal of structures, roadways, and other surface obstructions; filling, grading, paving, and provisions for drainage, storm water retention, and installation of utilities, including water, sewer, sewage treatment, gas, electricity, communications, and similar facilities; and offsite construction of utility extensions to the boundaries of the property.  
Eligible capital costs shall not include the cost of any property previously owned or leased by the qualifying business.

## CERTIFICATIONS

I, Douglas M. VanOort, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 13, 2019

*/s/ Douglas M. VanOort*

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Douglas M. VanOort  
Chairman & Chief Executive Officer

## CERTIFICATIONS

I, Kathryn B. McKenzie, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 13, 2019

*/s/ Kathryn B. McKenzie*

Kathryn B. McKenzie

Vice President & Chief Accounting Officer

**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 this Quarterly Report of NeoGenomics, Inc. (the "Company") on Form 10-Q as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his or her 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 operations of the Company.

Date: November 13, 2019

*/s/ Douglas M. VanOort*

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Douglas M. VanOort  
Chairman & Chief Executive Officer

Date: November 13, 2019

*/s/ Kathryn B. McKenzie*

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Kathryn B. McKenzie  
Vice President & Principal Accounting Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906, or other document authenticating, 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.