

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

**FORM 10-Q**

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

For the quarterly period ended September 30, 2021

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)

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	The Nasdaq Stock Market LLC

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

As of November 3, 2021, the registrant had 123,122,449 shares of Common Stock, par value \$0.001 per share outstanding.

## TABLE OF CONTENTS

### PART I FINANCIAL INFORMATION

<u>Item 1. Financial Statements (unaudited)</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	39
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	52
<u>Item 4. Controls and Procedures</u>	52

### PART II OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	53
<u>Item 1A. Risk Factors</u>	53
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	54
<u>Item 3. Defaults Upon Senior Securities</u>	55
<u>Item 4. Mine Safety Disclosures</u>	55
<u>Item 5. Other Information</u>	55
<u>Item 6. Exhibits</u>	56
<u>SIGNATURES</u>	57

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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. These forward-looking statements generally can be identified by the use of words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intends,” “may,” “plan,” “potential,” “project,” “will,” “would” and similar expressions, although not all forward-looking statements contain these identifying words. These forward-looking statements address various matters, including the Company’s 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. 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 (the “SEC”) on February 25, 2021, and in Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q.

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 providing research services and the sufficiency of our insurance to cover such claims;
- Our ability to implement our business strategy;
- The potential impact to our business operations, customer demand and supply chain due to the ongoing global COVID-19 coronavirus pandemic and its related variants;
- 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, international 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, or 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 and overcome capacity constraints;
- Our ability to develop or acquire licenses for new or improved testing technologies;
- Our ability to meet our future capital requirements;
- Our ability to manage our indebtedness;
- Our ability to manage the quality of our investment portfolio;
- Our expectations regarding the conversion of our outstanding 1.25% Convertible Senior Notes due May 2025 (the “2025 Convertible Notes”) or our outstanding 0.25% Convertible Senior Notes due January 2028 (the “2028 Convertible Notes”) in the aggregate principal amount of \$201.3 million and \$345 million, respectively, and our ability to make debt service payments under the 2025 Convertible Notes or 2028 Convertible Notes if such notes are not converted;
- Our ability to have sufficient cash to pay our obligations under the 2025 Convertible Notes or the 2028 Convertible Notes;
- The dilutive impact of the conversion of the 2025 Convertible Notes or the 2028 Convertible Notes;
- Our ability to protect our intellectual property from infringement;
- Our ability to integrate 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.

The forward-looking statements included in this Quarterly Report on Form 10-Q speak only as of the date of this report, 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 data)

	September 30, 2021 (unaudited)	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 340,565	\$ 228,713
Marketable securities, at fair value	202,144	67,546
Accounts receivable, net	104,964	106,843
Inventories	21,834	29,526
Prepaid assets	14,618	11,547
Assets held for sale	10,050	—
Other current assets	15,755	4,555
Total current assets	709,930	448,730
Property and equipment (net of accumulated depreciation of \$112,185 and \$92,895, respectively)	107,172	85,873
Operating lease right-of-use assets	102,310	45,786
Intangible assets, net	450,802	120,653
Goodwill	525,802	211,083
Restricted cash	3,161	21,919
Investment in non-consolidated affiliate	—	29,555
Prepaid lease asset	—	20,229
Other assets	7,210	4,503
Total non-current assets	\$ 1,196,457	\$ 539,601
Total assets	\$ 1,906,387	\$ 988,331
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 28,536	\$ 24,965
Accrued compensation	32,283	24,727
Accrued expenses and other liabilities	18,088	11,654
Current portion of equipment financing obligations	1,564	2,841
Current portion of operating lease liabilities	6,988	4,967
Pharma contract liabilities	5,278	4,029
Total current liabilities	92,737	73,183
<b>Long-term liabilities</b>		
Convertible senior notes, net	531,779	168,120
Equipment financing obligations	152	967
Operating lease liabilities	72,336	42,296
Deferred income tax liabilities, net	57,706	5,415
Other long-term liabilities	14,432	4,056
Total long-term liabilities	676,405	220,854
Total liabilities	769,142	294,037
Commitments and contingencies (Note 14)		
<b>Stockholders' equity</b>		
Common stock, \$0.001 par value, (250,000,000 shares authorized; 123,217,010 and 112,075,474 shares issued and outstanding, respectively)	123	112
Additional paid-in capital	1,110,590	701,357
Accumulated other comprehensive (loss) income	(390)	10
Retained earnings (accumulated deficit)	26,922	(7,185)
Total stockholders' equity	1,137,245	694,294
Total liabilities and stockholders' equity	\$ 1,906,387	\$ 988,331

See the accompanying notes to the unaudited Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>NET REVENUE:</b>				
Clinical Services	\$ 102,227	\$ 108,733	\$ 300,119	\$ 275,599
Pharma Services	19,113	16,711	58,478	42,852
Total revenue	121,340	125,444	358,597	318,451
<b>COST OF REVENUE</b>	74,101	71,379	216,794	190,011
<b>GROSS PROFIT</b>	47,239	54,065	141,803	128,440
Operating expenses:				
General and administrative	63,839	36,128	158,953	107,085
Research and development	7,409	1,964	13,360	6,129
Sales and marketing	15,704	11,304	46,677	34,757
Total operating expenses	86,952	49,396	218,990	147,971
<b>(LOSS) INCOME FROM OPERATIONS</b>	(39,713)	4,669	(77,187)	(19,531)
Interest expense, net	1,296	2,458	3,375	4,825
Other income, net	(89)	(11)	(431)	(7,639)
Gain on investment in and loan receivable from non-consolidated affiliate, net	(17,750)	—	(109,260)	—
Loss on extinguishment of debt	—	—	—	1,400
Loss on termination of cash flow hedge	—	—	—	3,506
(Loss) income before taxes	(23,170)	2,222	29,129	(21,623)
Income tax benefit	(2,822)	(335)	(4,283)	(10,378)
<b>NET (LOSS) INCOME</b>	<u>\$ (20,348)</u>	<u>\$ 2,557</u>	<u>\$ 33,412</u>	<u>\$ (11,245)</u>
<i>Adjustment to net (loss) income for convertible notes in diluted EPS<sup>(1)</sup></i>				
<b>NET (LOSS) INCOME</b>	\$ (20,348)	\$ 2,557	\$ 33,412	\$ (11,245)
Convertible note accretion, amortization, and interest, net of tax	—	1,975	—	—
<b>NET (LOSS) INCOME USED IN DILUTED EPS</b>	<u>\$ (20,348)</u>	<u>\$ 4,532</u>	<u>\$ 33,412</u>	<u>\$ (11,245)</u>
<b>NET (LOSS) INCOME PER SHARE</b>				
Basic	\$ (0.17)	\$ 0.02	\$ 0.28	\$ (0.10)
Diluted	\$ (0.17)	\$ 0.04	\$ 0.28	\$ (0.10)
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
Basic	122,559	110,461	119,087	107,605
Diluted	122,559	119,191	121,356	107,605

<sup>(1)</sup>This adjustment compensates for the effects of the if-converted impact of convertible notes in net income. Since an entity using the if-converted method assumes that a convertible debt instrument was converted into common shares at the beginning of the reporting period, net income is adjusted to reverse any recognized interest expense (including any amortization of discounts).

See the accompanying notes to the unaudited Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>NET (LOSS) INCOME</b>	\$ (20,348)	\$ 2,557	\$ 33,412	\$ (11,245)
<b>OTHER COMPREHENSIVE (LOSS) INCOME:</b>				
Net unrealized loss on marketable securities, net of tax	(57)	(21)	(400)	(21)
Unrealized loss on effective cash flow hedge, net of tax	—	—	—	(1,000)
Cash flow hedge termination reclassified to earnings	—	—	—	2,661
Total other comprehensive (loss) income, net of tax	(57)	(21)	(400)	1,640
<b>COMPREHENSIVE (LOSS) INCOME</b>	<u>\$ (20,405)</u>	<u>\$ 2,536</u>	<u>\$ 33,012</u>	<u>\$ (9,605)</u>

See the accompanying notes to the unaudited Consolidated Financial Statements.

**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(unaudited, in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	(Accumulated Deficit) Retained Earnings	Total
	Shares	Amount				
<b>Balance, December 31, 2020</b>	112,075,474	\$ 112	\$ 701,357	\$ 10	\$ (7,185)	\$ 694,294
Cumulative-effect adjustment from change in accounting principle	—	—	(23,271)	—	696	(22,575)
Premiums paid for capped call confirmations	—	—	(29,291)	—	—	(29,291)
Common stock issuance ESPP Plan	23,917	—	1,024	—	—	1,024
Issuance of restricted stock, net of forfeitures	83,220	—	(614)	—	—	(614)
Issuance of common stock for stock options	260,167	—	2,239	—	—	2,239
Issuance of common stock - public offering, net of underwriting discounts	4,693,876	5	218,495	—	—	218,500
Stock issuance fees and expenses	—	—	(242)	—	—	(242)
ESPP expense	—	—	241	—	—	241
Stock-based compensation expense - options and restricted stock	—	—	2,412	—	—	2,412
Net unrealized loss on marketable securities, net of tax	—	—	—	(160)	—	(160)
Net loss	—	—	—	—	(22,114)	(22,114)
<b>Balance, March 31, 2021</b>	117,136,654	\$ 117	\$ 872,350	\$ (150)	\$ (28,603)	\$ 843,714
Common stock issuance ESPP Plan	31,839	—	1,245	—	—	1,245
Issuance of restricted stock, net of forfeitures	146,392	—	(163)	—	—	(163)
Issuance of common stock for stock options	354,310	1	4,429	—	—	4,430
Issuance of common stock - private placement, net of private placement fees	4,444,445	4	189,859	—	—	189,863
Issuance of common stock for acquisition	597,712	1	29,174	—	—	29,175
Stock issuance fees and expenses	—	—	(102)	—	—	(102)
ESPP expense	—	—	298	—	—	298
Stock-based compensation expense - options and restricted stock	—	—	4,208	—	—	4,208
Net unrealized loss on marketable securities, net of tax	—	—	—	(183)	—	(183)
Net income	—	—	—	—	75,873	75,873
<b>Balance, June 30, 2021</b>	122,711,352	\$ 123	\$ 1,101,298	\$ (333)	\$ 47,270	\$ 1,148,358
Common stock issuance ESPP Plan	27,210	—	1,020	—	—	1,020
Issuance of restricted stock, net of forfeitures	160,971	—	(304)	—	—	(304)
Issuance of common stock for stock options	317,477	—	3,374	—	—	3,374
Stock issuance fees and expenses	—	—	(35)	—	—	(35)
ESPP expense	—	—	236	—	—	236
Stock-based compensation expense - options and restricted stock	—	—	5,001	—	—	5,001
Net unrealized loss on marketable securities, net of tax	—	—	—	(57)	—	(57)
Net loss	—	—	—	—	(20,348)	(20,348)
<b>Balance, September 30, 2021</b>	123,217,010	\$ 123	\$ 1,110,590	\$ (390)	\$ 26,922	\$ 1,137,245

See the accompanying notes to the unaudited Consolidated Financial Statements.



**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(unaudited, in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total
	Shares	Amount				
<b>Balance, December 31, 2019</b>	104,781,236	\$ 105	\$ 520,278	\$ (1,618)	\$ (11,357)	\$ 507,408
Common stock issuance ESPP Plan	34,330	—	796	—	—	796
Issuance of restricted stock, net of forfeitures	76,618	—	(212)	—	—	(212)
Issuance of common stock for stock options	503,873	—	2,897	—	—	2,897
Stock issuance fees and expenses	—	—	(15)	—	—	(15)
ESPP expense	—	—	194	—	—	194
Stock based compensation expense - options and restricted stock	—	—	1,991	—	—	1,991
Loss on effective cash flow hedge	—	—	—	(1,038)	—	(1,038)
Net loss	—	—	—	—	(6,978)	(6,978)
<b>Balance, March 31, 2020</b>	105,396,057	\$ 105	\$ 525,929	\$ (2,656)	\$ (18,335)	\$ 505,043
Common stock issuance ESPP Plan	41,058	—	928	—	—	928
Issuance of restricted stock, net of forfeitures	24,786	—	(824)	—	—	(824)
Issuance of common stock for stock options	183,443	—	2,014	—	—	2,014
Issuance of common stock - public offering, net of underwriting discounts	4,751,500	5	127,288	—	—	127,293
Stock issuance fees and expenses	—	—	(209)	—	—	(209)
ESPP expense	—	—	211	—	—	211
Stock based compensation expense - options and restricted stock	—	—	2,424	—	—	2,424
Equity component of convertible note issuance	—	—	30,912	—	—	30,912
Tax liability related to convertible note issuance	—	—	(9,330)	—	—	(9,330)
Gain on effective cash flow hedge	—	—	—	38	—	38
Cash flow hedge termination reclassified to earnings	—	—	—	2,661	—	2,661
Convertible note debt issuance costs	—	—	(108)	—	—	(108)
Net loss	—	—	—	—	(6,824)	(6,824)
<b>Balance, June 30, 2020</b>	110,396,844	\$ 110	\$ 679,235	\$ 43	\$ (25,159)	\$ 654,229
Common stock issuance ESPP Plan	29,853	—	808	—	—	808
Issuance of restricted stock, net of forfeitures	(1,124)	—	(237)	—	—	(237)
Issuance of common stock for stock options	584,845	1	4,845	—	—	4,846
Stock issuance fees and expenses	—	—	(29)	—	—	(29)
ESPP expense	—	—	222	—	—	222
Stock based compensation expense - options and restricted stock	—	—	2,494	—	—	2,494
Adjustment to tax liability related to convertible note issuance	—	—	1,524	—	—	1,524
Convertible note debt issuance costs	—	—	(30)	—	—	(30)
Net unrealized loss on marketable securities, net of tax	—	—	—	(21)	—	(21)
Net income	—	—	—	—	2,557	2,557
<b>Balance, September 30, 2020</b>	111,010,418	\$ 111	\$ 688,832	\$ 22	\$ (22,602)	\$ 666,363

See the accompanying notes to the unaudited Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 33,412	\$ (11,245)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	21,807	18,705
Amortization of intangibles	14,683	7,387
Non-cash stock-based compensation	12,396	7,536
Non-cash operating lease expense	6,167	6,365
Amortization of convertible debt discount	1,904	2,705
Amortization of debt issue costs	133	138
Loss on debt extinguishment	—	1,400
Loss on termination of cash flow hedge	—	3,506
Gain on investment in and loan receivable from non-consolidated affiliate, net	(109,260)	—
Interest receivable on loan receivable from non-consolidated affiliate	(391)	—
Write-off of COVID-19 PCR testing inventory and equipment	6,061	—
Other non-cash items	1,388	371
Changes in assets and liabilities, net		
Accounts receivable, net	2,475	(9,455)
Inventories	3,196	(5,704)
Prepaid lease asset	(4,435)	(10,142)
Prepaid and other assets	(11,796)	(6,757)
Accounts payable, accrued and other liabilities	15,313	(9,335)
Net cash used in operating activities	(6,947)	(4,525)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of marketable securities	(180,961)	(53,396)
Proceeds from sales and maturities of marketable securities	44,736	3,000
Purchases of property and equipment	(52,155)	(17,591)
Business acquisitions, net of cash acquired	(419,404)	(37,000)
Loan receivable from non-consolidated affiliate	(15,000)	—
Investment in non-consolidated affiliate	—	(25,600)
Net cash used in investing activities	(622,784)	(130,587)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of equipment financing obligations	(2,537)	(4,331)
Repayment of term loan	—	(97,540)
Cash flow hedge termination	—	(3,317)
Issuance of common stock, net	12,110	10,761
Proceeds from issuance of convertible debt, net of issuance costs	334,410	194,466
Premiums paid for capped call confirmations	(29,291)	—
Proceeds from equity offerings, net of issuance costs	408,133	127,293
Net cash provided by financing activities	722,825	227,332
Net change in cash, cash equivalents and restricted cash	93,094	92,220
Cash, cash equivalents and restricted cash, beginning of period	250,632	173,016
Cash, cash equivalents and restricted cash, end of period	\$ 343,726	\$ 265,236

	<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Reconciliation of cash, cash equivalents and restricted cash to the Consolidated Balance Sheets:</b>		
Cash and cash equivalents	\$ 340,565	\$ 233,233
Restricted cash, non-current	3,161	32,003
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 343,726</b>	<b>\$ 265,236</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 1,792	\$ 1,638
Income taxes paid, net	\$ 113	\$ 209
<b>Supplemental disclosure of non-cash investing and financing information:</b>		
Fair value of common stock issued to fund business acquisition	\$ 29,174	\$ —
Equipment acquired under financing obligations	\$ —	\$ 428
Property and equipment included in accounts payable	\$ 2,184	\$ 3,521

See the accompanying notes to the unaudited Consolidated Financial Statements.

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

**Note 1. Nature of the Business**

**Nature of the Business**

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 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.

**COVID-19 Pandemic Update**

In December 2019, a novel strain of coronavirus (“COVID-19”) was identified and the disease has since spread across the world, including the United States (“U.S.”). In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The outbreak of the pandemic is materially adversely affecting the Company’s employees, patients, communities and business operations, as well as the U.S. economy and financial markets. The full extent to which the COVID-19 outbreak will impact the Company’s business, results of operations, financial condition and cash flows will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19 and the actions to contain it or treat its impact and the economic impact on local, regional, national and international markets. As the COVID-19 pandemic continues, the Company’s results of operations, financial condition and cash flows may continue to be materially adversely affected, particularly if the pandemic continues to persist for a significant amount of time.

The Company anticipates that the cash on hand, marketable securities and cash collections are sufficient to fund near-term capital and operating needs for at least the next 12 months.

At the end of the first quarter 2021, due to the broad roll-out of the COVID-19 vaccine and a sharp decline in COVID-19 polymerase chain reaction (“PCR”) testing demand, the Company made the decision to exit COVID-19 PCR testing and the Company recorded a \$6.1 million expense related to the exit from COVID-19 PCR testing. This amount consisted of write-offs of \$5.3 million for all remaining COVID-19 PCR testing inventory recorded to cost of revenue and \$0.8 million for all remaining COVID-19 PCR testing laboratory equipment recorded to general and administrative expenses on the Consolidated Statements of Operations for the nine months ended September 30, 2021. There were no such amounts for the three months ended September 30, 2021.

**Coronavirus Aid, Relief and Economic Security Act**

The Federal government passed legislation that the President of the United States signed into law on March 27, 2020, known as the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). On April 10, 2020, the U.S. Department of Health & Human Services announced that Medicare-enrolled providers would receive a portion of a direct deposit disbursement totaling \$50 billion. The \$50 billion is part of a \$100 billion Public Health and Social Service Emergency Fund created by the CARES Act. Payments made under the CARES Act are intended to reimburse healthcare providers for health care related expenses or lost revenues attributable to COVID-19 and are not required to be repaid provided that recipients attest to and comply with certain terms and conditions, including limitations on balance billing for COVID-19 patients. In the absence of specific guidance to account for government grants in accordance with accounting principles generally accepted in the United States of America (“GAAP”), the Company accounts for such grants in accordance with international accounting standards for government grants. Such amounts are recognized when there is reasonable assurance that the Company will (1) comply with the conditions associated with the grant and (2) receive the grant. There was no grant income recognized for the three and nine months ended September 30, 2021. For the nine months ended September 30, 2020, the Company recognized \$7.9 million in grant income related to the CARES Act. There were no such amounts for the three months ended September 30, 2020. CARES Act grant income is classified in other income, net, on the Consolidated Statements of Operations.

The CARES Act permits the deferral of payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due on December 31, 2021 and the remaining 50% due on December 31, 2022. As of September 30, 2021 and December 31, 2020 the total accrued deferred social security taxes related to the CARES Act was \$5.9 million. At both September 30, 2021 and December 31, 2020, this amount was recorded evenly between accrued expenses and other liabilities and other long-term liabilities on the Consolidated Balance Sheets.

Additionally, the CARES Act included an Employee Retention Tax Credit (“ERTC”) provision designed to encourage employers to keep employees on their payroll. The ERTC is a refundable tax credit against certain payroll taxes paid by employers for eligible wages paid between March 13, 2020 and December 31, 2020 that meet the requirements of the ERTC provision. On March 11, 2021, the American Rescue Plan Act was enacted extending the deadline of the ERTC to December 31, 2021 and expanded who is eligible to claim the credit. For the three and nine months ended September 30, 2021, the Company recognized \$3.7 million and \$4.4 million, respectively, under the ERTC which was included in loss from operations

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

on the Consolidated Statements of Operations. During the three and nine months ended September 30, 2020, the Company recognized \$1.1 million under the ERTC.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying interim Consolidated Financial Statements are unaudited and have been prepared in accordance with GAAP for interim financial information. All intercompany transactions and balances have been eliminated in the accompanying Consolidated Financial Statements.

The accounting policies of the Company are the same as those set forth in Note 2. Summary of Significant Accounting Policies, to the audited Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, except for Business Combinations, Assets Held for Sale, Stock-Based Compensation, Income Taxes and the impact of the adoption of new accounting standards discussed under Recently Adopted Accounting Guidance.

**Unaudited Interim Financial Information**

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 unaudited 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, 2020.

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.

**Use of Estimates**

The Company prepares its Consolidated Financial Statements in conformity with GAAP. These principles require management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, together with amounts disclosed in the related notes to the Consolidated Financial Statements. Actual results and outcomes may differ from management's estimates, judgments and assumptions. Significant estimates, judgments and assumptions used in these Consolidated Financial Statements include, but are not limited, to those related to revenues, accounts receivable and related allowances, contingencies, useful lives and recovery of long-term assets and intangible assets, income taxes and valuation allowances, stock-based compensation, business combinations, and impairment analysis of goodwill. These estimates, judgments, and assumptions are reviewed periodically and the effects of material revisions in estimates are reflected on the Consolidated Financial Statements prospectively from the date of the change in estimate.

**Business Combinations**

The Company accounts for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. The tangible and identifiable intangible assets acquired and liabilities assumed in a business combination are recorded based on their estimated fair values as of the business combination date, including identifiable intangible assets which either arise from a contractual or legal right or are separable from goodwill. The Company bases the estimated fair value of identifiable intangible assets acquired in a business combination on independent third-party valuations that use information and assumptions provided by its management, which consider estimates of inputs and assumptions that a market participant would use. Any excess purchase price over the estimated fair value assigned to the net tangible and identifiable intangible assets acquired and liabilities assumed is recorded to goodwill. The use of alternative valuation assumptions, including estimated revenue projections, growth rates, estimated cost savings, cash flows, discount rates, estimated useful lives and probabilities surrounding the achievement of contingent milestones could result in different purchase price allocations and amortization expense in current and future periods. Transaction costs associated with acquisitions are expensed as incurred in general and administrative expenses. Results of operations and cash flows of acquired companies are included in the Company's operating results from the date of acquisition.

**Assets Held for Sale**

Assets to be disposed of by sale are reclassified as held for sale if their carrying amounts are expected to be recovered through a sale transaction rather than through continuing use and when the Company commits to a plan to sell the assets. Assets classified as held for sale are measured at the lower of their carrying value or fair value less cost to sell. Such assets are classified within current assets if there is reasonable certainty that the sale and collection of consideration will take place within one year. Upon reclassification as held for sale, long-lived assets are no longer depreciated or amortized, and a measurement for impairment is performed to determine if there is an excess of carrying value over fair value less costs to sell. Any remeasurement is reported

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

as an adjustment to the carrying value of the assets. Subsequent changes to estimated fair value less the cost to sell will impact the measurement of assets held for sale if the fair value is determined to be less than the carrying value of the assets.

The Company owns 43,560 square feet of our Carlsbad, California facility. During the third quarter of 2021, the Company committed to selling this property and the associated land and concluded that these assets met the held for sale criteria. As of September 30, 2021, \$10.1 million was recorded as assets held for sale within current assets on the Consolidated Balance Sheets for this property and associated land and reflects its carrying value which was lower than its fair value less costs to sell. We expect to sell this property within one year; however, there can be no assurance that the sale of this property will be completed in the time frame we expect or at all.

#### **Stock-Based Compensation**

The Company measures compensation expense for stock-based awards to employees, non-employee contracted physicians, and directors based upon the awards' initial grant-date fair value. The estimated grant-date fair value of the award is recognized as expense over the requisite service period using the straight-line method.

Prior to 2021, the Company estimated the fair value of stock options using a trinomial lattice model. On January 1, 2021, the Company began applying the Black-Scholes option valuation model ("Black-Scholes") on a prospective basis to new awards. The Company expects the use of Black-Scholes to provide a more ubiquitous estimate of fair value. Like the prior trinomial lattice model, Black-Scholes is affected by the stock price on the date of the grant as well as assumptions regarding a number of highly complex and subjective variables. These variables include the expected term of the option, expected risk-free interest rate, the expected volatility of common stock, and expected dividend yield, each of which is more fully described below. The assumptions for expected term and expected volatility are the two assumptions that significantly affect the grant date fair value.

**Expected Term:** The expected term of an option is the period of time that the option is expected to be outstanding. The average expected term is determined using the Black-Scholes model.

**Risk-free Interest Rate:** The risk-free interest rate used in the Black-Scholes model is based on the implied yield at the grant date of the U.S. Treasury zero-coupon issue with an equivalent term to the stock-based award being valued. Where the expected term of a stock-based award does not correspond with the term for which a zero coupon interest rate is quoted, the Company uses the nearest interest rate from the available maturities.

**Expected Stock Price Volatility:** The Company uses its own historical weekly volatility because that is more reflective of market conditions.

**Dividend Yield:** Because the Company has never paid a dividend and does not expect to begin doing so in the foreseeable future, the Company assumed no dividend yield in valuing the stock-based awards.

The Company measures the fair value of its performance-based stock awards issued to employees based on the closing market price of the common stock on the trading date immediately preceding the grant date. Compensation expense for stock units with performance metrics is calculated based upon expected achievement of the metrics specified in the grant. Any expense is recognized in the Company's Consolidated Statement of Operations on a straight-line basis over the requisite service period.

#### **Income Taxes**

Deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Also, the effect on deferred taxes of a change in tax rates is recognized in income in the period that included the enactment date. Temporary differences between financial and tax reporting arise primarily from the use of different depreciation and amortization methods and lives for property and equipment and recently acquired Inivata developed technology intangible assets, recognition of accounts receivable, compensation related expenses, and various other expenses that have been allowed for or accrued for financial statement purposes but are not currently deductible for income tax purposes.

The provision for income taxes, including the effective tax rate and analysis of potential tax exposure items, if any, requires significant judgment and expertise in federal and state income tax laws, regulations and strategies, including the determination of deferred tax assets and liabilities and any estimated valuation allowances deemed necessary to recognize deferred tax assets at an amount that is more likely than not to be realized.

Management assesses the recoverability of its deferred tax assets as of the end of each quarter, weighing available positive and negative evidence, and is required to establish and maintain a valuation allowance for these assets if it is more likely than not that some or all of the deferred income tax assets will not be realized. The weight given to the evidence is commensurate with the extent to which the evidence can be objectively verified. If negative evidence exists, positive evidence is necessary to support a conclusion that a valuation allowance is not needed.

As of December 31, 2020, expected future reversals of the Company's deferred income tax liabilities provided objectively verifiable positive evidence to support the recoverability of its deferred tax assets. However, on January 1, 2021, the Company

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

adopted ASU No. 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40) - Accounting For Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06") using the modified retrospective approach, which resulted in a decrease of approximately \$6.6 million in the Company's deferred income tax liabilities. In addition, approximately \$2 million of valuation allowance against the Company's deferred income tax assets was established upon adoption of ASU 2020-06, resulting from the decrease in deferred income tax liabilities available to support the recoverability of deferred tax assets. The valuation allowance represents the portion of the Company's U.S. deferred income tax assets that are not more likely than not to be realized in future periods, primarily related to Federal and California research and development tax credit carryforwards.

A cumulative loss in recent years is a significant piece of negative evidence that is difficult to overcome. Cumulative loss in recent years is commonly defined as a three-year cumulative loss position. As of September 30, 2021, the Company's U.S. ongoing operations were in a three-year cumulative loss position. Management determined that sufficient objectively verifiable positive evidence did not exist to overcome the negative evidence of the Company's U.S. cumulative loss position. Accordingly, the Company's estimated annual effective tax rate applied to the Company's pre-tax (loss) income for the three and nine months ended September 30, 2021, respectively, included the unfavorable impact of valuation allowance expected to be established against the Company's deferred income tax assets expected to be created in 2021 for additional U.S. net operating loss and tax credit carryforwards.

As of September 30, 2021, the Company's total valuation allowance against U.S. deferred income tax assets is forecasted to be approximately \$8 million including deferred income tax assets from the acquisitions of Intervention Insights, Inc., d/b/a Trapelo Health, and the U.S. subsidiary of Inivata Limited, a private limited company incorporated in England and Wales. For further details regarding the acquisitions of Trapelo Health and Inivata Limited, please refer to Note 3. Acquisitions. The Company also continued to maintain a full valuation allowance against deferred tax assets in Switzerland, Singapore and China, which increased from \$2.6 million as of December 31, 2020 to \$3.8 million as of September 30, 2021. No valuation allowance was determined to be required for deferred income tax assets from the acquisition of Inivata Limited, the British entity.

The Company evaluates tax positions that have been taken or are expected to be taken in its tax returns, and records a liability for uncertain tax positions, if deemed necessary. The Company follows a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes in the accompanying Consolidated Balance Sheets. At September 30, 2021 and December 31, 2020 the Company had an uncertain tax position related to Federal and State R&D tax credit carryforwards. No interest and penalties have been accrued, as the income tax credits are carried forward to offset income tax liabilities in future years.

#### **Recently Adopted Accounting Guidance**

In August 2021, the FASB issued ASU No. 2021-06, *Presentation of Financial Statements (Topic 205), Financial Services-Depository and Lending (Topic 942), and Financial Services-Investment Companies (Topic 946)* ("ASU 2021-06"), Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures About Acquired and Disposed Businesses, and No.33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants. This update amends certain SEC disclosure guidance that is included in the accounting standards codification to reflect the SEC's recent issuance of rules intended to modernize and streamline disclosure requirements. The Company adopted this pronouncement upon issuance and the impact of the provisions of this standard on its Consolidated Financial Statements was immaterial.

In October 2020, the FASB issued ASU No. 2020-10, *Codification Improvements*, which updates various codification topics by clarifying disclosure requirements to align with the SEC's regulations. The Company adopted this pronouncement on January 1, 2021 and the impact of the provisions of this standard on its Consolidated Financial Statements was immaterial.

In August 2020, the FASB issued ASU No. 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40) - Accounting For Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06") which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, ASU 2020-06 simplifies the accounting for convertible instruments by removing the liability and equity separation model for convertible instruments with a cash conversion feature, and as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such convertible debt instruments. Similarly, the debt discount, that is equal to the carrying value of the embedded conversion feature upon issuance, will no longer be amortized into income as interest expense over the life of the instrument. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, *Derivatives*

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

and Hedging, or (2) a convertible instrument was issued at a substantial premium. In addition, ASU 2020-06 requires the application of the if-converted method for calculating the impact of convertible instruments on diluted earnings per share. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted no earlier than fiscal years beginning after December 15, 2020. ASU 2020-06 can be adopted on either a fully retrospective or modified retrospective basis.

The Company adopted ASU 2020-06 on January 1, 2021 using the modified retrospective approach, and accordingly the Company recorded an adjustment that reflects the 1.25% Convertible Senior Notes due 2025 as if the embedded conversion feature had not been separated. The impact upon adoption on the Consolidated Balance Sheets included an increase of approximately \$27.2 million in convertible senior notes, net, a write-off of approximately \$6.6 million in deferred income tax liabilities, establishment of approximately \$2 million of valuation allowance against deferred income tax assets, and a decrease of approximately \$23.3 million in additional paid-in capital. In addition, upon adoption, there was an adjustment to increase the beginning balance of retained earnings on the Consolidated Balance Sheets for previously recognized interest expense, net of tax effects, of approximately \$2.7 million for amortization of debt discount related to the carrying value of the embedded conversion feature upon issuance, as well as a decrease to the beginning balance of retained earnings of approximately \$2 million for the establishment of valuation allowance against the Company's deferred income tax assets. There was no impact to the Company's earnings per share calculation. For further information regarding the 1.25% Convertible Senior Notes due 2025, please refer to Note 8. Debt.

**Accounting Pronouncements Pending Adoption**

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). This update amends guidance to require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with *Revenue from Contracts with Customers (Topic 606)*. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption of the amendments is permitted including adoption in an interim period. If the Company early adopts in an interim period, the Company is required to apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application. The amendments in ASU 2021-08 should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company is currently evaluating the impact of this standard on its Consolidated Financial Statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04") which provides for temporary optional expedients and exceptions to the current guidance on certain contract modifications and hedging relationships to ease the burdens related to the expected market transition from the London Inter-bank Offered Rate ("LIBOR") or other reference rates to alternative reference rates. In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848)* ("ASU 2021-01") to clarify that certain optional expedients and exceptions apply to modifications of derivative contracts and certain hedging relationships affected by changes in the interest rates used for discounting cash flows, computing variation margin settlements, and for calculating price alignment interest. ASU 2020-04 was effective beginning on March 12, 2020 and may be applied prospectively to such transactions through December 31, 2022 and ASU 2021-01 was effective beginning on January 7, 2021 and may be applied retrospectively or prospectively to such transactions through December 31, 2022. The Company will evaluate transactions or contract modifications occurring as a result of reference rate reform and determine whether to apply the optional guidance on an ongoing basis. As of September 30, 2021, there was no impact to the Company's Consolidated Financial Statements related to ASU 2020-04 or ASU 2021-01.

**Note 3. Acquisitions**

**Trapelo Health**

On April 7, 2021 (the "Trapelo Acquisition Date"), the Company completed the acquisition of a 100% ownership interest in Intervention Insights, Inc. d/b/a Trapelo Health ("Trapelo"), an information technology company focused on precision oncology. The purchase price consisted of (i) cash consideration of \$35.6 million, which included a net adjustment of \$0.6 million for estimated cash on hand of Trapelo and estimated working capital adjustments on the Trapelo Acquisition Date, and (ii) equity consideration of \$29.2 million, consisting of 597,712 shares of the Company's common stock, par value \$0.001 per share, valued at \$48.81 per share. The Company acquired control of Trapelo on the Trapelo Acquisition Date; therefore, the fair value of the common stock issued as part of consideration was determined on the basis of the closing market price of the Company's common stock immediately prior to the Trapelo Acquisition Date. The Trapelo acquisition enhances the Company's ability to provide customers clinical decision support to help answer complex questions related to precision oncology biomarker testing and treatment options as part of the Company's comprehensive oncology offerings.



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

The acquisition of Trapelo was determined to be a business combination and has been accounted for using the acquisition method. The purchase price and purchase price allocation are preliminary, are based upon management's best estimates and assumptions, and are subject to future revision. The following table summarizes the estimated purchase consideration recorded for the acquisition of Trapelo, the estimated fair value of the net assets acquired and liabilities assumed, and the preliminary calculation of goodwill based on the excess of the estimated consideration transferred over the estimated fair value of the net assets acquired and liabilities assumed at the Trapelo Acquisition Date (in thousands, except per share data):

	Amount
<b>Purchase consideration:</b>	
Shares of common stock issued as consideration	597,712
Per share value of common stock issued as consideration	\$ 48.81
Fair value of common stock at Trapelo Acquisition Date	\$ 29,174
Plus: Cash paid at closing	35,591
<b>Total purchase consideration</b>	<b>\$ 64,765</b>
<b>Allocation of the purchase consideration:</b>	
Cash	\$ 713
Other current assets	282
Identifiable intangible asset - marketing assets	549
Identifiable intangible asset - developed technology	19,040
Other long-term assets	268
Total identifiable assets acquired	20,852
Current liabilities	(751)
Net identifiable assets acquired	20,101
Goodwill	44,664
<b>Total purchase consideration</b>	<b>\$ 64,765</b>

Due to the timing of the acquisition, the following are considered preliminary and are subject to change:

- amounts for intangible assets, other long-term assets, other current assets, current liabilities and other working capital adjustments pending finalization of the valuation;
- amounts for income tax assets and liabilities, pending finalization of estimates and assumptions in respect of certain tax aspects of the transaction; and
- amount of goodwill pending the completion of the valuation of the assets acquired and liabilities assumed.

The Company will finalize these amounts no later than one year from the acquisition date once it obtains the information necessary to complete the measurement process. Any changes resulting from facts and circumstances that existed as of the acquisition date may result in adjustments to the preliminary amounts disclosed above which may impact the reported results in the period those adjustments are identified. There have been no such adjustments to the preliminary amounts disclosed above subsequent to the Trapelo Acquisition Date.

The identified developed technology and marketing intangible assets are being amortized over ten years and four years, respectively, based on their estimated useful lives. The weighted-average amortization period in total for all classes of intangible assets from the Trapelo acquisition is 9.8 years. The developed technology was valued using the income approach, specifically, the multi-period excess earnings method, which measures the after-tax cash flows attributable to the developed technology. The marketing intangible assets were valued using the income approach, specifically, the relief from royalty method, which measures the cash flow streams attributable to the marketing intangible assets in the form of the avoided royalty payment that would be paid to the owner in return for the rights to use the marketing intangible assets had the intangible assets not been acquired. The values of the identifiable intangible assets represent Level 3 measurements as they were based on unobservable inputs reflecting the Company's assumptions used in pricing the assets at fair value. These inputs required significant judgments and estimates at the time of the valuation.

The goodwill recognized, all of which is assigned to the Clinical Services segment, was primarily attributable to expected synergies of the combined businesses and the acquisition of an assembled workforce knowledgeable of the healthcare and

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

information technology industries. None of the goodwill resulting from the acquisition of Trapelo is expected to be deductible for income tax purposes.

Acquisition and integration costs related to Trapelo were approximately \$0.1 million and \$1.6 million for the three and nine months ended September 30, 2021, respectively, and are reported as general and administrative expenses in the Company's Consolidated Statements of Operations. There were no such amounts for the three and nine months ended September 30, 2020.

The results of operations of Trapelo are included in the Company's unaudited Consolidated Financial Statements beginning on the Trapelo Acquisition Date. Revenue and net (loss) income of Trapelo included in the Consolidated Statements of Operations was not material for the three and nine months ended September 30, 2021. No pro forma information has been included relating to the Trapelo acquisition, as this acquisition was not deemed to be material to the Company's revenue or net (loss) income on a pro forma basis for the three and nine months ended September 30, 2021 and 2020.

**Inivata Limited**

On June 18, 2021 (the "Inivata Acquisition Date"), the Company completed the acquisition of the remaining equity interests in Inivata Limited, a private limited company incorporated in England and Wales ("Inivata"). Inivata is a global, commercial stage, liquid biopsy platform company. The acquisition follows a \$25 million minority equity investment by the Company in Series C1 Preference Shares (the "Preference Shares" or "previously-held equity interest") in Inivata in May 2020, at which time the Company also acquired a fixed price option to purchase the remainder of equity interests in Inivata for \$390 million (the "Purchase Option"). The Company and Inivata also entered into a line of credit agreement in the amount of \$15 million (the "Line of Credit") in May 2020. For further details regarding the previously-held equity investment in Inivata, the Purchase Option and the Line of Credit, please refer to Note 7. Investment in Non-Consolidated Affiliate. The Inivata acquisition adds liquid biopsy platform technology, including minimal residual disease testing capabilities, to the Company's comprehensive portfolio of oncology testing solutions.

The purchase price consisted of cash consideration of \$398.6 million, which included a net adjustment of \$8.6 million for estimated cash on hand of Inivata and other adjustments on the Inivata Acquisition Date, and was funded through cash on hand and a private placement of equity. For further information regarding the private placement of equity, please refer to Note 9. Equity Transactions.

Prior to the acquisition of the remaining equity interests in Inivata, the Company accounted for its previously-held equity interest and the Purchase Option in Inivata as equity securities without a readily determinable fair value. The equity interests were recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Therefore, the Company's acquisition of control of Inivata on the Inivata Acquisition Date was accounted for as a business combination achieved in stages under the acquisition method. Accordingly, the Company used a discounted cash flow to derive a business enterprise value of Inivata in order to determine the acquisition-date fair value of the Company's previously-held equity interest and Purchase Option in Inivata. To determine the fair value of the previously-held equity interest, the fair value of Inivata's total equity was allocated to its various classes of equity based on the respective rights and privileges of each class of stock in liquidation. The business enterprise value and a Black-Scholes model was then used to determine the fair value of the remaining equity acquired through the exercise of the Purchase Option. The Purchase Option was recorded at the fair value at the Inivata Acquisition Date based on its settlement value. This resulted in fair values of \$64.9 million in Preference Shares and a \$74.3 million Purchase Option, immediately prior to the acquisition. On the Inivata Acquisition Date, the \$10.3 million outstanding under the Line of Credit extended by the Company to Inivata was effectively settled as part of the acquisition of Inivata at the \$15 million principal amount and was recorded as part of the consideration transferred in the acquisition. The Company recorded a gain on investment in and loan receivable from non-consolidated affiliate, net, within the Company's Consolidated Statements of Operations of \$109.3 million in the nine months ended September 30, 2021, including a measurement period adjustment of \$7.8 million recorded in the three months ended September 30, 2021, for the excess of the acquisition-date fair value of the Company's previously-held equity interest, Purchase Option, and Line of Credit over their carrying values. For further details regarding the previously-held equity investment and purchase option in Inivata, please refer to Note 7. Investment in Non-Consolidated Affiliate.

The fair value and allocation of the business combination are preliminary, are based upon management's best estimates and assumptions, and are subject to future revision. The following table summarizes the preliminary calculation of goodwill based on the excess of the estimated fair value of the consideration transferred including the fair value of the Line of Credit, and the estimated fair value of the previously-held equity interest and Purchase Option, over the estimated fair value of the net assets acquired and liabilities assumed at the Inivata Acquisition Date and includes measurement period adjustments recorded during the third quarter of 2021 (in thousands):

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

	June 18, 2021 (as initially reported)	Measurement Period Adjustments	June 18, 2021 (as adjusted)
<b>Fair value of business combination:</b>			
Cash paid at closing	\$ 398,594	\$ —	\$ 398,594
Fair value of Line of Credit	15,000	—	15,000
Fair value of consideration transferred	\$ 413,594	\$ —	\$ 413,594
Fair value of previously-held equity interest <sup>(1)</sup>	62,919	1,987	64,906
Fair value of Purchase Option <sup>(1)</sup>	58,537	15,763	74,300
<b>Total fair value of business combination</b>	<b>\$ 535,050</b>	<b>\$ 17,750</b>	<b>\$ 552,800</b>
<b>Allocation of the fair value business combination:</b>			
Cash	\$ 14,068	\$ —	\$ 14,068
Other current assets <sup>(2)</sup>	5,366	345	5,711
Property and equipment	1,753	—	1,753
Identifiable intangible assets - developed technology <sup>(1)</sup>	302,982	(11,796)	291,186
Identifiable intangible assets - trademarks <sup>(1)</sup>	31,700	(226)	31,474
Identifiable intangible asset - trade name <sup>(1)</sup>	2,322	253	2,575
Other long-term assets	6,240	—	6,240
Total identifiable assets acquired	364,431	(11,424)	353,007
Current liabilities	(4,241)	—	(4,241)
Deferred income tax liabilities <sup>(3)</sup>	(64,680)	3,349	(61,331)
Other long-term liabilities	(4,690)	—	(4,690)
Net identifiable assets acquired	290,820	(8,075)	282,745
Goodwill	244,230	25,825	270,055
<b>Total fair value of business combination</b>	<b>\$ 535,050</b>	<b>\$ 17,750</b>	<b>\$ 552,800</b>

<sup>(1)</sup> Measurement period adjustment primarily relates to a change in estimated taxes based on jurisdictions in which forecasted profits are expected to be generated.

<sup>(2)</sup> Measurement period adjustment relates to the recognition of a credit which Inivata is entitled to claim for certain research and development expenditures

<sup>(3)</sup> Measurement period adjustment relates to a change in estimated deferred income tax liabilities as a result of the reduction in the amounts for intangibles assets and related future amortization.

Due to the timing of the acquisition, the following are considered preliminary and are subject to change:

- amounts for intangible assets, property and equipment, other current assets, current liabilities, and other long-term liabilities pending finalization of the valuation;
- amounts for income tax liabilities, pending finalization of estimates and assumptions in respect of certain tax aspects of the transaction;
- amount of goodwill pending the completion of the valuation of the assets acquired and liabilities assumed and the reporting unit allocation of the goodwill; and
- the acquisition-date fair value of the Company's previously-held equity interest, Purchase Option, and the Line of Credit, and the gain on investment in and loan receivable from non-consolidated affiliate.

The Company will finalize these amounts no later than one year from the acquisition date, once it obtains the information necessary to complete the measurement process. Any changes resulting from facts and circumstances that existed as of the acquisition date may result in adjustments to the preliminary amounts disclosed above which may impact the reported results in the period those adjustments are identified.

The identified developed technology intangible assets and the trademark intangible assets are both being amortized over fifteen years, and the trade name intangible asset is being amortized over five years, based on their estimated useful lives. The

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

weighted-average amortization period in total for all classes of intangible assets from the Inivata acquisition is 4.9 years. The developed technology was valued using the income approach, specifically, the multi-period excess earnings method, which measures the after-tax cash flows attributable to the developed technology. The trademarks and trade name assets were valued using the income approach, specifically, the relief from royalty method, which measures the cash flow streams attributable to the trademarks and trade name assets in the form of the avoided royalty payment that would be paid to the owner in return for the rights to use the trademarks and trade name assets had the assets not been acquired. The values of the identifiable intangible assets represent Level 3 measurements as they were based on unobservable inputs reflecting the Company's assumptions used in pricing the assets at fair value. These inputs required significant judgments and estimates at the time of the valuation.

The goodwill recognized, of which \$237.3 million and \$32.8 million is assigned to the Clinical Services and Pharma Services segments, respectively, was primarily attributable to expected synergies of the combined businesses and the acquisition of an assembled workforce knowledgeable of liquid biopsy technology for oncology testing. The recording of amortizable intangibles has given rise to a deferred tax liability upon the acquisition of Inivata which increased goodwill by \$61.3 million. None of the goodwill resulting from the acquisition of Inivata is expected to be deductible for income tax purposes.

Acquisition and integration costs related to Inivata were approximately \$1.5 million and \$11.7 million for the three and nine months ended September 30, 2021, respectively, and are reported as general and administrative expenses in the Company's Consolidated Statements of Operations. There were no such amounts for the three and nine months ended September 30, 2020.

The results of operations of Inivata are included in the Company's unaudited Consolidated Financial Statements beginning on the Inivata Acquisition Date. For the three and nine months ended September 30, 2021, revenue related to Inivata was \$0.7 million, all of which was recorded in Pharma Services revenue. Net loss related to Inivata was \$4.8 million and \$17.1 million for the three and nine months ended September 30, 2021, respectively.

The following unaudited pro forma information has been provided for illustrative purposes only and is not necessarily indicative of results that would have occurred had the acquisition of Inivata occurred on January 1, 2020, nor are they necessarily indicative of future results (in thousands):

	Three Months Ended September 30, (unaudited)		Nine Months Ended September 30, (unaudited)	
	2021	2020	2021	2020
Net revenue	\$ 121,340	\$ 125,496	\$ 358,499	\$ 318,814
Net loss	\$ (37,017)	\$ (9,490)	\$ (88,134)	\$ (63,946)

These unaudited pro forma results represent the combined results of operations of the Company and Inivata, on an unaudited pro forma basis, for the period in which the acquisition of Inivata occurred and the prior reporting period as though the companies had been combined as of the beginning of the earliest period presented. Therefore, the unaudited pro forma consolidated results have been prepared by adjusting the Company's historical results to include the acquisition of Inivata as if it occurred on January 1, 2020. Acquisition-related transaction costs incurred by Inivata of \$11 million are included in net loss as if incurred on January 1, 2020. Acquisition-related transaction and retention costs incurred by the Company of \$11.7 million are included in net loss as if incurred on January 1, 2020. These unaudited pro forma consolidated historical results exclude \$7.8 million of measurement period adjustments recorded in three months ended September 30, 2021 and \$109.3 million of gain on investment in and loan receivable from non-consolidated affiliate, net, recorded in the nine months ended September 30, 2021.

**Note 4. Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established based on three levels of inputs, of which the first two are considered observable and the last unobservable.

*Level 1:* Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets.

*Level 2:* Inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. These are typically obtained from readily-available pricing sources for comparable instruments.

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

*Level 3:* Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity's own assumptions of the data that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

**Assets and Liabilities that are Measured at Fair Value on a Recurring Basis**

The Company measures certain financial assets at fair value on a recurring basis, including its marketable securities and certain cash equivalents. The Company considers all securities available-for-sale, including those with maturity dates beyond 12 months, and therefore these securities are classified within current assets on the Consolidated Balance Sheets as they are available to support current operational liquidity needs. The money market accounts are valued based on quoted market prices in active markets. The marketable securities are generally valued based on other observable inputs for those securities (including market corroborated pricing or other models that utilize observable inputs such as interest rates and yield curves) based on information provided by independent third-party pricing entities, except for U.S. Treasury securities which are valued based on quoted market prices in active markets.

The following tables set forth the amortized cost, gross unrealized gains, gross unrealized losses and fair values of the Company's marketable securities accounted for as available-for-sale securities as of September 30, 2021 and December 31, 2020.

(in thousands)	<b>September 30, 2021</b>			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Financial Assets:</b>				
<b>Short-term marketable securities:</b>				
U.S. Treasury securities	\$ 52,039	\$ 1	\$ (97)	\$ 51,943
Yankee bonds	3,062	—	(4)	3,058
Agency bonds	17,594	—	(4)	17,590
Municipal bonds	12,478	—	(67)	12,411
Commercial paper	21,964	—	—	21,964
Asset-backed securities	26,630	—	(26)	26,604
Corporate bonds	68,822	4	(252)	68,574
<b>Total</b>	<b>\$ 202,589</b>	<b>\$ 5</b>	<b>\$ (450)</b>	<b>\$ 202,144</b>

(in thousands)	<b>December 31, 2020</b>			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Financial Assets:</b>				
<b>Short-term marketable securities:</b>				
U.S. Treasury securities	\$ 21,357	\$ 1	\$ (18)	\$ 21,340
Commercial paper	14,543	—	—	14,543
Asset-backed securities	14,546	—	(8)	14,538
Corporate bonds	17,144	—	(19)	17,125
<b>Total</b>	<b>\$ 67,590</b>	<b>\$ 1</b>	<b>\$ (45)</b>	<b>\$ 67,546</b>

The Company had \$0.5 million and \$0.2 million of accrued interest receivable at September 30, 2021 and December 31, 2020, respectively, included in other current assets on its Consolidated Balance Sheets related to its marketable securities. Realized gains or losses on marketable securities for the three and nine months ended September 30, 2021 were immaterial. There were no realized gains or losses on marketable securities for the three and nine months ended September 30, 2020.

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

The following tables set forth the fair value of available-for-sale marketable securities by contractual maturity at September 30, 2021 and December 31, 2020.

<b>September 30, 2021</b>				
(in thousands)	One Year or Less	Over One Year Through Five Years	Over Five Years	Total
<b>Financial Assets:</b>				
<b>Marketable Securities:</b>				
U.S. Treasury securities	\$ 15,072	\$ 36,871	\$ —	\$ 51,943
Yankee bonds	—	3,058	—	3,058
Agency bonds	14,091	3,499	—	17,590
Municipal bonds	—	12,411	—	12,411
Commercial paper	21,964	—	—	21,964
Asset-backed securities	16	26,588	—	26,604
Corporate bonds	24,549	44,025	—	68,574
<b>Total</b>	<b>\$ 75,692</b>	<b>\$ 126,452</b>	<b>\$ —</b>	<b>\$ 202,144</b>

<b>December 31, 2020</b>				
(in thousands)	One Year or Less	Over One Year Through Five Years	Over Five Years	Total
<b>Financial Assets:</b>				
<b>Marketable Securities:</b>				
U.S. Treasury securities	\$ 6,075	\$ 15,265	\$ —	\$ 21,340
Commercial paper	14,543	—	—	14,543
Asset-backed securities	560	13,978	—	14,538
Corporate bonds	5,863	11,262	—	17,125
<b>Total</b>	<b>\$ 27,041</b>	<b>\$ 40,505</b>	<b>\$ —</b>	<b>\$ 67,546</b>

The following tables set forth the Company's cash equivalents and marketable securities accounted for as available-for-sale securities that were measured at fair value on a recurring basis based on the fair value hierarchy as of September 30, 2021 and December 31, 2020.

<b>September 30, 2021</b>				
(in thousands)	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
<b>Cash equivalents:</b>				
Money market funds	\$ 256,772	\$ —	\$ —	\$ 256,772
Commercial paper	—	18,246	—	18,246
<b>Marketable securities:</b>				
U.S. Treasury securities	51,943	—	—	51,943
Yankee bonds	3,058	—	—	3,058
Agency bonds	17,590	—	—	17,590
Municipal bonds	12,411	—	—	12,411
Commercial paper	—	21,964	—	21,964
Asset-backed securities	—	26,604	—	26,604
Corporate bonds	—	68,574	—	68,574
<b>Total</b>	<b>\$ 341,774</b>	<b>\$ 135,388</b>	<b>\$ —</b>	<b>\$ 477,162</b>

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

(in thousands)	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Cash equivalents:				
Money market funds	\$ 209,141	\$ —	\$ —	\$ 209,141
U.S. Treasury securities	1,000	—	—	1,000
Commercial paper	—	3,999	—	3,999
Marketable securities:				
U.S. Treasury securities	21,340	—	—	21,340
Commercial paper	—	14,543	—	14,543
Asset-backed securities	—	14,538	—	14,538
Corporate bonds	—	17,125	—	17,125
<b>Total</b>	<b>\$ 231,481</b>	<b>\$ 50,205</b>	<b>\$ —</b>	<b>\$ 281,686</b>

There were no transfers of financial assets or liabilities into or out of Level 1, Level 2, or Level 3 for the three and nine months ended September 30, 2021 and September 30, 2020.

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

The carrying value of cash and cash equivalents, accounts receivable, net, accounts payable, accrued expenses and other liabilities, and other current assets and liabilities, are considered reasonable estimates of their respective fair values at September 30, 2021 and December 31, 2020 due to their short-term nature.

The Company also measures certain non-financial assets at fair value on a nonrecurring basis, primarily intangible assets, goodwill, and long-lived assets in connection with periodic evaluations for potential impairment. The Company estimates the fair value of these assets using primarily unobservable inputs and, as such, these are considered Level 3 fair value measurements.

**Note 5. Leases**

As of September 30, 2021, the maturities of the Company's operating lease liabilities and a reconciliation to the present value of lease liabilities were as follows (in thousands):

	Remaining Lease Payments
Remainder of 2021	\$ 1,859
2022	10,315
2023	9,910
2024	9,984
2025	6,558
Thereafter	64,802
Total remaining lease payments	103,428
Less: imputed interest	(24,104)
Total operating lease liabilities	79,324
Less: current portion	(6,988)
Long-term operating lease liabilities	\$ 72,336
Weighted-average remaining lease term (in years)	13.03
Weighted-average discount rate	4.0 %

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease costs	\$ 3,211	\$ 1,747	\$ 7,888	\$ 6,024
	<b>Nine Months Ended September 30,</b>			
	<b>2021</b>		<b>2020</b>	
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 37,682	\$ 23,766		
Cash paid for operating leases	\$ 5,773	\$ 5,101		

In the third quarter of 2021, the Company's lease of its new laboratory and headquarters facility in Fort Myers, Florida commenced. As of September 30, 2021, the Company had paid approximately \$25 million to the landlord for the construction of the underlying assets which was classified as a prepaid lease asset until the lease commenced in the third quarter of 2021 at which time the prepaid lease asset was included in the calculation of the right-of-use asset. As of September 30, 2021, the Company had paid approximately \$14 million to the landlord for leasehold improvements, which are included in property and equipment, net, for its new laboratory and headquarters facility. As of September 30, 2021, approximately \$3 million remained unpaid in a construction disbursement escrow account for final remaining disbursements to the landlord and remained in restricted cash on the Consolidated Balance Sheets.

**Note 6. Goodwill and Intangible Assets**

As a result of the acquisition of Trapelo in April 2021, the Company recorded \$44.7 million in goodwill, all of which was recorded in the Clinical Services segment. As a result of the acquisition of Inivata in June 2021, the Company recorded \$270.1 million in goodwill, of which \$237.3 million and \$32.8 million is assigned to the Clinical Services and Pharma Services segments, respectively. For further information regarding the Trapelo and Inivata acquisitions, please refer to Note 3. Acquisitions.

The following table summarizes the changes in the carrying amount of goodwill by segment for the nine months ended September 30, 2021 (in thousands):

	Clinical Services		Pharma Services		Total	
	2021	2020	2021	2020	2021	2020
Balance as of December 31, 2020	\$ 179,534	\$ 31,549	\$ 31,549	\$ 211,083	\$ 211,083	\$ 211,083
Trapelo acquisition	44,664	—	—	44,664	44,664	44,664
Inivata acquisition	237,251	32,804	32,804	270,055	270,055	270,055
Balance as of September 30, 2021	\$ 461,449	\$ 64,353	\$ 64,353	\$ 525,802	\$ 525,802	\$ 525,802

Intangible assets consisted of the following (in thousands):

	Amortization Period	September 30, 2021		
		Cost	Accumulated Amortization	Net
		2021	2020	2020
Customer Relationships	7 - 15 years	\$ 143,101	\$ 43,286	\$ 99,815
Developed Technology	10 - 15 years	310,226	6,469	303,757
Marketing Assets	4 years	549	66	483
Trademarks	15 years	31,473	601	30,872
Trade Name	5 years	2,575	147	2,428
Trademark - Indefinite lived	—	13,447	—	13,447
<b>Total</b>		<b>\$ 501,371</b>	<b>\$ 50,569</b>	<b>\$ 450,802</b>
	Amortization Period	December 31, 2020		
		Cost	Accumulated Amortization	Net
		2020	2020	2020
Customer Relationships	7 - 15 years	\$ 143,101	\$ 35,895	\$ 107,206
Trademark - Indefinite lived	—	13,447	—	13,447
<b>Total</b>		<b>\$ 156,548</b>	<b>\$ 35,895</b>	<b>\$ 120,653</b>



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

The Company records amortization expense within cost of revenue and general and administrative expense on the Consolidated Statement of Operations. The following table summarizes the amortization expense for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Amortization of intangibles included in cost of revenue	\$ 4,825	\$ —	\$ 5,554	\$ —
Amortization of intangibles included in general and administrative expenses	3,649	2,468	9,129	7,387
<b>Total amortization of intangibles</b>	<b>\$ 8,474</b>	<b>\$ 2,468</b>	<b>\$ 14,683</b>	<b>\$ 7,387</b>

The estimated amortization expense related to amortizable intangible assets for each of the following periods as of September 30, 2021 is as follows (in thousands):

Remainder of 2021	\$ 8,457
2022	33,899
2023	33,899
2024	33,899
2025	33,798
Thereafter	293,403
<b>Total</b>	<b>\$ 437,355</b>

**Note 7. Investment in Non-Consolidated Affiliate**

On May 22, 2020, the Company formed a strategic alliance with Inivata, and entered into a Strategic Alliance Agreement and Laboratory Services Agreement with Inivata's laboratory subsidiary in the U.S., Inivata, Inc., whereas Inivata's laboratory rendered and performed certain laboratory testing which the Company made available to customers. The terms and conditions of the Laboratory Services Agreement were consistent with those that would be negotiated between willing parties on an arm's length basis. For additional details on amounts paid related to the Laboratory Services Agreement, please refer to Note 15. Related Party Transactions.

In addition to the Laboratory Services Agreement, the Company also entered into an Investment Agreement with Inivata (the "Investment Agreement"), pursuant to which the Company acquired the Preference Shares for \$25 million in cash resulting in a minority interest in Inivata's outstanding equity and an Option Deed which provided the Company with a Purchase Option to purchase Inivata. The Investment Agreement also granted the Company one seat on Inivata's Board of Directors. On June 18, 2021, the Company completed the acquisition of the remaining equity interests in Inivata. For further details regarding the acquisition of Inivata, please refer to Note 3. Acquisitions.

Prior to the Inivata Acquisition Date, Inivata was determined to be a variable interest entity ("VIE") and the Company's investment was under 20% of the total equity outstanding. The Company considered qualitative factors in assessing the primary beneficiary of the VIE which included understanding the purpose and design of the VIE, associated risks that the VIE created, activities that could be directed by the Company, and the expected relative impact of those activities on the economic performance of the VIE. Based on an evaluation of these factors, the Company concluded that it was not the primary beneficiary of Inivata prior to the Inivata Acquisition Date.

Prior to the Inivata Acquisition Date, the power to control the activities that most significantly impacted Inivata's economic performance was the sole responsibility of Inivata's management and Board of Directors; however, the Company did have significant influence over Inivata. As the Preference Shares were determined to not be in-substance common stock, and because the Preference Shares and the Purchase Option did not have readily determinable fair values, prior to the Inivata Acquisition Date, the Company elected to measure the Preference Shares and the Purchase Option at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

On May 22, 2020, the initial \$25 million cost and \$0.6 million of associated transaction costs was allocated between the Preference Shares and the Purchase Option based on the relative fair value of each and was recorded as investment in non-consolidated affiliate on the Consolidated Balance Sheets. The initial relative fair value of the investment in non-consolidated affiliate was comprised of \$19.6 million in Preference Shares and a \$6 million Purchase Option. The Preference Shares were valued by determining the equity value of Inivata using the Backsolve Method and allocating the value of the Preference Shares

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

using the Option-Pricing Method and the inputs used included the equity value based on the Series C1 capital raised by Inivata, a volatility rate of 84%, a risk-free interest rate of 0.17% and 0% dividend yield. The Purchase Option was valued using the Black-Scholes model with a volatility rate of 84%, a risk-free interest rate of 0.17% and 0% dividend yield.

During the fourth quarter of 2020, an observable transaction of an identical investment in the Preference Shares occurred. This resulted in a remeasurement of the Preference Shares to the value of this observable transaction. The Purchase Option was also remeasured at fair value as a result of this observable transaction. As a result of these remeasurements, at December 31, 2020, the carrying value of the investment in non-consolidated affiliate was \$29.6 million, comprised of \$25 million in Preference Shares and a \$4.6 million Purchase Option. The Company recorded a net unrealized gain of \$4 million for these remeasurements for the year ended December 31, 2020 in other expense (income), net on the Consolidated Statements of Operations. At December 31, 2020, the Purchase Option was valued using the Black-Scholes model with a volatility rate of 84%, a risk-free interest rate of 0.17% and 0% dividend yield.

On May 22, 2020, the Company and Inivata also entered into the Line of Credit in the amount of \$5 million. In January 2021, the Line of Credit, in its entirety, was drawn by Inivata and recorded as a loan receivable from non-consolidated affiliate on the Consolidated Balance Sheets. Prior to the Inivata Acquisition Date, the Line of Credit contractually matured on December 1, 2025 and the unpaid principal balance was payable on January 1, 2026 and bore interest at 0% per annum. In January 2021, upon the draw of the Line of Credit by Inivata, the Company used an imputed interest rate of 8.33% to present value the Line of Credit. The Company recorded an imputed interest rate discount of \$5 million on the loan receivable from non-consolidated affiliate and an additional investment in non-consolidated affiliate of \$5 million, resulting in a \$10 million present value of the loan receivable from non-consolidated affiliate and increasing the value of the Preference Shares to \$30 million. For the nine months ended September 30, 2021 through the Inivata Acquisition Date \$0.4 million of interest income was amortized to the loan receivable from non-consolidated affiliate. There were no such amounts for the three months ended September 30, 2021. The interest income amortization is recorded in interest expense, net, on the Consolidated Statements of Operations.

In the first quarter of 2021, subsequent to Inivata's draw on the Line of Credit, an observable transaction of an identical investment in Inivata Preference Shares occurred. This resulted in a remeasurement of the Preference Shares to the value of this observable transaction. The Company recorded a net unrealized loss of \$5 million for this remeasurement for the three months ended March 31, 2021 in other expense (income), net on the Consolidated Statements of Operations. As of March 31, 2021, the carrying value of the investment in non-consolidated affiliate was \$29.6 million, comprised of \$25 million in Preference Shares and a \$4.6 million Purchase Option.

On the Inivata Acquisition Date, the Company acquired all of the remaining equity interests of Inivata through the exercise of its Purchase Option. The Company's carrying value of the investment in non-consolidated affiliate was \$29.6 million, comprised of \$25 million in Preference Shares and a \$4.6 million Purchase Option immediately prior to obtaining the remaining ownership of Inivata. The Company's acquisition of control of Inivata on the Inivata Acquisition Date was accounted for as a business combination achieved in stages under the acquisition method. Accordingly, the Company remeasured its Preference Shares and Purchase Option to their acquisition-date fair values. The Company used a discounted cash flow to derive a business enterprise value of Inivata in order to determine the acquisition-date fair value of the Company's Preference Shares and the Purchase Option. To determine the fair value of the Preference Shares, the fair value of equity was allocated to the various classes based on the respective rights and privileges of each class of stock in liquidation. The business enterprise value and a Black-Scholes model was then used to determine the fair value of the remaining equity acquired through the exercise of the Purchase Option. The Purchase Option was recorded at fair value at the Inivata Acquisition Date based on its settlement value. This resulted in fair values of \$64.9 million in Preference Shares and a \$74.3 million Purchase Option, immediately prior to the acquisition, resulting in a gain of \$109.6 million in the nine months ended September 30, 2021, including a measurement period adjustment of \$17.8 million in the three months ended September 30, 2021. On the Inivata Acquisition Date, the \$10.3 million outstanding under the Line of Credit extended by the Company to Inivata was effectively settled as part of the acquisition of Inivata at the \$15 million principal amount and was recorded as part of the consideration transferred in the acquisition resulting in a gain of \$4.7 million. The Company recorded a total gain on investment in and loan receivable from non-consolidated affiliate, net, within the Company's Consolidated Statements of Operations of \$109.3 million in the nine months ended September 30, 2021, including a measurement period adjustment of \$17.8 million in the three months ended September 30, 2021, for the excess of the acquisition-date fair value of the Company's Preference Shares, Purchase Option, and Line of Credit over their carrying values. For further details regarding the acquisition of Inivata, please refer to Note 3. Acquisitions.

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

**Note 8. Debt**

The following table summarizes the long-term debt, net at September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
<b>0.25% Convertible Senior Notes due 2028</b>		
Principal	\$ 345,000	\$ —
Unamortized debt discount	(9,326)	—
Unamortized debt issuance costs	(216)	—
Total 0.25% Convertible Senior Notes due 2028	\$ 335,458	\$ —
<b>1.25% Convertible Senior Notes due 2025</b>		
Principal	\$ 201,250	\$ 201,250
Unamortized debt discount	(4,386)	(32,592)
Unamortized debt issuance costs	(543)	(538)
Total 1.25% Convertible Senior Notes due 2025	\$ 196,321	\$ 168,120
Equipment financing obligations	1,716	3,808
Total debt	\$ 533,495	\$ 171,928
Less: Current portion of equipment financing obligations	(1,564)	(2,841)
Total long-term debt, net	\$ 531,931	\$ 169,087

At September 30, 2021, the estimated fair values (Level 2) of the 0.25% Convertible Senior Notes due 2028 and the 1.25% Convertible Senior Notes due 2025 were \$342.4 million and \$280.3 million, respectively. There was no such estimated fair value as of December 31, 2020 related to the 0.25% Convertible Senior Notes due 2028. At December 31, 2020, the estimated fair value (Level 2) of the 1.25% Convertible Senior Notes due 2025 was \$320.9 million. At September 30, 2021 and December 31, 2020, the carrying value of the Company's equipment financing obligations approximated fair value based on the current market conditions for similar instruments.

**2028 Convertible Senior Notes**

On January 11, 2021, the Company completed the sale of \$345 million of Convertible Senior Notes with a stated interest rate of 0.25% and a maturity date of January 15, 2028 (the "2028 Convertible Notes"), unless earlier converted, redeemed, or repurchased. The 2028 Convertible Notes were issued at a discounted price of 97% of their principal amount. The total net proceeds from the issuance of the 2028 Convertible Notes and exercise of the Over-allotment Option was approximately \$334.4 million, which includes approximately \$10.6 million of discounts, commissions and offering expenses paid by the Company. On January 11, 2021, the Company entered into an Indenture (the "Indenture"), with U.S. Bank National Association, as trustee (the "Trustee"), governing the 2028 Convertible Notes. The Company used a portion of the net proceeds from the Offerings to enter into capped call transactions (as described below under the heading "Capped Call Transactions").

Prior to September 15, 2027, noteholders may convert their 2028 Convertible Notes at their option, only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of 2028 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; (3) if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On or after September 15, 2027 until the close of business on the second business day immediately preceding the maturity date, noteholders may convert their 2028 Convertible Notes at any time, regardless of the foregoing circumstances.

The last reported sales price of the Company's common stock was not greater than or equal to 130% of the conversion price of the 2028 Convertible Notes on at least 20 of the last 30 consecutive trading days of the quarter ended September 30, 2021. The last reported sales price of the Company's common stock was not greater than or equal to 130% of the conversion price of the 2028 Convertible Notes on at least 20 of the last 30 consecutive trading days of the quarter ended June 30, 2021. Based on the terms of the 2028 Convertible Notes, the holders could not have converted all or a portion of their 2028 Convertible Notes in the third quarter of 2021. When a conversion notice is received, the Company has the option to pay or deliver cash, shares of

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

the Company's common stock, or a combination thereof. As the Company is not required to settle the 2028 Convertible Notes in cash, the 2028 Convertible Notes are classified as long-term debt as of September 30, 2021.

Upon conversion, the Company will pay or deliver, as applicable, cash, shares of common stock or a combination of cash and shares of common stock, at its election. The initial conversion rate for the 2028 Convertible Notes is 15.1172 shares of common stock per \$1,000 in principal amount of 2028 Convertible Notes, equivalent to an initial conversion price of approximately \$66.15 per share of common stock. The conversion rate is subject to adjustment as described in the Indenture. In addition, following certain corporate events that occur prior to the maturity date as described in the Indenture, the Company will pay a make-whole premium by increasing the conversion rate for a holder who elects to convert its 2028 Convertible Notes in connection with such a corporate event in certain circumstances. The value of the 2028 Convertible Notes, if-converted, does not exceed the principal amount based on a closing stock price of \$48.24 on September 30, 2021. For the three and nine months ended September 30, 2021, the Company excluded 5,215,434 and 5,100,809 shares, respectively, in diluted weighted average common shares outstanding for the if-converted impact of the 2028 Convertible Notes in the diluted net (loss) income per share calculation as the shares would have an anti-dilutive effect. For further details on the impact of the 2028 Convertible Notes on net (loss) income per share please refer to Note 12. Net (Loss) Income Per Share.

The Company may not redeem the 2028 Convertible Notes prior to January 20, 2025. The Company may redeem for cash all or any portion of the 2028 Convertible Notes, at its option, on or after January 20, 2025 if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date of notice by the Company of redemption at a redemption price equal to 100% of the principal amount of the 2028 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2028 Convertible Notes.

If an event involving bankruptcy, insolvency or reorganization events with respect to the Company occurs, then the principal amount of, and all accrued and unpaid interest on, all of the 2028 Convertible Notes then outstanding will immediately become due and payable. If any other default event occurs and is continuing, then noteholders of at least 25% of the aggregate principal amount of the 2028 Convertible Notes then outstanding, by notice to the Company, may declare the principal amount of, and all accrued and unpaid interest on, all of the 2028 Convertible Notes then outstanding to become due and payable immediately. If the Company undergoes a Fundamental Change (as defined in the Indenture), then noteholders may require the Company to repurchase their 2028 Convertible Notes at a cash repurchase price equal to the principal amount of the 2028 Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the Fundamental Change Repurchase Date (as defined in the Indenture).

The 2028 Convertible Notes are the Company's senior, unsecured obligations and will be equal in right of payment with its existing and future senior, unsecured indebtedness, senior in right of payment to its existing and future indebtedness that is expressly subordinated to the 2028 Convertible Notes and effectively junior to its existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness. The 2028 Convertible Notes will be structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, of its subsidiaries.

The interest expense recognized on the 2028 Convertible Notes includes \$0.2 million, \$0.4 million and \$8,400 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the three months ended September 30, 2021. The interest expense recognized on the 2028 Convertible Notes includes \$0.6 million, \$1 million and \$23,700 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the nine months ended September 30, 2021. There were no such amounts for the three and nine months ended September 30, 2020. The effective interest rate on the 2028 Convertible Notes is 0.70%, which includes the interest on the 2028 Convertible Notes and amortization of the debt discount and debt issuance costs. The 2028 Convertible Notes bear interest at a rate of 0.25% per annum, payable semi-annually in arrears on January 15 and July 15 of each year, beginning on July 15, 2021.

#### Capped Call Transactions

In connection with the 2028 Convertible Notes offering, on January 11, 2021, the Company entered into separate, privately negotiated convertible note hedge transactions (collectively, the "Capped Call Transactions") with option counterparties pursuant to capped call confirmations at a cost of approximately \$29.3 million. As the Capped Call Transactions meet certain accounting criteria, the Capped Call Transactions were classified as equity, are not accounted for as derivatives and were recorded as a reduction of the Company's additional paid-in capital in the accompanying unaudited Consolidated Financial Statements. The Capped Call Transactions are not part of the terms of the 2028 Convertible Notes and will not affect any holders' rights under the 2028 Convertible Notes. The Capped Call Transactions cover, subject to customary anti-dilution adjustments, the number of shares of the Company's common stock that initially underlie the 2028 Convertible Notes. The number of shares underlying the Capped Call Transactions is 5.2 million.

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

The cap price of the Capped Call Transactions is initially \$85.75 per share of the Company's common stock, which represents a premium of 75% over the public offering price of the common stock in the 2021 Common Stock Offering, which was \$49.00 per share, and is subject to certain adjustments under the terms of the Capped Call Transactions.

By entering into the Capped Call Transactions, the Company expects to reduce the potential dilution to its common stock (or, in the event a conversion of the 2028 Convertible Notes is settled in cash, to reduce its cash payment obligation) in the event that, at the time of conversion of the 2028 Convertible Notes, its common stock price exceeds the conversion price of the 2028 Convertible Notes.

**2025 Convertible Senior Notes**

On May 4, 2020, the Company completed the sale of \$201.3 million of Convertible Senior Notes with a stated interest rate of 1.25% and a maturity date of May 1, 2025 (the "2025 Convertible Notes"), unless earlier converted, redeemed, or repurchased. The 2025 Convertible Notes were issued at a discounted price of 97% of their principal amount. The total net proceeds from the issuance of the 2025 Convertible Notes and exercise of the Over-allotment Option was approximately \$194.5 million, which includes approximately \$6.9 million of discounts, commissions and offering expenses paid by the Company. On May 4, 2020, the Company entered into an Indenture (the "Indenture"), with U.S. Bank National Association, as trustee (the "Trustee"), governing the 2025 Convertible Notes.

Prior to February 1, 2025, noteholders may convert their 2025 Convertible Notes at their option, only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2020 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of 2025 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; (3) if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On or after February 1, 2025 until the close of business on the business day immediately preceding the maturity date, noteholders may convert their 2025 Convertible Notes at any time, regardless of the foregoing circumstances.

The last reported sales price of the Company's common stock was not greater than or equal to 130% of the conversion price of the 2025 Convertible Notes on at least 20 of the last 30 consecutive trading days of the quarter ended September 30, 2021. The last reported sales price of the Company's common stock was not greater than or equal to 130% of the conversion price of the 2025 Convertible Notes on at least 20 of the last 30 consecutive trading days of the quarter ended June 30, 2021. Based on the terms of the 2025 Convertible Notes, the holders could not have converted all or a portion of their 2025 Convertible Notes in the third quarter of 2021. When a conversion notice is received, the Company has the option to pay or deliver cash, shares of the Company's common stock, or a combination thereof. As the Company is not required to settle the 2025 Convertible Notes in cash, the 2025 Convertible Notes are classified as long-term debt as of September 30, 2021 and December 31, 2020. As of September 30, 2021, the Company had not received any conversion notices.

Upon conversion, the Company will pay or deliver, as applicable, cash, shares of common stock or a combination of cash and shares of common stock, at its election. The initial conversion rate for the 2025 Convertible Notes is 27.5198 shares of common stock per \$1,000 in principal amounts of 2025 Convertible Notes, equivalent to an initial conversion price of approximately \$36.34 per share of common stock. The conversion rate is subject to adjustment as described in the Indenture. In addition, following certain corporate events that occur prior to the maturity date as described in the Indenture, the Company will pay a make-whole premium by increasing the conversion rate for a holder who elects to convert its 2025 Convertible Notes in connection with such a corporate event in certain circumstances. The value of the 2025 Convertible Notes, if-converted, exceeds the principal amount by \$65.9 million based on a closing stock price of \$48.24 on September 30, 2021. For the three and nine months ended September 30, 2021, the Company excluded 5,538,360 shares in diluted weighted average common shares outstanding for the if-converted impact of the 2025 Convertible Notes in the diluted net (loss) income per share calculation as the shares would have an anti-dilutive effect. For the three months ended September 30, 2020, the Company included 5,538,360 shares in diluted weighted average common shares outstanding for the if-converted impact of the 2025 Convertible Notes in the diluted net (loss) income per share calculation as the shares would have a dilutive effect. For the nine months ended September 30, 2020, the Company excluded 3,112,801 shares, respectively, in diluted weighted average common shares outstanding for the if-converted impact of the 2025 Convertible Notes in the diluted net (loss) income per share calculation as the shares would have an anti-dilutive effect. For further details on the impact of the 2025 Convertible Notes on net (loss) income per share please refer to Note 12. Net (Loss) Income Per Share.

The Company may not redeem the 2025 Convertible Notes prior to May 6, 2023. The Company may redeem for cash all or any portion of the 2025 Convertible Notes, at its option, on or after May 6, 2023 if the last reported sale price of its common stock

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

has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date of notice by the Company of redemption at a redemption price equal to 100% of the principal amount of the 2025 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2025 Convertible Notes.

If an event involving bankruptcy, insolvency or reorganization events with respect to the Company occurs, then the principal amount of, and all accrued and unpaid interest on, all of the 2025 Convertible Notes then outstanding will immediately become due and payable. If any other default event occurs and is continuing, then noteholders of at least 25% of the aggregate principal amount of the 2025 Convertible Notes then outstanding, by notice to the Company, may declare the principal amount of, and all accrued and unpaid interest on, all of the 2025 Convertible Notes then outstanding to become due and payable immediately. If the Company undergoes a Fundamental Change (as defined in the Indenture), then noteholders may require the Company to repurchase their 2025 Convertible Notes at a cash repurchase price equal to the principal amount of the 2025 Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the Fundamental Change Repurchase Date (as defined in the Indenture).

The 2025 Convertible Notes are the Company's senior, unsecured obligations and will be equal in right of payment with its existing and future senior, unsecured indebtedness, senior in right of payment to its existing and future indebtedness that is expressly subordinated to the 2025 Convertible Notes and effectively junior to its existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness. The 2025 Convertible Notes will be structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, of its subsidiaries.

The interest expense recognized on the 2025 Convertible Notes includes \$0.6 million, \$0.3 million and \$36,500 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the three months ended September 30, 2021. The interest expense recognized on the 2025 Convertible Notes includes \$1.9 million, \$0.9 million and \$0.1 million for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the nine months ended September 30, 2021. The interest expense recognized on the 2025 Convertible Notes included \$0.6 million, \$1.8 million and \$25,600 for the contractual coupon interest, the accretion of the debt discount and the amortization of the debt issuance costs, respectively, for the three months ended September 30, 2020. The interest expense recognized on the 2025 Convertible Notes includes \$1 million, \$2.7 million and \$44,700, for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the nine months ended September 30, 2020. The effective interest rate on the 2025 Convertible Notes is 1.96%, which includes the interest on the 2025 Convertible Notes and amortization of the debt discount and debt issuance costs. The 2025 Convertible Notes bear interest at a rate of 1.25% per annum, payable semi-annually in arrears on May 1 and November 1 of each year, which began on November 1, 2020.

Equipment 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 2023, and the weighted average interest rate under such loans was approximately 5.07% as of September 30, 2021 and 4.91% as of December 31, 2020.

Maturities of Long-Term Debt

Maturities of long-term debt as of September 30, 2021 are summarized as follows (in thousands):

	0.25% Convertible Senior Notes	1.25% Convertible Senior Notes	Equipment Financing Obligations	Total Debt
Remainder of 2021	\$ —	\$ —	\$ 716	\$ 716
2022	—	—	930	930
2023	—	—	69	69
2024	—	—	1	1
2025	—	201,250	—	201,250
Thereafter	345,000	—	—	345,000
<b>Total Debt</b>	<b>\$ 345,000</b>	<b>\$ 201,250</b>	<b>\$ 1,716</b>	<b>\$ 547,966</b>
Less: Current portion of long-term debt	—	—	(1,564)	(1,564)
Less: Unamortized debt discount	(9,326)	(4,386)	—	(13,712)
Less: Unamortized debt issuance costs	(216)	(543)	—	(759)
<b>Long-term debt, net</b>	<b>\$ 335,458</b>	<b>\$ 196,321</b>	<b>\$ 152</b>	<b>\$ 531,931</b>

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

**Note 9. Equity Transactions**

Private Placement Transaction

On June 18, 2021, the Company completed a private placement (“Private Placement”) to certain accredited investors of an aggregate of 4,444,445 shares of the Company’s common stock at a price of \$45.00 per share. The net proceeds to the Company from the Private Placement were approximately \$189.9 million, after deducting fees to the placement agents and other offering expenses of approximately \$10.1 million.

Common Stock Issued for Acquisition

As discussed in Note 3. Acquisitions, the Company issued 597,712 shares of common stock as consideration for the acquisition of Trapelo in April 2021.

Underwritten Public Equity Offerings

On January 6, 2021, the Company entered into an underwriting agreement relating to the issuance and sale of 4,081,632 shares of the Company’s common stock, \$0.001 par value per share (the “2021 Common Stock Offering”). The price to the public in this offering was \$49.00 per share. The net proceeds to the Company from the 2021 Common Stock Offering were approximately \$189.9 million, after deducting underwriting discounts, commissions and other offering expenses of approximately \$10.1 million.

Under the terms of the underwriting agreement, the Company also granted the Underwriters a 30-day option to purchase up to 612,244 additional shares of Common Stock at the public offering price, less underwriting discounts and commissions. On January 6, 2021, the Underwriters exercised their option and purchased all 612,244 shares. The net proceeds related to the option exercise were approximately \$28.4 million, after deducting underwriting discounts, commissions and other offering expenses of approximately \$1.6 million.

On April 29, 2020, the Company entered into an underwriting agreement relating to the issuance and sale of 4,400,000 shares of the Company’s common stock, \$0.001 par value per share (the “2020 Common Stock Offering”). The price to the public in this offering was \$28.50 per share. The net proceeds to the Company from the 2020 Common Stock Offering were approximately \$117.9 million, after deducting underwriting discounts, commissions and other offering expenses of approximately \$7.5 million.

Under the terms of the underwriting agreement, the Company also granted the Underwriters a 30-day option to purchase up to 660,000 additional shares of Common Stock at the public offering price, less underwriting discounts and commissions. On May 29, 2020, the Underwriters partially exercised their option and on June 3, 2020, purchased an additional 351,500 shares. The net proceeds related to the option exercise were approximately \$9.4 million, after deducting underwriting discounts, commissions and other offering expenses of approximately \$0.6 million.

**Note 10. Stock-Based Compensation**

The Company recorded approximately \$5.2 million and \$2.7 million in stock-based compensation expense for the three months ended September 30, 2021 and 2020, respectively, and approximately \$12.4 million and \$7.5 million in stock-based compensation expense for the nine months ended September 30, 2021 and 2020, respectively.

Stock Options

A summary of the stock option activity under the Company’s plans for the nine months ended September 30, 2021 is as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2020	3,785,941	\$ 15.21
Options granted	887,332	\$ 48.19
Less:		
Options exercised	931,954	\$ 10.85
Options forfeited	226,411	\$ 31.73
Options outstanding at September 30, 2021	3,514,908	\$ 23.63
Exercisable at September 30, 2021	1,758,830	\$ 12.07

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

The fair value of each stock option award granted during the nine months ended September 30, 2021 was estimated as of the grant date using a Black-Scholes model with the following weighted average assumptions:

	Nine Months Ended September 30, 2021
Expected term (in years)	3.5 - 5.5
Risk-free interest rate (%)	0.7%
Expected volatility (%)	39% - 49%
Dividend yield (%)	—
Weighted average fair value/share at grant date	\$18.19

As of September 30, 2021, there was approximately \$14 million of unrecognized stock-based compensation expense related to stock options that will be recognized over a weighted-average period of approximately 2.2 years.

Restricted Stock Awards

A summary of the restricted stock activity under the Company's plans for the nine months ended September 30, 2021 is as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2020	291,891	\$ 23.82
Granted	345,416	\$ 47.92
Vested	(111,646)	\$ 23.28
Forfeited	(32,885)	\$ 35.23
Nonvested at September 30, 2021	<u>492,776</u>	<u>\$ 40.08</u>

As of September 30, 2021, there was approximately \$12 million of unrecognized stock-based compensation expense related to restricted stock that will be recognized over a weighted-average period of approximately 1.8 years.

Performance-based Stock Awards

During the third quarter of 2021, the Company granted certain senior-level executives performance stock units ("PSUs") which vest upon the achievement of time-based service conditions with vesting through June 30, 2024, and certain performance goals, including financial performance targets and operational milestones. For the three months ended September 30, 2021, the Company assessed the PSUs and no stock-based compensation expense was recorded as it is not probable that the performance targets will be satisfied. The following table summarizes the performance-based stock awards as of September 30, 2021:

	Number of Performance Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2020	—	\$ —
Granted	356,548	\$ 44.87
Vested	—	\$ —
Forfeited	—	\$ —
Nonvested at September 30, 2021	<u>356,548</u>	<u>\$ 44.87</u>

Employee Stock Purchase Plan ("ESPP")

The Company offers an ESPP through which eligible employees may purchase shares of the Company's 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, 2021 and 2020, employees purchased 27,210 and 29,853 shares, respectively, under the ESPP. The expense recorded for these periods was approximately \$0.2 million and \$0.2 million, respectively. During the nine months ended September 30, 2021 and 2020, employees purchased 82,966 and 105,241 shares, respectively, under the ESPP. The expense recorded for these periods was approximately \$0.8 million and \$0.6 million, respectively.



## Note 11. Revenue Recognition

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, oncology practices, hospital pathology labs, reference labs, and academic centers with reimbursement from various payers including client direct billing, commercial insurance, Medicare and other government payers, and patients. Due to the broad roll-out of the COVID-19 vaccine and a sharp decline in COVID-19 PCR testing demand, the Company made the decision at the end of the first quarter of 2021 to exit from COVID-19 PCR testing, which was part of Clinical Services segment revenues. 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, including 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 90 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.

### *Pharma Services Revenue*

The Company's Pharma Services segment generally enters into contracts with pharmaceutical 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 and informatics. Revenue for validation studies for which the sole deliverable may be a final report that is sent to sponsors at the completion of contracted activities, is recognized at a point in time upon delivery of the final report to the sponsor. Informatics is the sale of de-identified data for which deliverables typically consist of retrospective records, prospective deliveries of data or clinical decision support. Informatics revenue is recognized upon delivery of retrospective data, over time for prospective data feeds and clinical decision support. 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 Sheets. 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):

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

	September 30, 2021	December 31, 2020
Current pharma contract assets <sup>(1)</sup>	\$ 1,903	\$ 1,643
Long-term pharma contract assets <sup>(2)</sup>	248	290
<b>Total pharma contract assets</b>	<b>\$ 2,151</b>	<b>\$ 1,933</b>
Current pharma capitalized commissions <sup>(1)</sup>	\$ 126	\$ 185
Long-term pharma capitalized commissions <sup>(2)</sup>	953	970
<b>Total pharma capitalized commissions</b>	<b>\$ 1,079</b>	<b>\$ 1,155</b>
Current pharma contract liabilities	\$ 5,278	\$ 4,029
Long-term pharma contract liabilities <sup>(3)</sup>	932	712
<b>Total pharma contract liabilities</b>	<b>\$ 6,210</b>	<b>\$ 4,741</b>

<sup>(1)</sup> Current pharma contract assets and Current pharma capitalized commissions are classified as other current assets on the Consolidated Balance Sheets.

<sup>(2)</sup> Long-term pharma contract assets and Long-term pharma capitalized commissions are classified as other assets on the Consolidated Balance Sheets.

<sup>(3)</sup> Long-term pharma contract liabilities are classified as other long-term liabilities on the Consolidated Balance Sheets.

Pharma contract assets increased \$0.2 million, or 11%, from December 31, 2020 to September 30, 2021. Pharma contract liabilities increased \$1.5 million, or 31%, during the same period, while there was a 7% decrease in capitalized commissions. Revenue recognized for the three and nine months ended September 30, 2021 related to Pharma contract liability balances outstanding at the beginning of the period was \$0.4 million and \$4.2 million, respectively. Revenue recognized for the three and nine months ended September 30, 2020 related to Pharma contract liability balances outstanding at the beginning of the period was \$0.5 million and \$2.1 million, respectively. Amortization of capitalized commissions for the three and nine months ended September 30, 2021 was \$0.2 million and \$0.9 million, respectively. Amortization of capitalized commissions for the three and nine months ended September 30, 2020 was \$0.3 million and \$0.6 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 the type of customer due to similarities of billing method, level of reimbursement and timing of cash receipts. Unbilled amounts are accrued and allocated to payer categories based on historical experience. In future periods, actual billings by payer category may differ from accrued amounts. Pharma Services revenue was not further disaggregated as substantially all of the 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,	
	2021	2020	2021	2020
Clinical Services:				
Client direct billing	\$ 64,195	\$ 72,896	\$ 188,040	\$ 172,431
Commercial Insurance	19,539	19,218	58,642	56,360
Medicare and Medicaid	18,295	16,460	52,929	46,484
Self-Pay	198	159	508	324
<b>Total Clinical Services</b>	<b>\$ 102,227</b>	<b>\$ 108,733</b>	<b>\$ 300,119</b>	<b>\$ 275,599</b>
Pharma Services:	19,113	16,711	58,478	42,852
<b>Total Revenue</b>	<b>\$ 121,340</b>	<b>\$ 125,444</b>	<b>\$ 358,597</b>	<b>\$ 318,451</b>

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

**Note 12. Net (Loss) Income Per Share**

The Company presents both basic earnings per share ("EPS") and diluted EPS. Basic EPS excludes potential dilution and is computed by dividing "Net (loss) income" by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock awards were exercised and if the 2028 Convertible Notes and 2025 Convertible Notes were converted. The potential dilution from stock awards is accounted for using the treasury stock method based on the average market value of the Company's common stock. The potential dilution from conversion of the 2028 Convertible Notes and 2025 Convertible Notes is accounted for using the if-converted method, which requires that all of the shares of the Company's common stock issuable upon conversion of the 2028 Convertible Notes and the 2025 Convertible Notes will be included in the calculation of diluted EPS assuming conversion of the 2028 Convertible Notes and the 2025 Convertible Notes at the beginning of the reporting period (or at time of issuance, if later).

The following table shows the calculations (in thousands, except net (loss) income per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>Adjustment to net (loss) income for convertible notes in diluted EPS<sup>(1)</sup></i>				
<b>NET (LOSS) INCOME</b>	\$ (20,348)	\$ 2,557	\$ 33,412	\$ (11,245)
Convertible note accretion, amortization, and interest, net of tax	—	1,975	—	—
<b>NET (LOSS) INCOME USED IN DILUTED EPS</b>	<b>\$ (20,348)</b>	<b>\$ 4,532</b>	<b>\$ 33,412</b>	<b>\$ (11,245)</b>
Basic weighted average shares outstanding	122,559	110,461	119,087	107,605
Dilutive effect of stock options	—	3,017	2,077	—
Dilutive effect of restricted stock awards	—	175	192	—
Dilutive effect of Convertible Notes due 2025	—	5,538	—	—
Diluted weighted average shares outstanding	122,559	119,191	121,356	107,605
Basic net (loss) income per share	\$ (0.17)	\$ 0.02	\$ 0.28	\$ (0.10)
Diluted net (loss) income per share	\$ (0.17)	\$ 0.04	\$ 0.28	\$ (0.10)

<sup>(1)</sup> This adjustment compensates for the effects of the if-converted impact of convertible notes in net income. Since an entity using the if-converted method assumes that a convertible debt instrument was converted into common shares at the beginning of the reporting period, net income is adjusted to reverse any recognized interest expense (including any amortization of discounts).

The following potential dilutive shares were excluded from the calculation of diluted net (loss) income per share because their effect would be anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stock options	1,811	—	—	3,069
Restricted stock awards	201	—	—	202
2025 Convertible Notes	5,538	—	5,538	3,113
2028 Convertible Notes	5,215	—	5,101	—

The potential effect of the Capped Call Transactions entered into concurrently with the 2028 Convertible Notes were excluded from the calculation of diluted net (loss) income per share in the three and nine months ended September 30, 2021 as the Company's closing price on September 30, 2021 did not exceed the conversion price of \$85.75 per share. The Capped Call Transactions are not reflected in diluted net (loss) income per share as they are anti-dilutive.

For further details on the Capped Call Transactions, please refer to Note 8. Debt.

**Note 13. Defined Contribution Plans**

The Company maintains a defined-contribution 401(k) retirement plan covering substantially all U.S. based employees (as defined). The Company's employees may make voluntary contributions to the plan, subject to limitations based on IRS regulations and compensation. Effective January 1, 2017, the Company matches 100% of every dollar contributed up to 3% of the respective employee's compensation and an additional 50% of every dollar contributed on the next 2% of compensation (4% maximum Company match). Matching contributions were approximately \$1.4 million and \$4.5 million for the three and nine months ended September 30, 2021, respectively, and \$1.1 million and \$3.7 million for the corresponding periods ended September 30, 2020, respectively, and are recorded in cost of revenue and operating expenses.

As of the Inivata Acquisition Date, the Company operates a number of country-specific defined contribution pension plans for its employees and pays matching contributions into a separate entity through Inivata Limited, a wholly-owned subsidiary of the Company. Employer contributions are made in accordance with the terms and conditions of the respective country benefit plan. Employees may make additional contributions in accordance with the prevailing statutory limitations. Once the contributions have been paid, the Company has no further payment obligations. The assets of the plan are held separately from the Company and Inivata Limited in independently administered funds. The contributions are recognized as an expense in the Consolidated Statements of Operations when they are due. Amounts not paid are accrued as a short-term liability in the Consolidated Balance Sheets. Such amounts for the period beginning on the Inivata Acquisition Date through September 30, 2021 were immaterial.

**Note 14. Commitments and Contingencies**

*Legal Proceeding*

On January 20, 2021, Natera, Inc. filed a patent infringement complaint against the Company's newly-acquired subsidiary Inivata Limited and its subsidiary Inivata, Inc. in United States District Court for the district of Delaware, alleging Inivata's InVisionFirst-Lung™ cancer diagnostic test of infringing two patents. The litigation is presently in the pleadings stage. The Company believes that it has good and substantial defenses to the claims alleged in the suit, but there is no guarantee that the Company will prevail. At the time of filing, the outcome of this matter is not estimable or probable.

*Regulatory Matter*

With the assistance of outside counsel, the Company is voluntarily conducting an internal investigation that focuses on the compliance of certain consulting and service agreements with federal healthcare laws and regulations, including those relating to fraud, waste and abuse. Based on this internal investigation, the Company voluntarily notified the Office of Inspector General of the U.S. Department of Health and Human Services ("OIG") of the Company's internal investigation in November 2021. The Company's review of this matter is ongoing. As of September 30, 2021, the Company has accrued a reserve of \$10.5 million in other long-term liabilities on the Consolidated Balance Sheets for potential damages and liabilities primarily associated with the federal healthcare program revenue received by the Company in connection with the agreements at issue that were identified during the course of this internal investigation. This reserve reflects management's best estimate of the minimum probable loss associated with this matter. As a result of the ongoing investigation and interactions with regulatory authorities, the Company may accrue additional reserves for any related potential damages and liabilities arising out of this matter. At this time, the Company is unable to predict the duration, scope, result or related costs associated with any further investigation, including by the OIG, or any other governmental authority, or what penalties or remedial actions they may seek. Accordingly, at this time, the Company is unable to estimate a range of possible loss in excess of the amount reserved. Any determination that the Company's operations or activities are not in compliance with existing laws or regulations, however, could result in the imposition of civil or criminal fines, penalties, disgorgement, restitution, equitable relief, or other losses or conduct restrictions, which could be material to the Company's financial results or business operations.

**Note 15. Related Party Transactions**

On May 22, 2020, the Company formed a strategic alliance with Inivata and entered into a Strategic Alliance Agreement and Laboratory Services Agreement whereas Inivata, prior to the Inivata Acquisition Date, would render and perform certain laboratory testing which the Company made available to customers. In connection with this agreement, Inivata provided \$0.8 million of testing services to the Company recorded in cost of revenue in the Consolidated Statements of Operations for the nine months ended September 30, 2021, respectively, through the Inivata Acquisition Date. Such services provided for the three and nine months ended September 30, 2020 were immaterial.

On May 22, 2020, the Company and Inivata also entered into a Line of Credit in the amount of \$5 million. The Company and Inivata settled the Line of Credit after the Inivata Acquisition Date and no amounts were outstanding as of September 30, 2021. For further details on the Line of Credit, please refer to Note 7. Investment in Non-Consolidated Affiliate.

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

On June 18, 2021, the Company completed its acquisition of all remaining equity interest in Inivata by exercising its Purchase Option. Beginning June 18, 2021, Inivata is a wholly-owned consolidated subsidiary of the Company. As of the Inivata Acquisition Date, Inivata's financial statement activity is being consolidated within the Company's unaudited Consolidated Financial Statements. For further details on the acquisition of Inivata, please refer to Note 3. Acquisitions.

**Note 16. Segment Information**

The Company has two operating segments for which it recognizes revenue; Clinical Services and Pharma Services. The Company's Clinical Services segment provides various clinical testing services to community-based pathology and oncology 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 Company's Pharma Services segment supports pharmaceutical firms in their drug development programs by supporting various clinical trials and research as well as providing informatics related services often supporting Pharma commercialization efforts.

The financial information reviewed by the Chief Operating Decision Maker ("CODM") includes revenues, cost of revenue and gross profit 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,	
	2021	2020	2021	2020
<b>Net revenues:</b>				
Clinical Services	\$ 102,227	\$ 108,733	\$ 300,119	\$ 275,599
Pharma Services	19,113	16,711	58,478	42,852
Total revenue	121,340	125,444	358,597	318,451
<b>Cost of revenue:</b>				
Clinical Services <sup>(1)</sup>	59,560	60,607	178,358	158,287
Pharma Services	14,541	10,772	38,436	31,724
Total cost of revenue	74,101	71,379	216,794	190,011
<b>Gross Profit:</b>				
Clinical Services	42,667	48,126	121,761	117,312
Pharma Services	4,572	5,939	20,042	11,128
Total gross profit	47,239	54,065	141,803	128,440
<b>Operating expenses:</b>				
General and administrative	63,839	36,128	158,953	107,085
Research and development	7,409	1,964	13,360	6,129
Sales and marketing	15,704	11,304	46,677	34,757
Total operating expenses	86,952	49,396	218,990	147,971
<b>Loss (income) from operations</b>	<b>(39,713)</b>	<b>4,669</b>	<b>(77,187)</b>	<b>(19,531)</b>
Interest expense, net	1,296	2,458	3,375	4,825
Other income, net	(89)	(11)	(431)	(7,639)
Gain on investment in and loan receivable from non-consolidated affiliate, net	(17,750)	—	(109,260)	—
Loss on extinguishment of debt	—	—	—	1,400
Loss on termination of cash flow hedge	—	—	—	3,506
(Loss) income before taxes	(23,170)	2,222	29,129	(21,623)
Income tax benefit	(2,822)	(335)	(4,283)	(10,378)
<b>Net (loss) income</b>	<b>\$ (20,348)</b>	<b>\$ 2,557</b>	<b>\$ 33,412</b>	<b>\$ (11,245)</b>

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

<sup>(1)</sup> Clinical Services cost of revenue for the three months ended September 30, 2021 includes \$4.3 million of amortization of acquired developed technology intangible assets. Clinical Services cost of revenue for the nine months ended September 30, 2021 includes \$5 million of amortization of acquired Inivata developed technology intangible assets and write-offs of \$5.3 million for COVID-19 PCR testing inventory. Pharma Services cost of revenue for the three and nine months ended September 30, 2021 includes \$0.5 million of amortization of acquired Inivata developed technology intangible assets.

*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 Stock Market LLC (“NASDAQ”) 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.

## **COVID-19 Pandemic**

In December 2019, a novel strain of coronavirus (“COVID-19”) was identified and the disease has since spread across the world, including the United States. In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The outbreak of the pandemic is materially adversely affecting the Company’s employees, patients, communities and business operations, as well as the United States (“U.S.”) economy and financial markets. The full extent to which the COVID-19 outbreak will impact the Company’s business, results of operations, financial condition and cash flows will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19, including related variants, and the actions to contain it or treat its impact and the economic impact on local, regional, national and international markets. As the COVID-19 pandemic continues, the Company’s results of operations, financial condition and cash flows may continue to be materially adversely affected, particularly if the pandemic persists for a significant amount of time.

The impact from the COVID-19 pandemic and the related disruptions have had a material adverse impact on our results of operations, volume growth rates and test volumes in 2020 and the first nine months of 2021. Demand may fluctuate depending on the duration and severity of the COVID-19 pandemic, the length of time it takes for normal economic and operating conditions to resume, additional governmental actions that may be taken and/or extensions of time for restrictions that have been imposed to date, and numerous other uncertainties. Such events may result in business disruption and reduced revenues, any of which could materially affect our business, financial condition, and results of operations.

We have taken significant actions to protect our employees and maintain a safe environment while ensuring continuity of critical oncology testing for cancer patients. Among other actions, we have de-densified our laboratories and facilities, adjusted laboratory shifts, restricted visitors to facilities, restricted employee travel, implemented an emergency paid time off policy, provided remote work-environment training and support, and managed our supply chains. Importantly, all main laboratory facilities have remained open and there has been an uninterrupted continuity of high-quality testing services for clients. The Company’s top priority remains the health and safety of employees and continued quality and service for all clients with a focus on patient care. We believe that we are positioned to recover from the effects of the COVID-19 pandemic.

For additional information on risk factors related to the pandemic or other risks that could impact our results, please refer to the Company’s Form 10-K under Item 1A, “Risk Factors” for the year ended December 31, 2020, as filed with the SEC on February 25, 2021, and in Part II, Item 1A. “Risk Factors” in the Quarterly Report on Form 10-Q.

## **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 be the world’s leading cancer testing and information company by delivering uncompromising quality, exceptional service and innovative solutions.

As of September 30, 2021, the Company has laboratory locations in Fort Myers and Tampa, Florida; Aliso Viejo, Carlsbad, and San Diego, California; Research Triangle Park, North Carolina; Houston, Texas; Atlanta, Georgia; Nashville, Tennessee; Cambridge, United Kingdom; Rolle, Switzerland; and Singapore. We currently offer the following types of testing services:

- a. Cytogenetics (“karyotype analysis”) - the study of normal and abnormal chromosomes and their relationship to disease. Cytogenetics 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") monitoring.
- d. Immunohistochemistry ("IHC") and Digital Imaging – 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: liquid biopsy tests for advanced non-small cell lung cancer, all solid tumor types (pan-cancer), and certain breast cancer cases; 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 – 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 from 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 a second opinion. In the latter setting, the expert pathologists at NeoGenomics assist our client pathologists on some of 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, reference labs, and academic centers can empower them to expand their breadth of testing to provide a menu of services that could match or exceed 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.

NeoGenomics is a leading provider of Molecular and NGS testing. These tests are interpreted by NeoGenomics' team of Molecular experts and are often ordered in conjunction with other testing modalities. NGS panels are one of our fastest growing testing areas and clients can often receive a significant amount of biomarker information from very limited samples. These comprehensive panels can allow for faster treatment decisions for patients as compared to a series of single-gene molecular tests being ordered sequentially. NeoGenomics has one of the broadest Molecular menus in the industry and our targeted NeoTYPE panels include genes relevant to a particular cancer type, as well as other complementary tests such as IHC and



FISH. This comprehensive menu means that NeoGenomics can be a “one-stop shop” for our clients who can get all of their oncology testing needs satisfied by our laboratory. This is attractive to our clients as patient samples do not need to be split and then managed across several laboratories. NeoGenomics expects our Molecular laboratory and NGS capabilities to be a key growth driver in the coming years.

In addition, we directly serve oncology, dermatology and other clinician practices that prefer to have a direct relationship with a laboratory for cancer-related genetic testing services. We typically serve these types of clients with a comprehensive service offering where we perform both the technical and professional components of the tests ordered. In certain instances, larger clinician practices have begun to internalize pathology interpretation services, and 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 revenue consists of three revenue streams:

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

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 provides 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-clinical and non-clinical work, we can use our platforms to characterize markers of interest. Moving from discovery to development, we seek to 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 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.

We believe that NeoGenomics is well positioned to service Pharma sponsors across the full continuum of the drug development process. Our Pharma Services team can work with them during the basic research and development phase as compounds come out of translational research departments as well as work with clients from Phase I clinical trials through Phases II and III as the sponsors work to prove the efficacy of their drugs. The laboratory biomarker tests that are developed during this process may become companion diagnostic (“CDx”) tests that will be used on patients to determine if they could respond to a certain therapy. NeoGenomics is able to offer these CDx tests to the market immediately after FDA approval as part of our Day 1 readiness program. This ability helps to speed the commercialization of their drug and can enable Pharma sponsors to reach patients through NeoGenomics broad distribution channel in the Clinical Services segment.

We are continuing to develop and broaden our informatics and data-related tools to leverage our unique market position and oncology expertise to help our stakeholders solve real-world problems such as identifying patients for clinical trials or providing clinical decision support tools for physicians and providers. We are committed to connecting patients with life altering therapies and trials. In carrying out these commitments, we aim to provide transparency and choice to patients regarding the handling and use of their data through our Notice of Privacy Practices, and have invested in leading technologies to seek to ensure the data we maintain is secured at all times.

#### **2021 Focus Areas:**

We are committed to sustainable growth while being an innovative leader in our industry. Our focus for 2021 includes initiatives to drive consistent and profitable growth while pursuing innovation and maintaining exceptional service levels. We

expect these initiatives to allow the Company to continue on its path to become one of the world's leading cancer testing and information company.

#### Strengthen Our World-Class Culture

Fortifying our culture to closely align with the values of our Company is a key priority. We will invest in the development of our people by creating mentoring, coaching 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 and are imperative to providing a meaningful work experience for our employees.

We value the health of our employees and want them to perform at their best, personally and professionally. We actively promote the health and well-being of our employees and recognize that overall health goes beyond greater health benefits and preventative care and includes a variety of areas such as physical, emotional and financial health. We provide a variety of programs to promote the improvement of our employees' health in these and other areas.

Building a resilient, sustainable organization is central to the success of our Company. Our focus is on expanding our purpose to extend beyond the organization to include all stakeholders. This includes the communities we serve and our society as a whole. We build our talent through coaching and mentoring programs to meet the demands of our critical work of the future and our leadership needs. We seek to partner within our communities to remove barriers and sponsor educational opportunities needed to meet our highly-skilled workforce demands.

#### Continue to Provide Uncompromising Quality and Exceptional Service

Maintaining the highest quality laboratory operations and service levels has helped us to consistently grow our business. We are continuously looking for ways to improve quality and implement best practices to streamline processes. We are focused on increasing automation with solutions that we expect will maintain quality while improving efficiency in operations.

We will continue to grow a culture of quality through our leadership, coaching and employee training initiatives. We aim to empower our employees to deliver high-quality results in their respective functions. We will implement initiatives to measure and improve turnaround times while maintaining a culture of quality, which we expect will continue to meet or exceed our customers' expectations.

#### Pursue Innovation and Growth

Our plans for 2021 include initiatives to continue to drive sustainable growth and innovation. We will continue to pursue market share gains by providing high complexity, cancer-related laboratory testing services to hospitals, community-based pathology and oncology practices, academic centers, clinicians, and pharmaceutical companies. Additionally, we will focus on continued reimbursement effectiveness through improving coverage, streamlining processes, and providing clients more efficient, automated ordering methods, which we believe will continue to fuel our growth and market share.

Our laboratory and informatics teams will continue to focus on new assays and product offerings, including liquid biopsy, MRD and other high-quality tests. We expect this to enhance our strategic position while enabling us to maintain our high levels of client retention.

Our broad and innovative test menu of molecular, including NGS, IHC, and other testing 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 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. We are also focused on investing in business development and informatics capabilities to partner with our key stakeholders, including patients, providers, payers, and pharmaceutical companies to provide solutions to current or near-term problems that they face.

#### **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 differentiates 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 by our Clinical Services segment is a competitive strength and a driver of additional testing requests by 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 our Pharma Services segment.

#### World-class Medical and Scientific Team

Our team of medical professionals and Ph.Ds. are specialists in the field of genetics, oncology and pathology. As of September 30, 2021, we employed or contracted with approximately 135 M.D.s and Ph.Ds. 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 their testing results. In our global service offerings, our lab performs the technical component of the tests and our M.D.s and Ph.Ds. 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.

We believe we have one of the broadest Molecular and Next Generation Sequencing test menus in the world. Clients have the ability to order single gene molecular tests, targeted NeoTYPE panels that include the relevant actionable genes for a particular cancer type as well as large NGS panels. Our Pharma Services Division offers a full range of sequencing testing including whole exome and whole genome sequencing. Our menu enables us to be a true “one-stop shop” for our clients as we can meet all of their oncology testing needs.

#### 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 nine regions - Northeast, Southeast, South Central, Great Lakes, Midwest, Southwest, Mid-Atlantic, Florida, and Capital. 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 I, II and III 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 Services (“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. Our sales force educates clients on new test offerings and their proper utilization and our representatives are often seen as trusted advisors by our clients.

#### **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.

In our Pharma Services segment, we enter into both short-term and long-term contracts, ranging from one month to several years. While the volume of this testing is not as directly affected by seasonality as described above, the testing volume does

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

vary based on the terms of the contract. Our volumes are often based on how quickly sponsors can get patient enrollees for their trials and seasonality can impact how quickly they can get patients enrolled. Many of our long-term contracts contain specific performance obligations where the testing is performed on a specific schedule. This results in revenue that is not consistent among periods. In addition, this results in backlog that can be significant.

**Results of Operations for the Three and Nine Months Ended September 30, 2021 as Compared to the Three and Nine Months Ended September 30, 2020**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue <sup>(1)</sup>	61.1 %	56.9 %	60.5 %	59.7 %
Gross Profit	38.9 %	43.1 %	39.5 %	40.3 %
Operating expenses:				
General and administrative	52.6 %	28.8 %	44.3 %	33.6 %
Research and development	6.1 %	1.6 %	3.7 %	1.9 %
Sales and marketing	12.9 %	9.0 %	13.0 %	10.9 %
Total operating expenses	71.6 %	39.4 %	61.0 %	46.4 %
(Loss) income from operations	(32.7)%	3.7 %	(21.5)%	(6.1)%
Interest expense, net	1.1 %	2.0 %	0.9 %	1.5 %
Other income, net	(0.2)%	— %	(0.1)%	(2.4)%
Gain on investment in and loan receivable from non-consolidated affiliate, net	(14.6)%	— %	(30.5)%	— %
Loss on extinguishment of debt	— %	— %	— %	0.4 %
Loss on termination of cash flow hedge	— %	— %	— %	1.1 %
(Loss) income before taxes	(19.0)%	1.7 %	8.2 %	(6.7)%
Income tax benefit	(2.3)%	(0.3)%	(1.2)%	(3.3)%
Net (loss) income	(16.7)%	2.0 %	9.4 %	(3.4)%

<sup>(1)</sup>Cost of revenue for the three months ended September 30, 2021 includes \$4.8 million of amortization of acquired Inivata developed technology intangible assets. Cost of revenue for the nine months ended September 30, 2021 includes \$5.6 million of amortization of acquired Inivata developed technology intangible assets and write-offs of \$5.3 million for COVID-19 PCR testing inventory.

Clinical and Pharma Services net revenues for the periods presented are as follows (\$ in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
Net revenue:								
Clinical Services	\$ 102,227	\$ 108,733	\$ (6,506)	(6.0)%	\$ 300,119	\$ 275,599	\$ 24,520	8.9 %
Pharma Services	19,113	16,711	2,402	14.4 %	58,478	42,852	15,626	36.5 %
Total revenue	\$ 121,340	\$ 125,444	\$ (4,104)	(3.3)%	\$ 358,597	\$ 318,451	\$ 40,146	12.6 %

**Revenue**

Consolidated revenues decreased \$4.1 million, or 3.3%, year-over-year. Clinical Services revenue for the three and nine months ended September 30, 2021 decreased \$6.5 million and increased \$24.5 million, respectively, when compared to the same periods in 2020. Clinical testing volume<sup>(1)</sup> increased by approximately 6.8% and 14.7% for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020. The increase in Clinical Services revenue from these Clinical testing volume<sup>(1)</sup> increases were partially offset by a decrease in COVID-19 PCR testing revenue for the same periods. The Company exited its COVID-19 PCR testing in March 2021 and had no COVID-19 PCR testing revenue in the three months ended September 30, 2021 and \$1.6 million of COVID-19 PCR testing revenue in the nine months ended September 30, 2021. In the three and nine months ended September 30, 2020, the Company had \$17 million and \$18.9 million of COVID-19 PCR testing revenue, respectively.

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

Due to the broad roll-out of the COVID-19 vaccine and a sharp decline in the demand for COVID-19 PCR testing, we made the decision at the end of the first quarter 2021 to exit from COVID-19 PCR testing which was included in Clinical Services segment revenue. The Clinical division's continued focus is its broad and innovative testing menu as well as any future new product offerings.

Pharma Services revenue for the three and nine months ended September 30, 2021 increased \$2.4 million and \$15.6 million, respectively, compared to the same periods in 2020. In addition, our backlog of signed contracts has continued to grow from \$208.9 million as of December 31, 2020 to \$261 million as of September 30, 2021. We expect this backlog to result in higher revenues in future quarters.

The following table shows Clinical revenue, cost of revenue, requisitions received and tests performed for the three and nine months ended September 30, 2021 and 2020, excluding requisitions, tests, revenue and costs of revenue for Pharma Services and COVID-19 PCR tests. Testing revenue and cost of revenue are presented in thousands below:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
<b>Clinical<sup>(2)</sup>:</b>						
Requisitions (cases) received	159,625	147,518	8.2 %	473,898	406,250	16.7 %
Number of tests performed	272,732	255,458	6.8 %	815,008	710,678	14.7 %
Average number of tests/requisitions	1.71	1.73	(1.2)%	1.72	1.75	(1.7)%
Clinical testing revenue	\$ 102,227	\$ 91,777	11.4 %	\$ 298,563	\$ 256,680	16.3 %
Average revenue/requisition	\$ 640	\$ 622	2.9 %	\$ 630	\$ 632	(0.3)%
Average revenue/test	\$ 375	\$ 359	4.5 %	\$ 366	\$ 361	1.4 %
Cost of revenue	\$ 55,321	\$ 50,401	9.8 %	\$ 165,457	\$ 146,645	12.8 %
Average cost/requisition	\$ 347	\$ 342	1.5 %	\$ 349	\$ 361	(3.3)%
Average cost/test	\$ 203	\$ 197	3.0 %	\$ 203	\$ 206	(1.5)%

<sup>(2)</sup>Clinical tests exclude requisitions, tests, revenue and costs of revenue for Pharma Services and COVID-19 PCR tests. Cost of revenue also excludes the amortization for acquired Invivata developed technology intangible assets.

Average revenue per test increased 4.5% and 1.4% for the three and nine months ended September 30, 2021, respectively, compared to the corresponding periods in 2020.

**Cost of Revenue and Gross Profit**

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.

Average cost per clinical test increased 3.0% and decreased 1.5% for the three and nine months ended September 30, 2021, respectively, compared to the corresponding periods in 2020, reflecting volume fluctuations due to the COVID-19 pandemic and the fixed nature of many of our laboratory costs. In 2020, we did not reduce our workforce due to temporary declines in volume related to the COVID-19 pandemic.

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

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

(\$ in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	% Change	2021	2020	% Change
<b>Cost of revenue:</b>						
Clinical Services <sup>(3)</sup>	\$ 59,560	\$ 60,607	(1.7)%	\$ 178,358	\$ 158,287	12.7 %
Pharma Services	14,541	10,772	35.0 %	38,436	31,724	21.2 %
Total cost of revenue	\$ 74,101	\$ 71,379	3.8 %	\$ 216,794	\$ 190,011	14.1 %
Cost of revenue as a % of revenue	61.1%	56.9%		60.5%	59.7%	
<b>Gross profit:</b>						
Clinical Services	\$ 42,667	\$ 48,126	(11.3)%	\$ 121,761	\$ 117,312	3.8 %
Pharma Services	4,572	5,939	(23.0)%	20,042	11,128	80.1 %
Total gross profit	\$ 47,239	\$ 54,065	(12.6)%	\$ 141,803	\$ 128,440	10.4 %
Gross profit margin	38.9%	43.1%		39.5%	40.3%	

<sup>(3)</sup> Clinical Services cost of revenue for the three months ended September 30, 2021 includes \$4.3 million of amortization of acquired Inivata developed technology intangible assets. Clinical Services cost of revenue for the nine months ended September 30, 2021 includes \$5 million of amortization of acquired Inivata developed technology intangible assets and write-offs of \$5.3 million for COVID-19 PCR testing inventory. Pharma Services cost of revenue for the three and nine months ended September 30, 2021 includes \$0.5 million of amortization of acquired Inivata developed technology intangible assets.

Consolidated cost of revenue increased for the three and nine months ended September 30, 2021 when compared to the same periods in 2020 due to increases in supplies expense due to higher volume, write-offs related to our exit from COVID-19 PCR testing, and payroll related costs. Gross profit margin decreased for the three and nine months ended September 30, 2021, compared to the same periods in 2020 as a result of the combined effect of lower testing volume due to the resurgence of the COVID-19 pandemic and the fixed nature of many of our laboratory costs.

General and Administrative Expenses

General and administrative expenses consist of payroll and payroll related costs for our executive, 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,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
General and administrative	\$ 63,839	\$ 36,128	\$ 27,711	76.7 %	\$ 158,953	\$ 107,085	\$ 51,868	48.4 %
As a % of revenue	52.6 %	28.8 %			44.3 %	33.6 %		

General and administrative expenses increased \$27.7 million and \$51.9 million for the three and nine months ended September 30, 2021, respectively, when compared to the same periods in 2020. These increases primarily reflected acquisition and integration costs related to the acquisitions of Inivata and Trapelo, a loss contingency for the regulatory matter, an increase in payroll and payroll-related costs due to increases in personnel to support our near and long-term growth, and an increase in professional fees.

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.

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

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

(\$ in thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
Research and development	\$ 7,409	\$ 1,964	\$ 5,445	277.2 %	\$ 13,360	\$ 6,129	\$ 7,231	118.0 %
As a % of revenue	6.1 %	1.6 %			3.7 %	1.9 %		

Research and development expenses increased \$5.4 million and \$7.2 million for the three and nine months ended September 30, 2021 when compared to the same periods in 2020. These increases were driven by investments in new test development and FDA initiatives.

We anticipate research and development expenditures will significantly increase in future quarters as we continue to invest in development costs for 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,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
Sales and marketing	\$15,704	\$ 11,304	\$ 4,400	38.9 %	\$ 46,677	\$ 34,757	\$ 11,920	34.3 %
As a % of revenue	12.9 %	9.0 %			13.0 %	10.9 %		

Sales and marketing expenses increased \$4.4 million and \$11.9 million for the three and nine months ended September 30, 2021, respectively, when compared to the same periods in 2020. These increases primarily reflect 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 our sales representatives continue generating new business in both of our business segments. We expect our sales and marketing expenses over the long term to align with changes in revenue.

Interest Expense, net

Net interest expense decreased \$1.2 million and \$1.5 million for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020. Interest expense reflects the effective interest rate on the 2028 Convertible Notes and the 2025 Convertible Notes which is 0.70% and 1.96%, respectively. Interest on the 2028 Convertible Notes and 2025 Convertible Notes began accruing upon issuance and is payable semi-annually. For further details regarding the convertible notes, please refer to Note 8. Debt, in the accompanying notes to the unaudited Consolidated Financial Statements.

Gain on Investment In and Loan Receivable from Non-Consolidated Affiliate, Net

The Company recorded a gain on investment in and loan receivable from non-consolidated affiliate, net, within the Company's Consolidated Statements of Operations of \$17.8 million and \$109.3 million in the three and nine months ended September 30, 2021, respectively, for the excess of the acquisition-date fair value of the Company's previously-held equity interest, Purchase Option, and Line of Credit over their carrying values. There were no such amounts for the three and nine months ended September 30, 2020. For further details regarding the previously-held equity investment, purchase option in Inivata and the related gain, please refer to Note 3. Acquisitions and Note 7. Investment in Non-Consolidated Affiliate, in the accompanying notes to the unaudited Consolidated Financial Statements.

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

**(Loss) Income Per Share**

The following table provides consolidated net (loss) income for each period along with the computation of basic and diluted net (loss) income per share for the three and nine months ended September 30, 2021 and 2020 (in thousands, except net (loss) income per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>Adjustment to net (loss) income for convertible notes in diluted EPS<sup>(4)</sup></i>				
<b>Net (loss) income</b>	\$ (20,348)	\$ 2,557	\$ 33,412	\$ (11,245)
Convertible note accretion, amortization, and interest, net of tax	—	1,975	—	—
<b>Net (loss) income used in diluted EPS</b>	<b>\$ (20,348)</b>	<b>\$ 4,532</b>	<b>\$ 33,412</b>	<b>\$ (11,245)</b>
Basic weighted average shares outstanding	122,559	110,461	119,087	107,605
Diluted weighted average shares outstanding	122,559	119,191	121,356	107,605
Basic net (loss) income per share	\$ (0.17)	\$ 0.02	\$ 0.28	\$ (0.10)
Diluted net (loss) income per share	\$ (0.17)	\$ 0.04	\$ 0.28	\$ (0.10)

<sup>(4)</sup>This adjustment compensates for the effects of the if-converted impact of convertible notes in net income. Since an entity using the if-converted method assumes that a convertible debt instrument was converted into common shares at the beginning of the reporting period, net income is adjusted to reverse any recognized interest expense (including any amortization of discounts).

**Non-GAAP Measures**

***Use of Non-GAAP Financial Measures***

The financial results and financial guidance include the use of 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 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 business. Management believes that these non-GAAP financial measures may assist investors in evaluating the operating results and future prospects. 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 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 recorded costs against its net revenue. In addition, the 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 (loss) income from continuing operations before: (i) interest expense, (ii) tax (benefit) or 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) write-off of COVID-19 PCR testing inventory and equipment, (vii) new headquarters moving expenses, (viii) gain on investment in and loan receivable from non-consolidated affiliate, net, (ix) loss contingency for regulatory matter, and (x) other significant or non-operating (income) or expenses, net.



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

The following is a reconciliation of GAAP net (loss) income to Non-GAAP EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2021:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Net (loss) income (GAAP)</b>	\$ (20,348)	\$ 2,557	\$ 33,412	\$ (11,245)
<i>Adjustments to net (loss) income:</i>				
Interest expense, net	1,296	2,458	3,375	4,825
Income tax benefit	(2,822)	(335)	(4,283)	(10,378)
Amortization of intangibles	8,474	2,468	14,683	7,387
Depreciation	8,178	6,528	21,807	18,705
<b>EBITDA (non-GAAP)</b>	<b>\$ (5,222)</b>	<b>\$ 13,676</b>	<b>\$ 68,994</b>	<b>\$ 9,294</b>
<i>Further adjustments to EBITDA:</i>				
Acquisition and integration related expenses	1,533	446	13,345	1,852
Write-off of COVID-19 PCR testing inventory and equipment	—	—	6,061	—
New headquarters moving expenses	775	—	1,143	—
Non-cash stock-based compensation expense	5,237	2,715	12,396	7,536
Gain on investment in and loan receivable from non-consolidated affiliate, net	(17,750)	—	(109,260)	—
Loss contingency for regulatory matter	10,500	—	10,500	—
Other significant expenses (income), net <sup>(1)</sup>	1,814	(105)	2,445	(2,100)
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ (3,113)</b>	<b>\$ 16,732</b>	<b>\$ 5,624</b>	<b>\$ 16,582</b>

<sup>(1)</sup> Other significant expenses (income), net, includes strategic deal costs, CEO transition costs, reimbursements received related to the CARES Act, cash flow hedge termination fees, debt retirement fees, and certain non-recurring items.

**Liquidity and Capital Resources**

To date, we have financed our operations primarily through cash generated from operations, public and private sales of debt and 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, 2021 and 2020 as well as balances of cash and cash equivalents and working capital:

(in thousands)	Nine Months Ended September 30,	
	2021	2020
Net cash (used in) provided by:		
Operating activities	\$ (6,947)	\$ (4,525)
Investing activities	(622,784)	(130,587)
Financing activities	722,825	227,332
Net change in cash, cash equivalents and restricted cash	93,094	92,220
Cash, cash equivalents and restricted cash, beginning of period	\$ 250,632	\$ 173,016
Cash, cash equivalents and restricted cash, end of period	\$ 343,726	\$ 265,236
Working Capital <sup>(1)</sup> , end of period	\$ 617,193	\$ 357,763

<sup>(1)</sup> Defined as current assets less current liabilities.

**Cash Flows from Operating Activities**

During the nine months ended September 30, 2021, cash used in operating activities was \$6.9 million, consisting of net income of \$33.4 million less adjustments to the net income of \$45.1 million. Included in net income was \$13.3 million of acquisition and integration costs. Included in the adjustments to the net income was \$109.3 million of realized net gain on investment in and loan receivable from non-consolidated affiliate and \$6.1 million of write-offs of COVID-19 PCR testing inventory and equipment related to the exit from COVID-19 PCR testing. The change in operating assets and liabilities was primarily driven by an increase in amounts funded for the development of our new headquarters and other prepaid assets, an increase in loss

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

contingency for the regulatory matter and an increase in accrued payroll liabilities due to increases in personnel. These increases were offset by a decrease in accounts receivable, net, due to timing of cash receipts and a decrease in inventory due to COVID-19 PCR testing inventory write-offs in the first quarter of 2021.

Cash Flows from Investing Activities

During the nine months ended September 30, 2021, cash used in investing activities was \$622.8 million, an increase of approximately \$492.2 million compared to the same period in 2020. This was due to \$419.4 million of net cash used for the acquisitions of Inivata and Trapelo as well as net investments in marketable securities of \$136.2 million, \$52.2 million of cash used for capital expenditures and the disbursement of a \$15 million loan receivable from non-consolidated affiliate.

Cash Flows from Financing Activities

During the nine months ended September 30, 2021, cash provided by financing activities was \$722.8 million compared to \$227.3 million in the same period in 2020. Cash provided by financing activities during the nine months ended September 30, 2021 consisted of \$408.1 million of net proceeds from equity offerings, convertible debt proceeds of \$334.4 million, net of issuance costs and \$12.1 million for the net issuance of common stock. This activity was offset by the use of cash in the amounts of \$29.3 million for premiums paid for capped call confirmations and \$2.5 million for the net repayment of equipment financing obligations.

Liquidity Outlook

We had \$340.6 million in unrestricted cash and cash equivalents as of September 30, 2021 in addition to \$202.1 million of marketable securities available to support current operational liquidity needs. We anticipate that the cash on hand, marketable securities and cash collections are sufficient to fund our near-term capital and operating needs for at least the next 12 months. Operating needs include, but are not limited to, the planned costs to operate our business, including amounts required to fund working capital and capital expenditures, continued research and development efforts, and potential strategic acquisitions and investments.

On January 6, 2021, we entered into an underwriting agreement relating to the issuance and sale of 4,081,632 shares of our common stock (the "2021 Common Stock Offering"), \$0.001 par value per share. The price to the public in this offering was \$49.00 per share and we agreed to sell the shares to the Underwriters at the public offering price, less underwriting discounts and commission of \$2.45 per share. Under the terms of the underwriting agreement, we also granted the Underwriters a 30-day option to purchase up to 612,244 additional shares of common stock at the public offering price, less underwriting discounts and commissions. On January 6, 2021, the Underwriters exercised their option and purchased all 612,244 shares. The net proceeds from the 2021 Common Stock Offering and full exercise of the Underwriters' option were approximately \$218.3 million, net of underwriting commissions of approximately \$11.7 million.

On January 11, 2021, we completed the sale of \$345 million of 0.25% Convertible Senior Notes due January 2028 (the "2028 Convertible Notes"), including the full exercise of the underwriters' option to purchase an additional \$45 million aggregate principal amount of the 2028 Convertible Notes (the "2028 Over-allotment Option") on the same terms and conditions, solely to cover over-allotments with respect to the 2028 Convertible Notes offering. The total net proceeds from the issuance of the 2028 Convertible Notes and the total exercise of the 2028 Over-allotment Option was approximately \$334.4 million, which includes approximately \$10.6 million of discounts, commissions and offering expenses paid by the Company. For further details regarding the 2028 Convertible Notes, please refer to Note 8. Debt, in the accompanying notes to the unaudited Consolidated Financial Statements.

We used \$29.3 million of the net proceeds from the offerings to enter into capped call transactions. We intend to use the remaining net proceeds from the offerings for general corporate purposes and/or to acquire or invest in complementary businesses and technologies.

On June 18, 2021, we completed a private placement ("Private Placement") to certain accredited investors of an aggregate of 4,444,445 shares of our common stock at a price of \$45.00 per share. The net proceeds from the Private Placement were approximately \$189.9 million, after deducting fees to the placement agents and other offering expenses of approximately \$10.1 million. We used the net proceeds from the Private Placement for the acquisition of Inivata.

We anticipate that the cash on hand, marketable securities and cash collections are sufficient to fund our near-term capital and operating needs for at least the next 12 months. Operating needs include, but are not limited to, the planned costs to operate our business, including amounts required to fund working capital and capital expenditures, continued research and development efforts, and potential strategic acquisitions and investments.

**Capital Expenditures**

We 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 capital expenditures for the year ending December 31, 2021 will be in the range of \$60 million to \$75 million, including capital expenditures related to Trapelo and Inivata. During the nine months ended September 30, 2021, we purchased, with cash, approximately \$52.2 million of capital equipment, software and leasehold improvements. We have funded and plan to continue funding these capital expenditures with cash and financing.

**Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with United States generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. Please refer to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020 and Note 2. Summary of Significant Accounting Policies, in the accompanying notes to the unaudited Consolidated Financial Statements for a complete description of our significant accounting policies.

**Off-balance Sheet Arrangements**

As of September 30, 2021, we do not use or have 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 risks, including changes in interest rates and foreign currency exchange rates.

#### Interest Rate Risk

We are exposed to interest rate risk on our short-term investments. The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest in highly liquid and high-quality U.S. government and other highly credit rated debt securities. To minimize our exposure due to adverse shifts in interest rates, we invest in short-term securities with short maturities. If a 1% change in interest rates were to have occurred on September 30, 2021, this change would not have had a material effect on the fair value of our investment portfolio as of that date. Due to the short holding period of our investments, we have concluded that we do not have a material financial market risk exposure.

#### Foreign Currency Exchange Risk

We have operations in Cambridge, United Kingdom; Rolle, Switzerland; Suzhou, China; and Singapore. Our international revenues and expenses denominated in foreign currencies (primarily British Pounds, Swiss Francs, Chinese Renminbi and Singapore Dollars) expose us to the risk of fluctuations in foreign currency exchange rates against the U.S. dollar. We do not hedge foreign currency exchange risks and do not currently believe that these risks are significant.

### 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, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On July 1, 2021, we shifted from our existing Great Plains Dynamics enterprise resource planning (“ERP”) system to a hosted, cloud-based Oracle ERP system (“Oracle”). In connection with the Oracle implementation, we performed pre-implementation planning, design and testing of internal controls that became effective in the third quarter of 2021. We continue to conduct post-implementation monitoring and process modifications in order to maintain effective 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. For further information on legal proceedings, please refer to Note 14, Commitments and Contingencies, in the notes to the unaudited Consolidated Financial Statements.

## ITEM 1A. RISK FACTORS

The following risk factors are in addition to the risks described in Part I, Item 1A, “Risk Factors” contained in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on February 25, 2021. The effects of the events and circumstances described in the following risk factors may heighten the risks contained in the Company’s Annual Report on Form 10-K.

**We may be unable to make, on a timely basis, necessary changes to our internal control structure resulting from the acquisitions of Trapelo and Inivata.**

Trapelo and Inivata are now included in our reporting under the Securities Exchange Act of 1934. Under the Sarbanes-Oxley Act of 2002, we must maintain effective disclosure controls and procedures and internal control over financial reporting. We are in the process of migrating Trapelo’s and Inivata’s operations to our system of internal controls. Therefore, we may face difficulties or experience delays in developing changes or potentially necessary improvements to their internal controls and accounting systems in order to ensure compliance with the requirements of the Sarbanes-Oxley Act. We may need to commit substantial resources, including substantial time from existing accounting personnel and from external consultants, to implement additional procedures and improved controls. This in turn could have an adverse effect on our business, results of operations, or financial condition, harm our reputation, or otherwise cause a decline in investor confidence and our stock price.

**Trapelo and Inivata may have liabilities that are not known, probable or estimable at this time.**

Trapelo and Inivata are now wholly-owned subsidiaries of ours and there could be unasserted claims or assessments that we failed or were unable to discover or identify in the course of performing due diligence investigations of these entities. In addition, there may be liabilities that are neither probable nor estimable at this time which may become probable and estimable in the future. We may learn additional information about Trapelo and Inivata that adversely affects us, such as unknown, unasserted or contingent liabilities and issues relating to compliance with applicable laws, including federal healthcare laws. Any of the foregoing, individually or in the aggregate, if not covered by the indemnification obligations of the Trapelo or Inivata sellers or our representation and warranty insurance, could have a material adverse effect on our business.

**We are exposed to liability, penalties or limitations on our operations due to failure to comply with significant government regulation and laboratory operations.**

We are subject to extensive state and federal regulatory oversight. Specifically, each of our laboratories must satisfy federal requirements under CLIA and to maintain the appropriate CLIA Certificate for all testing performed at the lab. Additionally, most states have adopted various laws and regulations setting standards for laboratories performing clinical laboratory testing and requiring laboratories to obtain and maintain a state laboratory license before the laboratory is authorized to perform testing. These state licensure laws address a host of requirements and often include permissible and prohibited practices involving digital health, including but not limited to telehealth and telepathology.

Periodic inspections or surveys are performed to determine whether our laboratory locations are compliant with CLIA requirements or with applicable state licensure or certification laws. The sanctions for failure to comply with CLIA, state licensure requirements, or other applicable laws and regulations include the suspension, revocation, or limitation of the right to perform clinical laboratory services or receive compensation for those services, as well as the requirement to enter into a corrective action plan to monitor compliance, and the imposition of civil or criminal penalties or administrative fines. In addition, any new legislation or regulation or the application of existing laws and regulations in ways that we have not anticipated could have a material adverse effect on our business, results of operations and financial condition.

Existing federal laws governing Medicare and Medicaid, as well as some other state and federal laws, also regulate certain aspects of the relationship between healthcare providers, including clinical laboratories, and their referral sources, including physicians, hospitals and other laboratories. Certain of these laws, including the federal Anti-Kickback Statutes (“AKS”) and the federal physician self-referral law (the “Stark Law”) contain extremely broad proscriptions. Violation of these laws results in criminal penalties, exclusion from participation in the Medicare, Medicaid, and other federal healthcare programs, repayment of reimbursement received related to services tied to any impermissible referrals, or civil monetary penalties, which may be significant, as well as potential False Claims Act liability. Government authorities may determine that our arrangements with physicians and other clients do not comply with the federal AKS, Stark Law and similar state laws and impose civil monetary penalties or exclude us based on our arrangements with physicians and other clients. The Company, for example, is voluntarily

conducting an internal investigation, with the assistance of outside counsel, that focuses on the compliance of certain consulting and service agreements with federal healthcare laws and regulations, including those relating to fraud, waste and abuse. Based on this internal investigation, the Company voluntarily notified the Office of Inspector General of the U.S. Department of Health and Human Services (“OIG”) of the Company’s internal investigation in November 2021. The Company’s review of this matter is ongoing. As of September 30, 2021, the Company has accrued a reserve of \$10.5 million in other long-term liabilities on the Consolidated Balance Sheets for potential damages and liabilities associated with the federal healthcare program revenue received by the Company in connection with the agreements at issue that were identified during the course of this internal investigation. This reserve reflects management’s best estimate of the minimum probable loss associated with this matter. As a result of the ongoing investigation and interactions with regulatory authorities, the Company may accrue additional reserves for any related potential damages and liabilities arising out of this matter. At this time, the Company is unable to predict the duration, scope, result or related costs associated with any further investigation, including by the OIG, or any other governmental authority, or what penalties or remedial actions they may seek. Accordingly, at this time, the Company is unable to estimate a range of possible loss in excess of the amount reserved. Determinations that the Company’s operations or activities do not, or did not, comply with laws or regulations, however, may result in the imposition of civil or criminal fines, penalties, disgorgement, restitution, equitable relief, or other losses or conduct restrictions, which could be material to the Company’s financial results or business operations.

The federal Civil Monetary Penalties Law (“federal CMP Law”) imposes civil monetary penalties and potential exclusion from Medicare and Medicaid programs on any person who offers or transfers remuneration to any patient who is a Medicare or Medicaid beneficiary, when the person knows or should know that the remuneration is likely to induce the patient to receive medical services from a particular provider. The federal CMP Law applies, among other things, to many kinds of inducements or benefits provided to patients, including complimentary items, services or transportation that are of more than nominal value. Government authorities may determine our operations and provision of services do not comply with the law and its interpretations and impose civil monetary penalties and exclude us from participation in Medicare and Medicaid for past or present practices related to patient incentive, coordination of care and need-based programs.

Furthermore, HIPAA, the HITECH Act, (as implemented through HIPAA’s privacy and security regulations) and similar state laws contain provisions that require the electronic exchange of health information, such as claims submission and receipt of remittances, using standard transactions and code sets, which we refer to as “Standards”, and regulate the use and disclosure of patient records and other PHI. These provisions, which address security and confidentiality of patient information as well as the administrative aspects of claims handling, have very broad applicability and govern many healthcare providers, including physicians and clinical laboratories. Failure to comply with the Standards, the HIPAA privacy and security regulations, and applicable state privacy and security laws, risks a material adverse effect on our business, results of operations and our financial condition and could subject us to liability. Additionally, while there is no private right of action under HIPAA, state Attorneys General may bring an action against a covered entity, such as us, for a violation of HIPAA, and the federal Office for Civil Rights can impose fines and penalties.

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

### Unregistered Sales of Equity Securities

None for the quarterly period ended September 30, 2021 that have not previously been included in a Current Report on Form 8-K.

### Issuer Purchases of Equity Securities

The following table sets forth information concerning our purchases of common stock for the periods indicated:

<u>Period of Repurchase</u>	<u>Total Number of Shares Purchased<sup>(1)</sup></u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</u>
July 1, 2021 - July 31, 2021	36	\$ 44.97	—	—
August 1, 2021 - August 30, 2021	5,981	46.11	—	—
September 1, 2021 - September 30, 2021	517	50.14	—	—
Total	6,534	46.43	—	—

<sup>(1)</sup>The Company's Equity Incentive Plan, as amended on May 27, 2021, allows participants to surrender already-owned shares having a fair market value equal to the required withholding tax related to the vesting of restricted stock. Pursuant to a share withholding election made by participants in connection with the vesting of such awards, all of which were outside of a publicly-announced repurchase plan, we acquired from such participants the shares noted in the table above to satisfy tax withholding obligations related to the vesting of their restricted stock. The average prices listed in the above table are averages of the fair market prices at which we valued shares withheld for purposes of calculating the number of shares to be withheld.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

ITEM 6. EXHIBITS

EXHIBIT NO.	DESCRIPTION
10.1*	<a href="#">Employment Agreement between NeoGenomics, Inc. and Halley Gilbert dated August 9, 2021.</a>
31.1	<a href="#">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</a>
31.2	<a href="#">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</a>
32.1	<a href="#">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</a>
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, 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 (Loss) Income and (v) related notes
104	The cover page of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in iXBRL (included within Exhibit 101 attachments)
*	Denotes a management contract or compensatory plan or arrangement.



**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 4, 2021**

**NEOGENOMICS, INC.**

By: */s/ Mark W. Mallon*  
Name: Mark W. Mallon  
Title: Director and Chief Executive Officer

By: */s/ Kathryn B. McKenzie*  
Name: Kathryn B. McKenzie  
Title: Chief Financial Officer

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (Agreement) is made this 9<sup>th</sup> day of August, 2021 by and between NeoGenomics, Inc. a Nevada corporation ("NeoGenomics") and collectively with any entity that is wholly or partially owned by NeoGenomics, the Company"), located at 12701 Commonwealth Drive, Suite #5, Fort Myers, Florida 33913 and Halley Gilbert ("Executive"), an individual who resides at [\*\*\*].

### RECITALS:

**WHEREAS**, the Company is engaged in the business of providing genetic and molecular diagnostic testing services to doctors, hospitals and other healthcare institutions; and

**WHEREAS**, NeoGenomics desires to employ Executive as an officer in the capacity of Chief Legal Officer (the CLO"), and Executive desires to be employed by NeoGenomics in such capacity, in accordance with the terms, covenants, and conditions as set forth in this Agreement.

**NOW, THEREFORE** in consideration of the mutual promises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, NeoGenomics and Executive agree as follows:

**1. Employment and Term.** Subject to the terms and conditions set forth in this Agreement, the Company hereby offers and the Executive hereby accepts employment as Chief Legal Officer, "CLO", beginning on August 17, 2021, or such other date as may be mutually agreed upon in writing (the "Effective Date"). The Executive's employment with the Company will be "at will" as such term is construed under Florida law. Either the Executive or the Company may terminate such employment at any time and for any reason, subject to the provisions of Sections 4 and 5 hereof. For purposes of this Agreement, the period from the Effective Date until the termination of the Executive's employment shall hereinafter be referred to as the "Term".

**2. Position and Duties.**

a) **Position.** During the Term hereof, Executive shall serve the Company as the CLO of both NeoGenomics, Inc., the parent company, and NeoGenomics Laboratories, Inc., the primary operating subsidiary, or such other position or positions as the Company and Executive may mutually agree upon in the future determine, at such location or locations as the Company may determine after consultation with the Executive. Executive will report to and be subject to the general supervision and direction of the Company's Chief Executive Officer (the "CEO"). If requested, Executive will serve in similar capacities for each or any subsidiary of NeoGenomics without additional compensation.

b) **Duties.** Executive shall perform such duties as are customarily performed by someone holding the title of CLO in the same or similar businesses or enterprises as that engaged in by the Company and such other duties as the CEO may assign from time to time. Executive shall devote Executive's full business time and best efforts, business judgment, skill and knowledge exclusively to the advancement of

the business and interests of the Company and its affiliates and to the discharge of Executive's duties and responsibilities hereunder. Executive shall not engage in any other business activity or serve in any industry, trade, professional, governmental or academic position during the Term, except as may be expressly approved in advance by the CEO in writing; provided, however, that Executive may, without advance approval, participate in charitable activities and passive personal activities, provided that such board positions and activities do not, individually or in the aggregate, interfere with the performance of Executive's duties under this Agreement, are not in conflict with the business interests of the Company or any of its affiliates, and do not violate the terms of that certain Confidentiality, Non-Solicitation and Non-Compete Agreement attached hereto as Addendum A. Notwithstanding anything herein to the contrary, Executive is approved for continued board services for the companies noted on Disclosure 1, as well as a short-term consulting relationship with Adagio Therapeutics.

c) **Compliance with Policies, Practices, etc.** During the Term hereof, Executive shall comply with all Company policies, practices and procedures and all codes of ethics and or business conduct as may be in effect for officers of the Company from time to time.

**3. Compensation and Benefits of Executive.** The Company shall compensate Executive for Executive's services rendered under this Agreement as follows:

a) **Base Salary.** Unless otherwise adjusted by the Culture and Compensation Committee of the Board (the "Compensation Committee"), the Company shall pay Executive a base salary of \$470,000 per annum (the "Base Salary"), payable in equal installments at such times as is consistent with normal Company payroll policy.

b) **Bonus.** Executive will be eligible for a performance-based bonus as a participant in the Company's Management Incentive Plan ("MIP"), which shall set annual target incentives for the Executive and other senior ranking employees that are determined by the Compensation Committee. The Company will target an annual bonus of up to 50% of the Executive's Base Salary (the "Target Bonus"), with the actual amount of the bonus, if any, to be determined by and in the sole discretion of the Compensation Committee after consideration of specified metrics established by the Company's Board or the Compensation Committee for such fiscal year.. Executive shall be eligible to receive up to 200% of the Target Bonus in the event that the Company's and/or the Executive's performance exceeds the thresholds set for the Target Bonus. Except as otherwise agreed to by the parties in writing, Executive must be employed hereunder on the last day of a fiscal year in order to be eligible for a bonus for such fiscal year, unless otherwise set forth herein.

c) **Benefits.** Subject to the eligibility requirements (including, but not limited to, participation by part-time employees), and enrollment provisions of the Company's employee benefit plans, Executive may, to the extent he or she so chooses, participate in any and all of the Company's employee benefit plans, at the Company's expense. All Company benefits are identified in the Company's Employee Handbook and are subject to change without notice or explanation. In addition, subject to the eligibility requirements (including, but not limited to, participation by a part-time employee) and enrollment provisions of the Company's executive benefit programs, Executive shall also be entitled to participate in any and all other benefits programs established for officers of the Company.

d) **Buyout Equity Award** On the Effective Date and, subject to Board approval, Executive will receive an equity grant pursuant to and governed by the Company's Amended and restated Equity Incentive Plan (the "Plan"). The equity grant shall have an aggregate target value equal to \$2,000,000, which grant value shall be Restricted Shares (the "Buyout Equity Award"). The number of Restricted Shares included in the Buyout Equity Award shall be determined according to the Company's customary practice for valuing equity grants and the Restricted Shares included in the Buyout Equity Award shall each vest ratably over a period of three years from the date of the grant, so long as Executive remains employed by the Company. In the event Executive is terminated by the Company without Cause, as defined in Section 4(b), or by the Executive for Good Reason, as defined in Section 4(c), any unvested portion of the Buyout Equity Award shall vest on the date of such termination.

e) **Sign-On Equity Award** On the Effective Date and, subject to CEO approval, Executive will receive an equity grant pursuant to and governed by the Company's Amended and restated Equity Incentive Plan (the "Plan"). The equity grant shall have an aggregate target value equal to \$1,500,000 (the "Sign-On Equity Award"). The number of Restricted Shares and Stock Options included in the Sign-On Equity Award shall be determined according to the Company's customary practice for valuing equity grants and the Restricted Shares and Stock Options included in the Sign-On Equity Award shall each vest ratably over a period of four years from the date of the grant, so long as Executive remains employed by the Company. With regard to Stock Options referenced herein, the Stock Options shall be treated as incentive stock options (ISOs) to the maximum extent permitted under applicable law, and the remainder of the Stock Options, if any, shall be treated as non-qualified stock options.

f) **Special One-time Performance Based Award** Within three (3) months of the Effective Date and, subject to Board approval, Executive will be granted a special one-time performance based award equal to a minimum of \$1,500,000 in the form of equity and/or cash, as such aggregate value, the composition of equity and/or cash, and the vesting schedule, shall be determined by the Compensation Committee after consideration of Executive's achievement of specified performance metrics established by the Compensation Committee in consultation with Executive and approved by the Board (the "Special Performance Award"). With regard to equity referenced herein, to the extent such equity is in the form of Stock Options, the Stock Options shall be treated as incentive stock options (ISOs) to the maximum extent permitted under applicable law, and the remainder of the Stock Options, if any, shall be treated as non-qualified stock options.

g) **Annual Equity Award**. In 2022 and, subject to Board approval, Executive will receive an annual equity grant pursuant to and governed by the Company's Plan. The annual equity grant shall have an aggregate target value equal to a minimum of \$1,500,000. The number of Restricted Shares and Stock Options included in the Annual Equity Award shall be determined according to the Company's customary practice for valuing equity grants and the Restricted Shares and Stock Options included in the Annual Equity Award shall each vest ratably over a period of four years from the date of the grant, so long as Executive remains employed by the Company. With regard to Stock Options referenced herein, the Stock Options

shall be treated as incentive stock options (ISOs) to the maximum extent permitted under applicable law, and the remainder of the Stock Options, if any, shall be treated as non-qualified stock options.

h) **Sign-On Bonus** The Executive will receive a Sign-on Bonus ("Sign-on Bonus") in the amount of \$100,000 in return for the Employee accepting the Company's offer of employment. This amount shall be paid directly to the Employee in one (1) installment payable in accordance with the Company's payroll cycle after the Effective Date.

i) **Paid Time-Off and Holidays** Executive's paid time-off ("PTO") and holidays shall be consistent with the standards set forth in the Company's Employee Handbook, as revised from time to time or as otherwise published by the Company. Notwithstanding the previous sentence, Executive will be eligible for one hundred sixty (160) hours of PTO/year, which will accrue on a pro-rata basis throughout the year, provided, however, that it is the Company's policy that no more than forty (40) hours of PTO can be accrued beyond this annual limit for any employee at any time. Thus, when accrued PTO reaches two hundred forty (240) hours, Executive will cease accruing PTO until accrued PTO is one hundred sixty (160) hours or less, at which point Executive will again accrue PTO until Executive reaches two hundred forty (240) hours. In addition to PTO, there are also three (3) paid sick days, six (6) paid national holidays and one (1) "floater" day available to Company employees. Executive agrees to schedule such PTO so that it minimally interferes with the Company's operations. Such PTO does not include CEO excused absences.

j) **Reimbursement of Normal Business Expenses.** The Company will reimburse all reasonable business expenses of Executive, including, but not limited to, cell phone expenses and business related travel, meals and entertainment expenses in accordance with the Company's policies for such reimbursement.

k) **Relocation Benefits.** Executive shall be entitled to temporary relocation benefits, up to \$100,000 during the twenty-four (24) months following the Effective Date for purposes of temporary housing and related living expenses, paid via lump sum in your first paycheck following the Effective Date. Executive shall also be entitled to a fixed monthly automobile allowance of \$750 to be used by Executive for the cost of maintaining, insuring, and operating a motor vehicle. In the event that Executive and the CEO mutually agree that the Executive shall permanently relocate to Fort Meyers, Executive shall be entitled to the Company's standard relocation benefits available to similarly situated officers of the Company. The Company shall gross up for tax purposes any income taxable to the Executive pursuant to the payment or benefits provided under this Section 3(k) (other than any gain on any sale of Executive's current residence), so that the economic benefit is the same to the Executive as if such payment or benefits were provided on a non-taxable basis to the Executive. All amounts payable under thisSection 3(k) shall be subject to the Executive's presentment to the Company of appropriate documentation in accordance with the Company's expense reimbursement policy (other than the \$100k for temporary housing and related living expenses, and car allowance)payment allowance in accordance with the Company's payroll procedures, and otherwise in accordance with the terms of the Company's relocation policy applicable to senior executives.

4. **Termination.** The parties agree that any termination of the Executive's employment under this Agreement will be governed as follows:

a) **By the Company for Cause.** The Company shall have the right to terminate this Agreement and to discharge the Executive for Cause (as defined below), at any time during the Term. For the purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder upon:

- (i) failure to materially perform and discharge the duties and responsibilities of Executive under this Agreement after receiving written notice and allowing Executive ten (10) business days to create a plan to cure such failure(s), such plan being acceptable to the Board, and a further thirty (30) days to cure such failure(s), if so curable, *provided, however*, that after one such notice has been given to Executive and the thirty (30) day cure period has lapsed, the Company is no longer required to provide time to cure subsequent failures under this provision, or
- (ii) any breach by Executive of the material provisions of this Agreement; or
- (iii) misconduct which, in the good faith opinion and sole discretion of the Board, is injurious to the Company; or
- (iv) felony conviction involving the personal dishonesty or moral turpitude of Executive; or a determination by the Board, after consideration of all available information, that Executive has willfully and knowingly violated Company policies or procedures involving discrimination, harassment, or work place violence; or
- (v) engagement in illegal drug use or alcohol abuse which prevents Executive from performing his duties in any manner, or
- (vi) any misappropriation, embezzlement or conversion of the Company's opportunities or property by the Executive; or
- (vii) willful misconduct, recklessness or gross negligence by the Executive in respect of the duties or obligations of the Executive under this Agreement and/or the Confidentiality, Non-Solicitation or Non-Competition Agreement.

Any termination for Cause pursuant to this Section shall be given to the Executive in writing and shall set forth in detail all acts or omissions upon which the Company is relying to terminate the Executive for Cause. If an Executive is terminated for Cause, the Executive shall only be entitled to receive his or her accrued and unpaid Salary, bonus and other benefits through the termination date and the Company shall have no further obligations under this Agreement from and after the date of termination.

b) **Termination by Company Without Cause.** At any time during the Term, the Company shall have the right to terminate this Agreement and to discharge the Executive without Cause effective upon delivery of sixty (60) days written notice to the Executive. If the Company terminates the Executive without "Cause" for any reason, as long as the Executive executes a general waiver and release of all claims which the Executive may have against the Company, which form of the general waiver and release will be determined in the sole discretion of the Company, within sixty (60) days of such termination, then the

Company agrees that, as severance, it will continue to pay the Executive's Base Salary in accordance with Section 3(a) above (the Severance Payments) for twelve (12) months from the date of the separation in the notice of termination. In addition, Executive will be entitled to receive the Target Bonus Executive would have been eligible to receive for the fiscal year, prorated based on the date of separation in the notice of termination, and payable in the Company's first payroll cycle after the date of termination (the Prorated Target Bonus).

Executive's health, dental and vision coverage ("Benefits") shall also continue during the period in which Severance Payments are being made. Subject to Executive's copayment of premium amounts at the applicable employees' rate, and the Executive's proper election to receive benefits under COBRA, the Company shall be responsible for the monthly payment equal to the monthly employer contribution that the Company would have made to provide health insurance to the Executive as an employee during the 12 months that the Severance Payments are being made.

Other than the Severance Payments and the Prorated Target Bonus, and any other benefits set forth herein, or in the Company's stock option or restricted stock agreements, the Company shall have no further obligation to the Executive after the date of such termination; provided, however, that the Executive shall only be entitled to continuation of the Severance Payments as long as Executive is in compliance with the provisions of the Confidentiality, Non-Solicitation & Non-Compete Agreement, which is part of this Agreement.

If termination without Cause or by the Executive for Good Reason as set forth below, shall occur at any time, then the pro rata portion of any unvested time-based equity or performance-based equity (assuming that the target threshold associated with such performance-based equity has been met) up until the date of separation in the notice of termination that are due to vest in the twelve (12) month period following the date of separation shall vest, and any remaining unvested time-based or performance based equity shall vest only at the discretion of the Compensation Committee in accordance with the terms of the Company's Plan, other than the Buyout Equity Award which shall vest in full in accordance with Section 3(d) above, or any equity that is otherwise required to remain during a Change of Control Period as defined below.

c) **By the Executive for Good Reason** At any time during the Term, the Executive shall have the right to terminate this Agreement for Good Reason. For purposes of this Agreement, the Executive shall have "Good Reason" to terminate this Agreement upon any of the following: (i) a material diminution in the Executive's Base Salary (as defined in Section 3(a) above), or (ii) a material diminution in the Executive's title, authority, duties, or responsibilities, or (iii) a change of more than fifty (50) miles in the geographic location which Executive must perform services; or (iv) any breach by Company of the material provisions of this Agreement. Provided, however, that (A) Executive provides written notice to the Company setting forth the Good Reason condition in reasonable detail within ninety (90) days of the date on which the Good Reason condition arose and (B) the Company fails to cure such Good Reason condition within thirty (30) days after receipt of such written notice.

If Executive terminates this Agreement for "Good Reason," as long as the Executive executes a general waiver and release of all claims which the Executive may have against the Company, which form of the

general waiver and release will be determined in the sole discretion of the Company, within sixty (60) days of such termination, then the Company agrees that, as severance, it will continue to pay the Executive's Base Salary in accordance with Section 3(a) above (the "Good Reason Severance Payments") for twelve (12) months from the date of the notice of termination. In addition, Executive will be entitled to receive the Target Bonus Executive would have been eligible to receive for the fiscal year, prorated based on the date of the notice of termination, and payable in the Company's first payroll cycle after the date of termination (the "Good Reason Prorated Target Bonus").

Executive's health, dental and vision coverage shall also continue during the period in which Severance Payments are being made. Subject to Executive's copayment of premium amounts at the applicable employees' rate, and the Executive's proper election to receive benefits under COBRA, the Company shall be responsible for the monthly payment equal to the monthly employer contribution that the Company would have made to provide health insurance to the Executive as an employee during the 12 months that the Severance Payments are being made.

Other than the Good Reason Severance Payments and the Good Reason Prorated Target Bonus, and any other benefits set forth herein or under the Company's stock option or restricted stock agreements, the Company shall have no further obligation to the Executive after the date of such termination; provided, however, that the Executive shall only be entitled to continuation of the Good Reason Severance Payments as long as Executive is in compliance with the provisions of the Confidentiality, Non-Solicitation & Non-Compete Agreement, which is part of this Agreement.

Subject to compliance with the vesting provisions of any unvested portion of the Buyout Equity Award set forth in Section 3(d), if termination with Good Reason shall occur at any time, then the pro rata portion of any unvested time-base equity or performance-based equity (assuming that the target threshold associated with such performance-based equity has been met as of the date of such termination) up until the date of notice of termination that are due to vest in twelve (12) month period following the date of termination shall vest Any remaining unvested time-based performance-based equity shall terminate unless determined otherwise by the Compensation Committee in accordance with the terms of the Company's Plan, other than the Buyout Equity Award which shall vest in full in accordance with Section 3(d) above, or equity that is otherwise required to remain during a Change of Control Period as defined below. .

d) **By Resignation of the Executive.** The Executive may terminate his or her employment hereunder, upon giving sixty (60) days written notice to the Company. The Executive agrees that, unless otherwise agreed upon in writing, during such sixty (60) day period no more than one week of unused PTO may be utilized and that all other unused PTO up to the time of termination shall be forfeited. In the event of such a termination, the Executive shall comply with any reasonable request of the Company to assist in providing for an orderly transition of authority, but such assistance shall not delay the Executive's termination of employment longer than the Executive's original notice of termination. Upon such a termination, the Executive shall become entitled to any accrued but unpaid salary and other benefits up to and including the date of termination and the pro rata portion of any unvested time-based or performance-based equity (assuming that the target threshold associated with such performance-based equity has been met) that are due to vest up until the date of separation shall vest.



e) **Disability of the Executive.** This Agreement may be terminated by the Company upon the Disability of the Executive. "Disability" shall mean any mental or physical illness, condition, disability or incapacity which prevents the Executive from reasonably discharging his duties and responsibilities under this Agreement for a period of ninety (90) days in any one hundred eighty (180) day period. In the event that any disagreement or dispute shall arise between the Company and the Executive as to whether the Executive suffers from any Disability, then, in such event, the Executive shall submit to the physical or mental examination of a physician licensed under the laws of the State of Florida, who is agreeable to the Company and the Executive, and such physician shall determine whether the Executive suffers from any Disability. In the absence of fraud or bad faith, the determination of such physician shall be final and binding upon the Company and the Executive. The entire cost of such examination shall be paid solely by the Company. In the event the Company has purchased disability insurance for Executive, the Executive shall be deemed disabled if he is disabled as defined by the terms of the disability policy. On the date that the Executive is deemed to have a Disability, this Agreement will be deemed to have been terminated and the Executive shall be entitled to receive from the Company his accrued and unpaid Base Salary, bonus and other benefits through the termination date. If a termination of the Executive by Disability shall occur at any time, then any unvested time-based equity or performance-based equity shall vest on the date that the Executive is deemed to have a Disability. Other than as set forth in the immediately preceding two sentences, the Company shall have no further salary or bonus payment or other benefits obligations under this Agreement from and after the date of termination due to Disability.

f) **Death of the Executive.** In the event of the death of Executive, the employment of the Executive by the Company shall automatically terminate on the date of the Executive's death and the Company shall be obligated to pay Executive's estate (i) the Executive's accrued and unpaid Base Salary, bonus and other benefits through the termination date. If the death of the Executive shall occur at any time, than any unvested time-based equity or performance-based equity shall vest on the date of the Executive's death. Other than as set forth in the immediately preceding two sentences, the Company shall have no further obligations under this Agreement from and after the date of termination due to the death of the Executive.

g ) **Change of Control.** Notwithstanding any otherwise less favorable applicable vesting provisions in this Agreement, or any less favorable determination made by the Compensation Committee, in the event of the termination of your employment or services with the Company and its Subsidiaries by the Company and its Subsidiaries without Cause, or by you for Good Reason during the 12-month period commencing on the date of a Change in Control, as defined in the Company for of Stock Option Agreement, then (i) any remaining unvested portion of your equity, whether in the form of restricted stock units or stock options, shall vest in full, and (ii) your stock options will expire upon the earliest of (A) 12 months after the termination of your service with the Company, and (B) the expiration date of such options.

5. **Effect of Termination.** The provisions of this Section 5 shall apply to any termination of the Executive's employment under this Agreement, whether pursuant to Section 4 or otherwise.

a) Provision by the Company of Severance Payments, the Target Bonus payment and any other benefits continuation, equity acceleration or exercise period extension as set forth herein if any, due to the

Executive in accordance with this Agreement shall constitute the entire obligation of the Company to the Executive hereunder. The Executive shall promptly give the Company notice of all facts necessary for the Company to determine the amount and duration of its obligations in connection with any termination pursuant to this Agreement.

b) Except for any right of the Executive to continue medical, vision, or dental plan participation in accordance with applicable law or as expressly provided herein, the Executive's participation in all Employee Benefit Plans shall terminate pursuant to the terms of the applicable plan documents based on the date of termination of the Executive's employment without regard to any Severance Payments, notice required hereunder, or any other payment made to or on behalf of the Executive following such date of termination.

c) Provisions of this Agreement shall survive any termination of the Executive's employment if so provided herein or if necessary or desirable fully to accomplish the purposes of other surviving provisions, including without limitation the obligations of the Executive under the Confidentiality, Non-Solicitation & Non-Compete Agreement. The obligation of the Company to provide Severance Payments hereunder is expressly conditioned on the Executive's execution of a general release and waiver, as referenced in Section 4(b), and the Executive's continued full compliance with the terms of the Confidentiality, Non-Compete & Non-Solicitation Agreement. The Executive acknowledges that, except as expressly provided in Section 4(b), no compensation is earned after termination of employment.

**6. Confidentiality, Non-Solicitation & Non-Compete Agreement.** Executive agrees to the terms of the Confidentiality, Non-Solicitation and Non-Compete Agreement attached hereto as Addendum A and has signed that Agreement. Such Confidentiality, Non-Solicitation and Non-Compete Agreement is hereby incorporated into and made a part of this Agreement.

**7. Importance of Certain Clauses.** Executive and the Company agree that the covenants contained in the Confidentiality, Non-Solicitation and Non-Compete Agreement attached hereto and incorporated into this Agreement are material terms of this Agreement and all parties understand the importance of such provisions to the ongoing business of the Company. As such, because the Company's continued business and viability depend on the protection of such secrets and non-competition, these clauses are interpreted by the parties to have the widest and most expansive applicability as may be allowed by law and Executive understands and acknowledges his or his understanding of same.

**8. Consideration.** Executive acknowledges and agrees that the provision of employment under this Agreement and the execution by the Company of this Agreement constitute full, adequate and sufficient consideration to Executive for the Executive's duties, obligations and covenants under this Agreement and under the Confidentiality, Non-Solicitation and Non-Compete Agreement incorporated into this Agreement.

**9. Acknowledgement of Post Termination Obligations.** Upon the effective date of termination of Executive's employment (unless due to Executive's death), if requested by the Company, Executive shall participate in an exit interview with the Company and certify in writing that Executive has complied with his contractual obligations and intends to comply with his continuing obligations under this Agreement, including, but not limited to, the terms of the Confidentiality, Non-Solicitation and Non-Compete

Agreement. To the extent it is known or applicable at the time of such exit interview, Executive shall also provide the Company with information concerning Executive's subsequent employer and the capacity in which Executive will be employed. Executive's failure to comply shall be a material breach of this Agreement, for which the Company, in addition to any other civil remedy, may seek equitable relief.

**10. Withholding.** All payments made to Executive shall be made net of any applicable withholding for income taxes and Executive's share of FICA, FUTA or other employment taxes. The Company shall withhold such amounts from such payments to the extent required by applicable law and remit such amounts to the applicable governmental authorities in accordance with applicable law.

**11. Representations of Executive.** Executive represents and warrants to the Company that (a) nothing in his past legal and/or work and/or personal experiences, which if became broadly known in the marketplace, would impair his or her ability to serve as the Chief Legal Officer of a publicly-traded company or materially damage his credibility with public shareholders; (b) Executive has not been convicted of any criminal offense related to health care, or been debarred, sanctioned, excluded or otherwise made ineligible for participation in a federal or state health care program by any federal or state agency; (c) there are no restrictions, agreements, or understandings whatsoever to which Executive is a party which would prevent or make unlawful his or her execution of this Agreement or employment hereunder, (d) Executive's execution of this Agreement and his or her employment hereunder shall not constitute a breach of any contract, agreement or understanding, oral or written, to which Executive is a party or by which Executive is bound, (e) Executive is free and able to execute this Agreement and to continue employment with the Company, and (f) Executive has not used and will not use confidential information or trade secrets belonging to any prior employers to perform services for the Company.

**12. Compliance Agreements.** Executive agrees to provide services to the Company in compliance with all applicable federal and state laws and regulations, as well as all compliance guidance published by federal or state agencies, including, without limitation, the Medicare and Medicaid anti-kickback law, the Stark self-referral prohibition, and compliance guidance published by the Office of the Inspector General of the Department of Health and Human Service, and to assist the Company in remaining educated and in compliance with respect to such laws and regulations and compliance guidance. Executive acknowledges that he understands these requirements, and shall remain educated and informed regarding the applicable federal and state laws and regulations, as well as all compliance guidance published by federal or state agencies. In the event that Executive knows or suspect that any activities of the Company or any personnel or contractor of the Company, or any client of the Company implicates any such requirements or guidance, Executive agrees that he or she will immediately inform the Board and cooperate fully with the Company to investigate and address any compliance issues arising as a result of such known or suspected activities. Executive further understands and acknowledges that compliance with this paragraph shall be a condition of employment.

**13. Effect of Partial Invalidity.** The invalidity of any portion of this Agreement shall not affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, the parties agree that the remaining provisions shall remain in full force and effect.

**14. Entire Agreement.** This Agreement, together with the other documents referenced herein, reflects the complete agreement between the parties regarding the subject matter identified herein and shall supersede all other previous agreements, either oral or written, between the parties. The parties stipulate that neither of them, nor any person acting on their behalf has made any representations except as are specifically set forth in this Agreement and each of the parties acknowledges that it or he has not relied upon any representation of any third party in executing this Agreement, but rather have relied exclusively on it or his own judgment in entering into this Agreement. To the extent there is a conflict between any provision herein and any Company stock option or restricted stock agreement, the conflict will be resolved by selecting the provision most favorable to the Executive.

**15. Assignment.** The Company may assign its interest and rights under this Agreement at its sole discretion and without approval of Executive to a successor in interest by the Company's merger, consolidation or other form of business combination with or into a third party where the Company's stockholders before such event do not control a majority of the resulting business entity after such event. All rights and entitlements arising from this Agreement, including but not limited to those protective covenants and prohibitions set forth in the Confidentiality, Non-Solicitation and Non-Compete Agreement attached as Addendum A and incorporated into this Agreement shall inure to the benefit of any purchaser, assignor or transferee of this Agreement and shall continue to be enforceable to the extent allowable under applicable law. Neither this Agreement, nor the employment status conferred with its execution is assignable or subject to transfer in any manner by Executive.

**16. Notices.** All notices, requests, demands, and other communications shall be in writing and shall be given by hand delivery or by overnight delivery, a) if to the Company, at the Company's then current headquarters location, and b) if to Executive, via hand delivery or at the most recent address on file with the Company for Executive or to such subsequent addresses as either party shall so designate in writing to the other party.

**17. Remedies.** If any action at law, equity or in arbitration, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party may, if the court or arbitrator hearing the dispute, so determines, have its reasonable attorneys' fees and costs of enforcement recouped from the non-prevailing party.

**18. Amendment/Waiver.** No waiver, modification, amendment or change of any term of this Agreement shall be effective unless it is in a written agreement signed by both parties. No waiver by the Employer of any breach or threatened breach of this Agreement shall be construed as a waiver of any subsequent breach unless it so provides by its terms.

**19. Arbitration.** Any and all controversies and disputes between Executive and Company arising from this Agreement or regarding any other matter whatsoever shall be submitted to arbitration before a single unbiased arbitrator skilled in arbitrating such disputes under the American Arbitration Association, utilizing its Employment Arbitration Rules and Mediation Procedures. Any arbitration action brought pursuant to this section shall be heard in Fort Myers, Lee County, Florida. The Circuit Court in and for Lee County, Florida shall have concurrent jurisdiction with any arbitration panel for the purpose of entering temporary

and permanent injunctive relief, but only with respect to any alleged breach of the Confidentiality, Non-Solicitation and Non- Compete Agreement.

**Code § 409A Matters.**

a) The intent of the parties is that payments and benefits under this Agreement comply with or be exempt from § 409A of the Internal Revenue Code of 1986, as amended, (the "Code") and the regulations and guidance promulgated thereunder. Accordingly, to the maximum extent permitted this Agreement shall be interpreted to be in compliance therewith or exempt therefrom. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on Executive by Code § 409A or damages for failing to comply with Code § 409A. In this regard, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code § 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." Unless this Agreement provides a specified and objectively determinable payment schedule to the contrary, to the extent that any payment of base salary or other compensation is to be paid for a specified continuing period of time beyond the date of Executive's separation from service in accordance with the Company's payroll practices (or other similar term), the payments of such base salary or other compensation shall be made in no even less frequently than monthly. Notwithstanding the foregoing, with respect to any payments that are intended to fall under the short-term deferral exemption from Code § 409A, unless this Agreement provides a specified and objectively determinable payment schedule to the contrary, all payments due thereunder shall be made as soon as practicable after the right to payment vests and in all events by March 15 of the calendar year following the calendar year in which the right to payment vests. For purposes of this Section 20, a right to payment will be treated as having vested when it is no longer subject to a substantial risk of forfeiture as determined by the Company in its sole discretion.

b) To the extent that any payment or benefit owed under Section 4(b) or 4(c) constitute nonqualified deferred compensation for purposes of Code § 409A, if the sixty (60)-day period for executing a release under Section 4(b) or 4(c) spans two calendar years, any such payments shall not be made until the second calendar year.

c) Notwithstanding any other payment schedule provided herein to the contrary, if Executive is identified on the date of his separation from service a "specified employee" within the meaning of that term under Code § 409A(a)(2)(B), then, with regard to any payment or the provision of any benefit that is considered nonqualified deferred compensation subject to Code § 409A and payable on account of a "separation from service," (i) such payment or benefit shall not be made or provided until the date that is the earlier of (A) the expiration of the six (6)-month period measured from the date of Executive's "separation from service" and (B) the date of Executive's death (the "Delay Period") to the extent required under Code § 409A and (ii) at the end of such six (6)-month period, the Company shall make an additional payment to Executive equal to the amount interest accruing at the then-current short-term applicable federal rate published by the Internal Revenue Service on the value of any such payment or benefit,

accruing from the date on which it would have otherwise been paid or provided. Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 20(c) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them therein.

d) To the extent that reimbursements or other in-kind benefits under this Agreement constitute “nonqualified deferred compensation” subject to Code § 409A, (i) all such expenses or other reimbursements hereunder shall be paid on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive, (ii) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to provided, in any other taxable year, and (iii) Executive’s right to such reimbursement or in-kind benefits shall not be subject to liquidation or exchange for any other benefit.

e) For purposes of Code § 409A, Executive’s right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes nonqualified deferred compensation subject to Code § 409A be subject to offset, counterclaim or recoupment by any other amount payable to Executive unless otherwise permitted by Code § 409A.

**21. Code § 280G Matters.**

a) If any payment or benefit Executive would receive from the Company pursuant to this Agreement or otherwise (“Parachute Payment”) would constitute a “parachute payment” within the meaning of Code § 280G and but for this sentence, be subject to the excise tax imposed by Code § 4999 (the “Excise Tax”), then such Parachute Payment will be equal to the Reduced Amount. The “Reduced Amount” shall be either (i) the largest portion of the Parachute Payment that would result in no portion of the Parachute Payment being subject to the Excise Tax, or (ii) the largest portion, up to and including the total, of the Parachute Payment, whichever amount ((i) or (ii)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive’s receipt of the greatest economic benefit notwithstanding that all or some portion of the Parachute Payment may be subject to the Excise Tax. If a Reduced Amount will give rise to the greater after tax benefit, the reduction in the Parachute Payments shall occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits paid to Executive. Within any such category of payments and benefits (that is, (1), (2), (3) or (4)), a reduction shall occur first with respect to amounts that are not nonqualified deferred compensation within the meaning of Code § 409A and then with respect to amounts that are. In the event that acceleration of compensation from Executive’s equity awards is to be reduced, such acceleration of vesting shall be canceled, subject to the immediately preceding sentence, in the reverse order of the date of grant.

b) The independent registered public accounting firm engaged by Company for general audit purposes as of the day prior to the effective date of the event described in Code § 280G(b)(2)(A)(i) shall perform the foregoing calculations. If the independent registered public accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting such event, Company shall appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder. Any good faith determinations of the independent registered public accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

c) Notwithstanding the above, prior to any reduction in payments and benefits under this Section 21, at Executive's request Company agrees, if permissible under Code § 280G and applicable law (and subject to any applicable requirements including any requirements that may be applicable to Executive), to solicit a vote of all eligible shareholders of Company for approval of such amounts such that the compensation shall not be subject to the Excise Tax as provided in Q&As 6 and 7 of § 1.280G-1, Q&As 6 and 7 of the Treasury Regulations or any superseding provision of such regulations, Company agrees to take all reasonable steps, in good faith, to solicit such vote if so requested.

**22. Headings.** The titles to the sections of this Agreement are solely for the convenience of the parties and shall not affect in any way the meaning or interpretation of this Agreement.

**23. Governing Law, Venue and Jurisdiction.** This Agreement and all transactions contemplated by this Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Florida without regard to any conflicts of laws, statutes, rules, regulations or ordinances. Executive consents to personal jurisdiction and venue in the Circuit Court in and for Lee County, Florida regarding any action arising under the terms of this Agreement and any and all other disputes between Executive and Employer.

**24. Miscellaneous Terms.** The parties to this Agreement declare and represent that:

- a. They have read and understand this Agreement;
- b. They have been given the opportunity to consult with an attorney if they so desire;
- c. They intend to be legally bound by the promises set forth in this Agreement and enter into it freely, without duress or coercion;
- d. They have retained signed copies of this Agreement for their records; and
- e. The rights, responsibilities and duties of the parties hereto, and the covenants and agreements contained herein, shall continue to bind the parties and shall continue in full force and effect until each and every obligation of the parties under this Agreement has been performed.

25. **Counterparts.** This Agreement may be executed in counterparts and by electronic signature (e.g. DocuSign), facsimile, or by pdf, each of which shall be deemed an original for all intents and purposes.

*Signatures appear on the following page.*

15

Employee Initials  
/s/ HG

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

**NEOGENOMICS, INC.**

By: /s/ Mark Mallon

Name: Mark Mallon

Title: Chief Executive Officer

**EXECUTIVE**

By: /s/ Halley Gilbert

Name: Halley Gilbert

**Disclosure 1 (pursuant to Subsection 2(b))**

Executive discloses that as of the Effective Date of the Agreement, she serves on the following Board of Directors:

Arcutis Biotherapeutics, CytomX, Inc., Vaxcyte, Inc.

**EXECUTIVE**

By: /s/ Halley Gilbert

Name: Halley Gilbert

**Addendum A**

**Form of Confidentiality, Non-Solicitation & Non-Compete Agreement**

## CERTIFICATIONS

I, Mark W. Mallon, 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 4, 2021

*/s/ Mark W. Mallon*

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Mark W. Mallon  
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 4, 2021

*/s/ Kathryn B. McKenzie*

Kathryn B. McKenzie  
Chief Financial 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 4, 2021

/s/ Mark W. Mallon

Mark W. Mallon  
Chief Executive Officer

Date: November 4, 2021

/s/ Kathryn B. McKenzie

Kathryn B. McKenzie  
Chief Financial 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.