

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011.

or

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: 000-54384

NEOGENOMICS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

74-2897368
(I.R.S. Employer
Identification No.)

12701 Commonwealth Drive, Suite 9,
Fort Myers, Florida
(Address of principal executive offices)

33913
(Zip Code)

(239) 768-0600
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of October 21, 2011, the registrant had 43,236,498 shares of common stock, par value \$0.001 per share outstanding.

[Table of Contents](#)

TABLE OF CONTENTS

[PART I FINANCIAL INFORMATION](#)

Item 1. Financial Statements (unaudited)	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3. Quantitative and Qualitative Disclosures About Market Risk	20
Item 4. Controls and Procedures	20
Item 4T. Controls and Procedures	

[PART II OTHER INFORMATION](#)

Item 1. Legal Proceedings	21
Item 1A. Risk Factors	21
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 3. Defaults Upon Senior Securities	22
Item 4. Removed and Reserved	22
Item 5. Other Information	22
Item 6. Exhibits	23

[SIGNATURES](#)

[Table of Contents](#)

FORWARD-LOOKING STATEMENTS

The information in this Quarterly Report on Form 10-Q contains “forward-looking statements” relating to NeoGenomics, Inc., a Nevada corporation (referred to individually as the “Parent Company” or collectively with all of its subsidiaries as “NeoGenomics” or the “Company”) within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are subject to the “safe harbor” created by those sections. These “forward looking statements” represent the Company’s current expectations or beliefs including, but not limited to, statements concerning the Company’s operations, performance, financial condition and growth. For this purpose, any statements contained in this Form 10-Q that are not statements of historical fact are forward-looking statements. Without limiting the generality of the foregoing, words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “will,” “would” or the negative or other comparable terminology are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements by their nature involve substantial risks and uncertainties, such as credit losses, dependence on management and key personnel, variability of quarterly results, competition and the ability of the Company to continue its growth strategy, certain of which are beyond the Company’s control. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements.

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

[Table of Contents](#)

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

NEOGENOMICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

ASSETS	September 30, 2011	December 31, 2010
	(unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,649	\$ 1,097
Restricted cash	500	500
Accounts receivable (net of allowance for doubtful accounts of \$2,046 and \$1,459, respectively)	7,366	5,236
Inventories	1,096	887
Other current assets	702	1,018
Total current assets	<u>12,313</u>	<u>8,738</u>
PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$6,052 and \$4,568 respectively)	5,062	4,839
DEPOSITS	<u>110</u>	<u>74</u>
TOTAL ASSETS	<u>\$ 17,485</u>	<u>\$ 13,651</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 2,285	\$ 1,933
Accrued compensation	1,291	1,338
Other accrued expenses and liabilities	625	460
Short-term portion of equipment capital leases	1,866	1,995
Revolving credit line	4,472	3,442
Total current liabilities	<u>10,539</u>	<u>9,168</u>
LONG TERM LIABILITIES		
Long-term portion of equipment capital leases	<u>1,586</u>	<u>1,348</u>
TOTAL LIABILITIES	<u>12,125</u>	<u>10,516</u>
STOCKHOLDERS' EQUITY		
Common stock, \$.001 par value, (100,000,000 shares authorized; 43,106,434 and 37,341,285 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively)	43	37
Additional paid-in capital	28,105	24,557
Accumulated deficit	<u>(22,788)</u>	<u>(21,459)</u>
Total stockholders' equity	<u>5,360</u>	<u>3,135</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 17,485</u>	<u>\$ 13,651</u>

See notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
NET REVENUE	\$ 11,320	\$ 8,708	\$ 30,591	\$ 25,616
COST OF REVENUE	6,246	4,818	16,996	13,737
GROSS PROFIT	5,074	3,890	13,595	11,879
OPERATING EXPENSES				
General and administrative	3,307	2,919	9,217	8,590
Sales and marketing	1,725	1,983	5,162	5,689
Total operating expenses	5,032	4,902	14,379	14,279
INCOME (LOSS) FROM OPERATIONS	42	(1,012)	(784)	(2,400)
INTEREST AND OTHER INCOME (EXPENSE) — NET	(185)	(186)	(545)	(526)
NET LOSS	\$ (143)	\$ (1,198)	\$ (1,329)	\$ (2,926)
NET LOSS PER SHARE				
— Basic and diluted	\$ (0.00)	\$ (0.03)	\$ (0.03)	\$ (0.08)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
— Basic and diluted	43,103,707	37,376,676	42,569,914	37,302,046

See notes to unaudited condensed consolidated financial statements.

[Table of Contents](#)

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

	For the Nine Months Ended	
	September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	\$ (1,329)	\$ (2,926)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Provision for bad debts	1,740	1,746
Depreciation	1,484	1,297
Amortization of debt issue costs	30	38
Stock-based compensation	378	508
Changes in assets and liabilities, net:		
(Increase) decrease in accounts receivable, net of write-offs	(3,870)	(2,744)
(Increase) decrease in inventories	(208)	(166)
(Increase) decrease in other current assets	286	(25)
(Increase) decrease in deposits	(37)	(0)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	356	(141)
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,170)</u>	<u>(2,413)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(338)</u>	<u>(813)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(338)</u>	<u>(813)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital lease obligations	—	146
Advances on credit facility	1,030	3,348
Repayment of capital leases and loans	(1,146)	(995)
Decrease in restricted cash	—	500
Issuance of common stock, net of transaction costs	3,176	151
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>3,060</u>	<u>3,150</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,552	(76)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,097</u>	<u>1,631</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,649</u>	<u>\$ 1,555</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 519</u>	<u>\$ 484</u>
Income taxes paid	<u>\$ —</u>	<u>\$ 13</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Equipment leased under capital leases	<u>\$ 1,255</u>	<u>\$ 1,419</u>

See notes to unaudited condensed consolidated financial statements.

NEOGENOMICS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2011

NOTE A — NATURE OF BUSINESS AND BASIS OF FINANCIAL STATEMENT PRESENTATION

Nature of Business

NeoGenomics, Inc., a Nevada corporation (the “Parent Company”), and its subsidiary, NeoGenomics Laboratories, Inc., a Florida corporation (“NeoGenomics Laboratories” or the “Subsidiary”) (collectively referred to as “we”, “us”, “our”, “NeoGenomics”, or the “Company”), operates as a certified “high complexity” clinical laboratory in accordance with the federal government’s Clinical Laboratory Improvement Act, as amended (“CLIA”), and is dedicated to the delivery of clinical diagnostic services to pathologists, oncologists, urologists, hospitals, and other laboratories throughout the United States.

Basis of Presentation

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

The accompanying condensed consolidated financial statements of the Company are unaudited and include all adjustments, in the opinion of management, which are necessary to make the financial statements not misleading. Except as otherwise disclosed, all such adjustments are of a normal recurring nature. Interim results are not necessarily indicative of results for a full year.

The interim condensed consolidated financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010. Therefore, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC on February 23, 2011.

Use of Estimates

The Company prepares its condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. 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 condensed consolidated financial statements. Actual results and outcomes may differ from management’s estimates, judgments and assumptions. Significant estimates, judgments and assumptions used in these condensed consolidated financial statements include, but are not limited to, those related to revenues, accounts receivable and related reserves, contingencies, useful lives and recovery of long-lived assets, income and other taxes, and the fair value of stock-based compensation. These estimates, judgments, and assumptions are reviewed periodically and the effects of material revisions in estimates are reflected in the condensed consolidated financial statements prospectively from the date of the change in estimate.

Research and Development

Research and development costs are expensed as incurred and are included in our general and administrative expenses. Research and development expenses consist of compensation and benefits for research and development personnel, license fees, related supplies, inventory and payment for samples to complete validation studies. These expenses were incurred to develop our melanoma test (MelanoSITE), new FISH assays and to develop other new molecular tests.

Net Income (Loss) Per Share

We compute net income (loss) per share in accordance with FASB ASC Topic 260, Earnings per Share. Under the provisions of ASC 260, basic net income (loss) per share is computed by dividing the net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and common equivalent shares outstanding,

Table of Contents

using the treasury stock method, during the period. Equivalent shares consist of employee stock options and certain warrants issued to consultants and other providers of financing to the Company that are in-the-money based on the weighted average closing share price for the period. Under the treasury stock method, the number of in-the-money shares that are considered outstanding for this calculation is reduced by the number of common shares that theoretically could have been re-purchased by the Company with the aggregate exercise proceeds of such warrant and option exercises if such shares were re-purchased at the weighted average market price for the period.

There were no common equivalent shares included in the calculation of diluted earnings per share for the three and nine month periods ended September 30, 2011 and 2010 because the Company had a net loss for such periods and therefore such common equivalent shares were anti-dilutive.

Concentrations of Credit Risk

Concentrations of credit risk with respect to revenue and accounts receivable are primarily limited to certain clients to whom the Company provides a significant volume of its services, and to specific payors of our services such as Medicare and individual insurance companies. The Company's client base consists of a large number of geographically dispersed clients diversified across various customer types. The Company continues to focus its sales efforts to decrease the dependency on any given source of revenue and decrease its credit risk from any one large client or payor type. For the three and nine months ended September 30, 2011, one client with multiple locations represented 13.5% and 8.5% of revenue. For the same periods in the previous year no customer accounted for more than 5% of our revenue. There have been no significant changes in payor type mix since the Annual Report on Form 10-K was filed with the SEC on February 23, 2011.

The Company orders the majority of its FISH probes from one vendor and as a result of such vendor's dominance of that marketplace and the absence of any competitive alternatives, if they were to have a disruption in the supply of these probes and we did not have inventory available, it could have a material effect on our business. This risk cannot be completely offset due to the fact the vendor has patent protection which limits other vendors from supplying these probes.

NOTE B — CRITICAL ACCOUNTING POLICIES

Revenue Recognition

The Company recognizes revenues in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin Topic 13.A.1 and FASB ASC 605-10-S99-1, when (a) the price is fixed or determinable, (b) persuasive evidence of an arrangement exists, (c) the service is performed and (d) collectability of the resulting receivable is reasonably assured.

The Company's specialized diagnostic services are performed based on a written test requisition form and revenues are recognized once the diagnostic services have been performed, the results have been delivered to the ordering physician, the payor has been identified and eligibility and insurance have been verified. These diagnostic services are billed to various payors, including Medicare, commercial insurance companies, other directly billed healthcare institutions such as hospitals and clinics, and individuals. The Company reports revenues from contracted payors, including Medicare, certain insurance companies and certain healthcare institutions, based on the contractual rate, or in the case of Medicare, published fee schedules. The Company reports revenues from non-contracted payors, including certain insurance companies and individuals, based on the amount expected to be collected. The difference between the amount billed and the amount expected to be collected from non-contracted payors is recorded as a contractual allowance to arrive at the reported net revenues. The expected revenues from non-contracted payors are based on the historical collection experience of each payor or payor group, as appropriate. The Company records revenues from patient pay tests net of a large discount and as a result recognizes minimal revenue on those tests. In each reporting period, the Company reviews its historical collection experience for non-contracted payors and adjusts its expected revenues for current and subsequent periods accordingly.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported, net of an allowance for doubtful accounts, which is estimated and recorded in the same period the related revenue is recorded based on the historical collection experience for each type of payor. In addition, the allowance is adjusted periodically, based upon an evaluation of historical collection experience with specific payors, payor types, and other relevant factors, including regularly assessing the state of our billing operations in order to identify issues which may impact the collectability of receivables or allowance estimates. Revisions to the allowance are recorded as an adjustment to bad debt expense within general and administrative expenses. After appropriate collection efforts have been exhausted, specific receivables deemed to be uncollectible are charged against the allowance in the period they are deemed uncollectible. Recoveries of receivables previously written-off are recorded as credits to the allowance.

Table of Contents

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC Topic 718 Compensation — Stock Compensation. ASC 718 requires recognizing compensation costs for all share-based payment awards made to employees and directors based upon the awards' grant-date fair value. The standard covers employee stock options, restricted stock, and other equity awards.

For stock options, the Company uses a trinomial lattice option-pricing model to estimate the grant-date fair value of stock option awards, and recognizes compensation cost on a straight-line basis over the awards' vesting periods. The Company estimates an expected forfeiture rate, which is factored into the determination of the Company's periodic expense.

Reclassification

One amount in the December 31, 2010 statement of cash flows was reclassified to conform to the presentation in the current year statement of cash flows.

NOTE C — REVOLVING CREDIT FACILITY

On February 1, 2008, we entered into a revolving credit facility with CapitalSource, which allowed us to borrow up to \$3,000,000 based on a formula tied to our eligible accounts receivable that are aged less than 150 days. On April 26, 2010, the Parent Company, NeoGenomics Laboratories, Inc., the wholly-owned subsidiary of the Parent Company ("Borrower"), and CapitalSource entered into an Amended and Restated Revolving Credit and Security Agreement (the "Amended and Restated Credit Agreement" or the "Credit Facility"). The Amended and Restated Credit Agreement amended and restated the Revolving Credit and Security Agreement dated February 1, 2008, as amended, among the Parent Company, Borrower and CapitalSource (the "Original Credit Agreement"). The terms of the Amended and Restated Credit Agreement and the Original Credit Agreement are substantially similar except that the Amended and Restated Credit Agreement, among other things, (i) increased the maximum principal amount of the revolving credit facility from \$3,000,000 to \$5,000,000, (ii) provided that the term of the Amended and Restated Credit Agreement shall end on February 1, 2013, (iii) increased the amount of the collateral management fee and unused line fees paid by Borrower to CapitalSource, (iv) modified the definitions of "Minimum Termination Fee" and "Permitted Indebtedness", (v) provided that the Borrower must maintain a minimum outstanding principal balance under the revolving facility of at least \$2,000,000, (vi) increased the interest rate to LIBOR plus 4.25% (provided that LIBOR shall not be less than 2.0%) and (vii) revised certain covenants and representations and warranties. The Amended and Restated Credit Agreement also made permanent a previously enacted temporary change to the methodology for calculating the Fixed Charge Coverage Ratio covenant, which permits us to add amounts of unrestricted cash and cash equivalents and unused availability under the Credit Facility to Adjusted EBITDA for the purposes of calculating this covenant. We paid CapitalSource a commitment fee of \$33,500 in connection with the execution of the Amended and Restated Credit Agreement. In addition, CapitalSource credited \$25,000 of an amendment fee previously paid by us towards this commitment fee.

Interest on outstanding advances under the Credit Facility are payable monthly in arrears on the first day of each calendar month. At September 30, 2011, the effective rate of interest was 6.25%. On September 30, 2011, the available credit under the Credit Facility was approximately \$0.5 million and the outstanding borrowing was \$4.5 million after netting compensating cash on hand.

NOTE D — CAPITAL LEASE TRANSACTIONS

On July 28, 2010 NeoGenomics Laboratories and Leasing Technologies, Inc. (LTI) agreed on the terms and conditions of a new \$1.0 million lease line of credit. The line had the same terms and conditions of our November 5, 2008 Master Lease Agreement with LTI. Advances under the lease line could be made for one year by executing equipment schedules for each advance. The lease terms of all equipment schedules issued under the lease line were for 36 months. The lease rate factor applicable for each equipment schedule was 0.0327/month. If the Subsidiary made use of the entire lease line, the monthly rent would be \$32,700. Monthly rent for the leased equipment is payable in advance on the first day of each month. The obligations of the Subsidiary are guaranteed by the Parent Company. At the end of the term of each equipment schedule the Subsidiary could: (a) renew the lease with respect to such equipment for an additional 12 months at fair market value; (b) purchase the equipment at fair market value, which price will not be less than 10% of cost nor more than 14% of cost; (c) extend the term for an additional six months at 35% of the monthly rent paid by the lessee during the initial term, after which the equipment may be purchased for the lesser of fair market value or 8% of cost; or (d) return the equipment subject to a remarketing charge equal to 6% of cost.

Table of Contents

The immaterial amount of availability we had remaining at June 30, 2011 expired and on July 21, 2011, NeoGenomics Laboratories and LTI agreed on the terms and conditions of a new \$1.0 million lease line of credit. The terms and conditions are the same as described above and advances under the lease line could be made for a period of one year.

During the third quarter of fiscal year 2011, we entered into lease schedules for \$1.0 million to purchase laboratory equipment to make investments for further growth and to increase our testing menu. Therefore we have no availability on this LTI lease line as of September 30, 2011.

During the third quarter of fiscal year 2011, we also used a vendor to lease an additional \$378,000 of laboratory equipment. The lease has a five year term with a fair market value buyout option at the end of the term. The payment on the lease is \$7,713 per month and the annual interest rate is approximately 11%.

During the third quarter of fiscal year 2011, we also entered into several small capital leases to purchase approximately \$218,000 of laboratory equipment, computer equipment and furniture. The leases have either three or four year terms and annual interest rates in the 14% to 16% range.

On September 9, 2011, we entered into a master lease agreement for a \$1.0 million equipment line of credit with Garic, Inc. The lease has a 12 month draw down period and each schedule has a 36 month term and a lease rate factor of 3.1947%. The lease has a fair market value option at the end of the term at a price not to exceed 15% of the equipment cost or the right to return the equipment. Monthly payments on the entire amount will be \$31,647 and will have an annual interest rate of 16.12%. We have \$1.0 million of availability on this agreement as of September 30, 2011. On October 6, 2011 the Company entered into a lease schedule for approximately \$50,000 and has \$950,000 of remaining availability on the lease line.

NOTE E — EQUITY

Warrant Exercises

During January 2011, Aspen Select Healthcare, LP, Steven C. Jones, Dr. Michael T. Dent, SKL Family Limited Partnership (“SKL”), Larry Kuhnert and John Elliott, who previously received warrants for a) participating in our private equity offering in 2006, b) modifying a debt arrangement with us, or c) waiving certain rights they had with respect to the 2006 offering exercised 1,600,000 warrants at an exercise price of \$0.26 per share in a cashless exercise. In order to settle these exercises, we issued 1,326,633 shares of common stock.

On January 21, 2011, Aspen Select Healthcare, LP exercised 2,500,000 warrants to purchase common stock at an exercise price of \$0.31 per share in a cashless transaction. The Company issued 1,991,391 unrestricted shares of common stock to settle this transaction. These warrants were originally issued as part of the March 23, 2005 loan facility with Aspen Select Healthcare, LP.

On January 31, 2011, Hawk & Associates exercised 35,000 warrants to purchase common stock at an exercise price of \$0.30 per share in a cashless transaction. Hawk and Associates also exercised 35,000 warrants to purchase common stock at an exercise price of \$0.68 per share in a cashless transaction in February 2011. The Company issued a combined total of 47,185 unrestricted shares of common stock to settle these exercises.

January 2011 Private Equity Offering

Between January 10, 2011 and January 12, 2011 the Company entered into subscription agreements with certain investors (the “Investors”) pursuant to which the Company sold 2,001,667 shares of common stock at a price of \$1.50 per share, which resulted in gross proceeds to the Company of approximately \$3.0 million. In connection with this Common Stock Financing, the Company entered in registration rights agreements with the Investors which entitle them to certain demand and piggyback registration rights.

The investors included officers and directors of the Company or an affiliate of officers and directors of the Company.

[Table of Contents](#)

NOTE F — RESTRICTED STOCK AWARDS

On April 27, 2011, the Company granted 24,000 shares of restricted stock to each of the five non-officer directors of the Company for a total of 120,000 restricted shares. These directors were elected by the shareholders and the stock award is for service on the Board of Directors only. Such restricted shares vest a rate of 2,000 shares per quarter on the last day of each calendar quarter beginning on June 30, 2011 and ending on March 31, 2014 so long as each director remains a member of the Board of Directors. The fair market value of each grant of restricted stock on award date was deemed to be \$34,560 or \$1.44 per share, which was the closing price of the Company's common stock on the day before the grant as approved by the Board of Directors. The company also agreed to reimburse each Director \$12,000, payable in quarterly installments over three quarters, to offset the income taxes due on such restricted stock awards, provided each remains a director of the Company.

NOTE G — RELATED PARTY TRANSACTIONS

Consulting Agreements

During the three and nine months ended September 30, 2011 Steven C. Jones, a director of the Company, earned approximately \$50,000 and \$151,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance. Mr. Jones earned approximately \$45,000 and \$147,350, respectively for the three and nine months ended September 30, 2010.

During May 2010 Mr. Jones received 450,000 warrants as described in more detail in Note L of our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on February 23, 2011 and as such we recorded \$9,400 and \$32,900, respectively, in stock compensation expense for these warrants for the three and nine months ended September 30, 2011. During the three and nine months ended September 30, 2010 we recorded \$28,092 and \$123,735, respectively of stock compensation expense for these warrants.

END OF FINANCIAL STATEMENTS.

[Table of Contents](#)

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

NeoGenomics, Inc., a Nevada corporation (referred to individually as the “Parent Company” or collectively with all of its subsidiaries as “NeoGenomics” or the “Company” in this Form 10-Q) is the registrant for SEC reporting purposes. Our common stock is listed on the OTC Bulletin Board under the symbol “NGNM.”

Introduction

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

Overview

NeoGenomics operates a network of cancer-focused testing laboratories whose mission is to improve patient care through exceptional cancer genetic diagnostic, prognostic and predictive testing services. Our vision is to become America’s premier cancer testing laboratory by delivering uncompromising quality, exceptional service and innovative products and solutions. The Company’s laboratory network currently offers the following types of testing services:

- a) cytogenetics testing, which analyzes human chromosomes to identify changes from patterns seen in normal chromosomes;
- b) Fluorescence In-Situ Hybridization (“FISH”) testing, which analyzes abnormalities at the chromosomal and gene levels and is used to help identify a number of gene alterations, such as amplification, deletions and translocations;
- c) flow cytometry testing, which analyzes gene expression of specific markers inside cells and on cell surfaces and is used in diagnosing a wide variety of leukemia and lymphoma neoplasms;
- d) histology which is the study of microscopic tissues; where a NeoGenomics physician, or one under contract with the Company attempts to determine the diagnosis of disease;
- e) immunohistochemistry testing (IHC), which analyzes the distribution of tumor antigens in specific cell and tissue types, and
- f) molecular testing which involves analysis of DNA and RNA to diagnose and predict the clinical significance of various genetic sequence disorders.

All of these testing services are widely utilized in the diagnosis, prognosis, and prediction for response to therapy of various types of cancers.

Our Focus

NeoGenomics’ primary focus is to provide high complexity laboratory testing for hospitals and community-based pathology practices throughout the United States. The high complexity cancer testing services we offer to community-based pathologists and hospitals are designed to be a natural extension of, and complementary to, the services that our pathologist clients perform within their own practices. We currently perform analyses of bone marrow and/or peripheral blood for the diagnosis of blood and lymphoid tumors (leukemias and lymphomas) and archival tissue referred for analysis of solid tumors such as breast, lung and colon cancer.

We believe our relationship as a non-competitive partner to the community-based pathologist empowers these pathologists to expand their breadth of testing and provide a menu of services that matches or exceeds the level of service found in academic centers of excellence around the country.

In geographic areas where we do not provide services to a community based pathology practice, we may call directly on community based oncology, dermatology and urology practices. We serve community-based urologists by providing a FISH-based genetic test for the diagnosis of bladder cancer and early detection of recurrent disease. We serve community based dermatologists by providing a

Table of Contents

FISH-based genetic test for the diagnosis of malignant melanoma as well as several molecular tests. We also believe that we can provide a competitive choice to those larger oncology practices that prefer to have a direct relationship with a laboratory for cancer genetic testing services. Our regionalized approach allows us strong interactions with clients and our innovative Genetic Pathology Solutions (“GPS”) report summarizes all relevant case data on one summary report.

Seasonality

The majority of our testing volume is dependent on patients being treated by hematology/oncology professionals and other healthcare providers. Volume of testing generally declines during the vacation seasons, year-end holiday periods and other major holidays, particularly when those holidays fall during the middle of the week. In addition, volume of testing tends to decline due to adverse weather conditions, such as heavy snow, excessively hot or cold spells or hurricanes, tornados in certain regions, consequently reducing revenues and cash flows in any affected period. Therefore, comparison of the results of successive periods may not accurately reflect trends for future periods.

Critical Accounting Policies

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

While many operational aspects of our business are subject to complex federal, state and local regulations, the accounting for our business is generally straightforward with net revenues primarily recognized upon completion of the testing process. Our revenues are primarily comprised of laboratory tests, and approximately one-half of total operating costs and expenses consist of employee compensation and benefits. Due to the nature of our business, several of our accounting policies involve significant estimates and judgments. These accounting policies have been described in our Annual Report on Form 10-K for the year ended December 31, 2010, and there have been no material changes in the three and nine months ended September 30, 2011.

Results of Operations for the Three and Nine Months Ended September 30, 2011 as Compared to the Three and Nine Months Ended September 30, 2010

The following table presents the unaudited condensed consolidated statements of operations as a percentage of revenue:

	For the three months ended September 30.		For the nine months ended September 30.	
	2011	2010	2011	2010
NET REVENUE	100.0%	100.0%	100.0%	100.0%
COST OF REVENUE	55.2%	55.3%	55.6%	53.6%
GROSS PROFIT	44.8%	44.7%	44.4%	46.4%
OPERATING EXPENSES:				
General and administrative	29.2%	33.5%	30.1%	33.5%
Sales and marketing	15.2%	22.8%	16.9%	22.2%
TOTAL OPERATING EXPENSES	44.4%	56.3%	47.0%	55.7%
INCOME (LOSS) FROM OPERATIONS	0.4%	(11.6)%	(2.6)%	(9.3)%
INTEREST AND OTHER INCOME (EXPENSE) — NET	(1.7)%	(2.2)%	(1.7)%	(2.1)%
NET LOSS	(1.3)%	(13.8)%	(4.3)%	(11.4)%

[Table of Contents](#)

Revenue

The Company's specialized testing services are performed based on a written or computer generated test requisition form and revenues are recognized once the testing services have been performed, the results have been delivered to the ordering physician, the payor has been identified and eligibility and insurance have been verified. Our testing services are billed to various payors, including Medicare, commercial insurance companies, other directly billed healthcare institutions such as hospitals and clinics, and individuals. We report revenues from contracted payors, including Medicare, certain insurance companies and certain healthcare institutions, based on the contractual rate, or in the case of Medicare, published fee schedules. We report revenues from non-contracted payors, including certain insurance companies and individuals, based on the amount expected to be collected. The difference between the amount billed and the amount expected to be collected from non-contracted payors is recorded as an allowance to arrive at the reported net revenues. The expected revenues from non-contracted payors are based on the historical collection experience of each payor or payor group, as appropriate. In each reporting period, we review our historical collection experience for non-contracted payors and adjust our expected revenues for current and subsequent periods accordingly.

Our revenue, requisition and test metrics for the three and nine months ended September 30, 2011 and 2010 are as follows:

Supplemental Information on Customer Requisitions Received and Tests Performed (in thousands, except test and requisition amount)

	For the Three-Months Ended September 30, 2011	For the Three-Months Ended September 30, 2010	% Inc (Dec)	For the Nine-Months Ended September 30, 2011	For the Nine-Months Ended September 30, 2010	% Inc (Dec)
Requisitions Rec'd (cases)	12,857	9,677	32.9%	34,995	28,833	21.4%
Number of Tests Performed	19,977	14,477	38.0%	53,731	42,983	25.0%
Avg. # of Tests / Requisition	1.55	1.50	3.9%	1.54	1.49	3.0%
Total Testing Revenue	\$ 11,320	\$ 8,708	30.0%	\$ 30,591	\$ 25,616	19.4%
Avg Revenue/Requisition	\$ 880.47	\$ 899.82	(2.2%)	\$ 874.15	\$ 888.42	(1.6%)
Avg Revenue/Test	\$ 566.66	\$ 601.48	(5.8%)	\$ 569.33	\$ 595.95	(4.5%)

We saw a large quarterly and yearly increase in revenue in 2011 as the result of the addition of several new clients and additional sales to existing clients.

Revenues per test are a function of both the type of the test (e.g. FISH, cytogenetics, flow cytometry, etc.) and the payer (e.g., Medicare, Medicaid, third party insurer, client bill, etc.). Average revenue per test is primarily driven by our test type mix and our payer mix. The decrease in average revenue per test for the three and nine months ended September 30, 2011 and 2010 is the result of: a) going on contract with Aetna and Blue Cross Blue Shield in July 2010 at rates below previous averages, b) a 50% decrease in the average reimbursement for bladder cancer FISH testing as a result of Medicare and several insurance carriers reducing reimbursement beginning in January 2011, and c) a 1.75% decrease in reimbursement for all Medicare tests covered under the Clinical Lab Fee Schedule which affected all our Cytogenetics and Molecular tests. In addition, one Medicare service provider reduced the maximum allowable number of markers reimbursable for flow cytometry testing in late 2010 and another in June 2011.

We have established a reserve for uncollectible amounts based on estimates of what we will collect from: a) third-party payers with whom we do not have a contractual arrangement or sufficient experience to accurately estimate the amount of reimbursement we will receive, b) payments directly from patients, and c) those procedures that are not covered by insurance or other third party payers. Also we take significant discounts to gross revenue on all patient self-pay and Medicaid tests to arrive at net revenues.

The following table represents our allowance balances at each balance sheet date presented and that allowance as a percentage of gross accounts receivable:

[Table of Contents](#)

	September 30,		Change
	2011	2010	
Allowance for doubtful accounts	\$1,826,000	\$1,281,000	\$545,000
As a % of gross accounts receivable	19.9%	19.0%	

Bad debt expense as a percentage of revenue which is described in more detail under general and administrative expenses was 5.6% and 5.7% for the three and nine month periods ended September 30, 2011, respectively, and was 6.7% and 6.8% of revenue for the three and nine month periods ended September 30, 2010. The reason for this decrease is described later under our discussion of General and Administrative expenses.

Cost of Revenue and Gross Profit

Cost of revenue includes payroll and payroll-related costs for performing tests, 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.

	For the three months ended September 30,			For the nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Cost of revenue	\$6,246,000	\$4,818,000	\$1,428,000	\$16,996,000	\$13,737,000	\$3,259,000
As a % of revenue	55.2%	55.3%		55.6%	53.6%	

The increase in cost of revenue as a percentage of revenue was primarily related to a decline in our average revenue per test for the nine months ended September 30, 2011 versus the comparable periods last year. The dollar increase in cost of revenue in the three and nine months ended September 30, 2011 was primarily attributable to increases in all areas of costs of revenue as the Company scaled its operations in order to meet increased testing demand. In addition, we have seen an increase in our courier and transportation costs related to delivering specimens to our labs due to increasing fuel costs in 2011, and our average supply costs on a per test basis have increased in 2011.

As a result of the above, our gross profit and gross profit margins for these periods are as follows:

	For the three months ended September 30,			For the nine months ended September 30,		
	2011	2010	Change	2011	2010	Change
Gross Profit	\$5,074,000	\$3,890,000	\$1,184,000	\$13,595,000	\$11,879,000	\$1,715,000
Gross Margin as a % of revenue	44.8%	44.7%		44.4%	46.4%	

Revenue, Cost of Revenue and Gross Profit per Test

The following table is a summary of per test data on revenue, cost of sales and gross profit. The decrease in gross margin was driven largely by the decline in our average revenue per test in the three and nine months ended September 30, 2011 versus the comparable periods last year:

	For the three months ended September 30,			Pos/(Neg) Change	For the nine months ended September 30,			Pos/(Neg) Change
	2011	2010	Change		2011	2010	Change	
Revenue per Test	\$ 566.66	\$ 601.48	\$(34.82)	\$ 569.33	\$ 595.95	\$(26.62)		
Cost of Revenue per Test	\$ 312.66	\$ 332.79	\$ 20.13	\$ 316.31	\$ 319.59	\$ 3.28		
Gross Profit per Test	\$ 254.00	\$ 268.69	\$(14.69)	\$ 253.02	\$ 276.36	\$(23.34)		
Gross Margin % per Test	44.8%	44.7%		44.4%	46.4%			

[Table of Contents](#)

Sales and Marketing

Sales and marketing expenses relate primarily to the employee related costs of our sales management, sales representatives, sales and marketing consultants, marketing, and customer service personnel.

	For the three months ended			For the nine months ended		
	September 30.			September 30.		
	2011	2010	Change	2011	2010	Change
Sales and marketing	\$1,725,000	\$1,983,000	\$(258,000)	\$5,162,000	\$5,689,000	\$(527,000)
As a % of revenue	15.2%	22.8%		16.9%	22.2%	

The decline in sales and marketing expenses for the three and nine months ended September 30, 2011 as compared to the same period in 2010 was driven primarily by reductions in headcount. The reduction in sales and marketing as a percentage of revenue is the result of increases in productivity which resulted in strong revenue growth along with reduced headcount.

Moving forward, we expect our sales and marketing expenses to increase modestly on dollar terms with increased volume; however, as a percentage of revenue, we expect these expenses to remain at levels similar to the current levels.

General and Administrative Expenses

General and administrative expenses relate to billing, bad debts, finance, human resources, information technology, research and development and other administrative functions. They primarily consist of employee related costs (such as salaries, fringe benefits, and stock-based compensation expense), professional services, facilities expense, and depreciation and administrative-related costs allocated to general and administrative expenses.

	For the three months ended			For the nine months ended		
	September 30.			September 30.		
	2011	2010	Change	2011	2010	Change
General and administrative	\$3,307,000	\$2,919,000	\$388,000	\$9,217,000	\$8,590,000	\$627,000
As a % of revenue	29.2%	33.5%		30.1%	33.5%	

The increase in general and administrative expenses for the three and nine months ended September 30, 2011 as compared to the comparable periods in 2010 is primarily a result of increases in payroll, recruiting, information technology, and research and development expenses. As a percentage of revenue, general and administrative expenses have declined as a result of increased operating leverage in our selling, general and administrative expenses.

Bad debt expense increased by approximately 8.9%, or \$52,000 to \$631,000 for the three months ended September 30, 2011 as compared to \$579,000 for the three months ended September 30, 2010. Bad debt expense as a percentage of revenue for the three months ended September 30, 2011 was 5.6% as compared to 6.7% for the three months ended September 30, 2010.

Bad debt expense decreased slightly to \$1,739,000 for the nine months ended September 30, 2011 as compared to \$1,746,000 for the nine months ended September 30, 2010. Bad debt expense as a percentage of revenue for the nine months ended September 30, 2011 was 5.7% as compared to 6.8% for the nine months ended September 30, 2010.

The decrease in bad debt expense as a percentage of revenue is the result of having contracts in place with Blue Cross Blue Shield and Aetna which were consummated in July 2010, both of which eliminated a substantial amount of uncertainty with respect to the amount of payments we receive from these payers.

We expect our general and administrative expenses to increase modestly as we increase our billing and collections activities and incur additional bad debt expense associated with incremental revenue. In addition, we expect to incur additional expenses associated with the expansion of our facilities to support our anticipated growth and make additional investments to further bring up new tests for our clients and strengthen the capabilities of our Laboratory Information System over coming quarters. These initiatives will result in higher general and administrative costs in the short term, but we expect they will help open up additional growth opportunities and increase our lab productivity over time. However, we expect general and administrative expenses as a percentage of revenue to remain around the same or decline as our case volumes increase and we develop more operating leverage in our business.

Table of Contents

Selling, General and Administrative Expenses

The following table summarizes our total Selling, General and Administrative expenses for the three and nine month periods ended September 30, 2011 and 2010:

	For the three months ended September 30.			For the nine months ended September 30.		
	2011	2010	Change	2011	2010	Change
Selling, general and administrative	\$5,032,000	\$4,902,000	\$130,000	\$14,379,000	\$14,279,000	\$100,000
As a % of revenue	44.4%	56.3%		47.0%	55.7%	

Interest Expense, net and Other Expense

Interest expense net, represents the interest expense we incur on our borrowing arrangements offset by the interest income we earn on cash deposits. Interest expense, net increased approximately 3.3%, or \$6,000 to \$185,000 for the three months ended September 30, 2011 as compared to \$179,000 for the three months ended September 30, 2010.

For the nine months ended September 30, 2011, interest expense, net increased approximately 6.2%, or \$32,000 to \$545,000 as compared to \$513,000 for the nine months ended September 30, 2010.

Interest expense is primarily related to the amount of our capital leases outstanding and to a lesser extent to the amount we have outstanding at any given time under our Credit Facility with CapitalSource. Interest expense increased slightly over the comparable periods in 2010 primarily as a result of the higher capital lease and Credit Facility balances.

Other expense was minimal for the three and nine months ended September 30, 2011 and 2010.

Net Loss

As a result of the foregoing, we reported a net loss of \$143,000 or \$(0.00)/share, for the three months ended September 30, 2011 as compared to a net loss of \$1,198,000, or \$(0.03)/share, for the three months ended September 30, 2010. We reported a net loss of \$1,329,000 or \$(0.03) per share, for the nine months ended September 30, 2011 as compared to a net loss of approximately \$2,926,000, or \$(0.08) per share, for the nine months ended September 30, 2010.

Non-GAAP Measures

“Adjusted EBITDA” is defined by NeoGenomics as net income (loss) from continuing operations before (i) interest expense, (ii) tax expense and therapeutic discovery tax grants, (iii) depreciation and amortization expense, (iv) non-cash stock-based compensation and warrant amortization expense and (v) other extraordinary or non-recurring charges. NeoGenomics believes that Adjusted EBITDA provides a more consistent measurement of operating performance and trends across reporting periods by excluding from income these cash and non-cash items of expense not directly related to ongoing operations. Adjusted EBITDA also assists investors in performing analysis that is consistent with financial models developed by research analysts.

Adjusted EBITDA as defined by NeoGenomics is not a measurement under GAAP and may differ from non-GAAP measures used by other companies. There are limitations inherent in non-GAAP financial measures such as Adjusted EBITDA because they exclude a variety of charges and credits that are required to be included in a GAAP presentation, and do not therefore present the full measure of NeoGenomics recorded costs against its net revenue. Accordingly, investors should consider non-GAAP results together with GAAP results in analyzing NeoGenomics financial performance.

EBITDA for the three and nine months ended September 30, 2011 was \$563,000 and \$700,000, respectively as compared to \$(553,000) and \$(1,104,000) for the corresponding periods in 2010. Adjusted EBITDA for the three and nine months ended September 30, 2011 was \$693,000 and \$1,078,000, respectively as compared to \$(398,000) and \$(596,000) for the corresponding period in 2010. The following is a reconciliation of GAAP net loss to Non-GAAP EBITDA and Adjusted EBITDA for the corresponding periods:

Table of Contents

	For the Three-Months Ended September 30,		For the Nine-Months Ended September 30,	
	2011	2010	2011	2010
Net loss (Per GAAP)	\$ (143,000)	\$ (1,198,000)	\$ (1,329,000)	\$ (2,927,000)
<i>Adjustments to Net Loss:</i>				
Interest expense (income), net	185,000	179,000	545,000	513,000
Income tax expense	—	7,000	—	13,000
Depreciation and amortization	521,000	459,000	1,484,000	1,297,000
EBITDA	563,000	(553,000)	700,000	(1,104,000)
<i>Further Adjustments to EBITDA:</i>				
Non-cash stock-based compensation	130,000	155,000	378,000	508,000
Adjusted EBITDA (non-GAAP)	<u>\$ 693,000</u>	<u>\$ (398,000)</u>	<u>\$ 1,078,000</u>	<u>\$ (596,000)</u>

Liquidity and Capital Resources

The following table presents a summary of our cash flows provided by (used in) operating, investing and finance activities for the nine months ended September 30, 2011 and 2010 as well as the period ending cash and cash equivalents and working capital.

	For the nine months ended September 30,	
	2011	2010
Net cash provided by (used in):		
Operating activities	\$(1,170,000)	\$(2,413,000)
Investing activities	(338,000)	(813,000)
Financing activities	3,060,000	3,150,000
Net increase in cash and cash equivalents	1,552,000	(76,000)
Cash and cash equivalents, beginning of period (1)	1,097,000	1,631,000
Cash and cash equivalents, end of period (1)	<u>\$ 2,649,000</u>	<u>\$ 1,555,000</u>
Working Capital (2), end of period	<u>\$ 1,774,000</u>	<u>\$ (332,000)</u>

(1) Excludes restricted cash of \$500,000

(2) Defined as current assets — current liabilities.

The decrease in cash used in operations for the nine months ended September 30, 2011 as compared to the comparable period in 2010 is primarily the result of reduced operating losses and increases in accounts payable and other liabilities partially offset by increases in our accounts receivable from increased revenues.

The decrease in cash used in investing activities in the nine months ended September 30, 2011 as compared to the comparable period in 2010 was primarily the result of reduced spending on items that cannot typically be lease financed, such as leasehold improvements, costs to improve our Laboratory Information System and certain equipment upgrades.

The increase in net cash flow provided by financing activities was primarily the result of our \$3.0 million private equity raise in January 2011, and increases in funding from our Credit Facility with Capital Source. This funding was partially offset by payments on our capital lease facilities.

On February 1, 2008, we entered into a revolving credit facility with CapitalSource, which allowed us to borrow up to \$3,000,000 based on a formula tied to our eligible accounts receivable that are aged less than 150 days. On April 26, 2010, the Parent Company, NeoGenomics Laboratories, Inc., the wholly-owned subsidiary of the Parent Company (“Borrower”), and CapitalSource entered into an Amended and Restated Revolving Credit and Security Agreement (the “Amended and Restated Credit Agreement” or the “Credit Facility”). The Amended and Restated Credit Agreement amended and restated the Revolving Credit and Security Agreement dated February 1, 2008, as amended, among the Parent Company, Borrower and CapitalSource (the “Original Credit Agreement”). The terms of the Amended and Restated Credit Agreement and the Original Credit Agreement are substantially similar except that the

Table of Contents

Amended and Restated Credit Agreement, among other things, (i) increased the maximum principal amount of the revolving credit facility from \$3,000,000 to \$5,000,000, (ii) provided that the term of the Amended and Restated Credit Agreement shall end on February 1, 2013, (iii) increased the amount of the collateral management fee and unused line fees paid by Borrower to CapitalSource, (iv) modified the definitions of "Minimum Termination Fee" and "Permitted Indebtedness", (v) provided that the Borrower must maintain a minimum outstanding principal balance under the revolving facility of at least \$2,000,000, (vi) increased the interest rate to LIBOR plus 4.25% (provided that LIBOR shall not be less than 2.0%) and (vii) revised certain covenants and representations and warranties. The Amended and Restated Credit Agreement also made permanent a previously enacted temporary change to the methodology for calculating the Fixed Charge Coverage Ratio covenant, which permits us to add amounts of unrestricted cash and cash equivalents and unused availability under the Credit Facility to Adjusted EBITDA for the purposes of calculating this covenant. A full description of the covenants in the Amended and Restated Credit Agreement can be found in our Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the SEC on February 23, 2011. We paid CapitalSource a commitment fee of \$33,500 in connection with the execution of the Amended and Restated Credit Agreement. In addition, CapitalSource credited \$25,000 of an amendment fee previously paid by us towards this commitment fee.

Interest on outstanding advances under the Credit Facility are payable monthly in arrears on the first day of each calendar month. At September 30, 2011, the effective rate of interest was 6.25%. On September 30, 2011, the available credit under the Credit Facility was approximately \$0.5 million and the outstanding borrowing was \$4.5 million after netting compensating cash on hand. We were in compliance with all covenants contained in the Credit Facility as of September 30, 2011.

On July 28, 2010 NeoGenomics Laboratories and Leasing Technologies, Inc. (LTI) agreed on the terms and conditions of a new \$1.0 million lease line of credit. The line had the same terms and conditions of our November 5, 2008 Master Lease Agreement with LTI. Advances under the lease line could be made for one year by executing equipment schedules for each advance. The lease term of all equipment schedules issued under the lease line were for 36 months. The lease rate factor applicable for each equipment schedule was 0.0327/month. If the Subsidiary made use of the entire lease line, the monthly rent would be \$32,700. Monthly rent for the leased equipment is payable in advance on the first day of each month. The obligations of the Subsidiary are guaranteed by the Parent Company. At the end of the term of each equipment schedule the Subsidiary may: (a) renew the lease with respect to such equipment for an additional 12 months at fair market value; (b) purchase the equipment at fair market value, which price will not be less than 10% of cost nor more than 14% of cost; (c) extend the term for an additional six months at 35% of the monthly rent paid by the lessee during the initial term, after which the equipment may be purchased for the lesser of fair market value or 8% of cost; or (d) return the equipment subject to a remarketing charge equal to 6% of cost.

The immaterial amount of availability we had remaining at June 30, 2011 expired and on July 21, 2011, NeoGenomics Laboratories and LTI agreed on the terms and conditions of a new \$1.0 million lease line of credit. The terms and conditions are the same as described above and advances under the lease line could be made for a period of one year.

During the third quarter of fiscal year 2011, we entered into lease schedules for \$1.0 million to purchase laboratory equipment to make investments for further growth and to increase our testing menu. Therefore we have no availability on this LTI lease line as of September 30, 2011.

During the third quarter of fiscal year 2011, we also used a vendor to lease an additional \$378,000 of laboratory equipment. The lease has a five year term with a fair market value buyout option at the end of the term. The payment on the lease is \$7,713 per month and the annual interest rate is approximately 11%.

During the third quarter of fiscal year 2011, we also entered into several small capital leases to purchase approximately \$218,000 of laboratory equipment, computer equipment and furniture. The leases have either three or four year terms and annual interest rates in the 14% to 16% range.

On September 9, 2011, we entered into a master lease agreement on a \$1.0 million equipment line of credit with Garic, Inc. The lease has a 12 month draw down period and each schedule has a 36 month term and a lease rate factor of 3.1947%. The lease has a fair market value option at the end of the term at a price not to exceed 15% of the equipment cost or the right to return the equipment. Monthly payments on the entire amount will be \$31,647 and will have an annual interest rate of 16.12%. We have \$1.0 million of availability on this agreement as of September 30, 2011. On October 6, 2011 the Company entered into a lease schedule for approximately \$50,000 and has \$950,000 of remaining availability on the lease line.

As of September 30, 2011, we had approximately \$2.65 million in unrestricted cash on hand, up to \$0.5 million of availability currently under our Credit Facility with Capital Source, and up to \$1.0 million of availability on our lease line with Garic, Inc. We

Table of Contents

believe we have adequate capital resources to meet our operating commitments over the next twelve months from these sources and from other bank loan facilities and capital lease financing arrangements which we may enter into during this period. As such, our condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern. In the event that the Company grows at a rate that is different from what we currently anticipate or we engage in strategic transactions or acquisitions and our cash on hand and availability under our Credit Facility or lease lines at such time is not adequate, we may need to increase the size of our credit facility or raise additional debt or equity capital from other sources. In such event, the Company may not be able to obtain such funding on attractive terms or at all and the Company may be required to curtail its operations.

On July 27, 2011, the common stock purchase agreement (the "Stock Agreement") between NeoGenomics, Inc. and Fusion Capital Fund II, LLC ("Fusion"), expired without any action by any party pursuant to its terms. Under the Stock Agreement, NeoGenomics had the option to sell common stock to Fusion in its sole discretion in amounts of up to \$1.0 million per instance, depending on the then price of our common stock, at times of our choosing, up to a total of \$8.0 million in the aggregate over a thirty (30) month period. During the period the Stock Agreement was effective, we never drew down any funds pursuant to it. As a result, we have decided that we will not seek to replace the Stock Agreement with any other similar type of instrument.

Capital Expenditures

We currently forecast capital expenditures in order to execute on our business plan. The amount and timing of such capital expenditures will be determined by the volume of business, but we currently anticipate that we will need to purchase approximately \$3.0 million to \$4.0 million of additional capital equipment during the next twelve months.

ITEM 3 — Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide information under this item.

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's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer, principal financial officer, and principal accounting 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, principal financial officer, and principal accounting officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our principal executive officer, principal financial officer, and principal accounting 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 three months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

From time to time the Company is engaged in legal proceeding in the ordinary course of business. We do not believe any current legal proceedings are material to our business.

ITEM 1A — RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide information under this item. Certain risks relating to the Company as described in more detail in Section 1A of our Annual Report on Form 10K as filed with the Securities and Exchange Commission on February 23, 2011 may include but are not limited to the following:

- We May Not Be Able To Implement Our Business Strategies Which Could Impair Our Ability To Continue Operations
- We May Be Unsuccessful In Managing Our Growth
- We May Incur Greater Costs Than Anticipated
- We Rely On A Limited Number Of Third Parties For Manufacture And Supply Of Certain Of Our Critical Laboratory Instruments And Materials, And We May Not Be Able To Find Replacement Suppliers Or Manufacturers In A Timely Manner In The Event Of Any Disruption Which Could Adversely Affect Our Business
- We May Face Fluctuations In Results Of Operations Which Could Negatively Affect Our Business Operations And We Are Subject To Seasonality In Our Business
- We Substantially Depend Upon Third Parties For Payment Of Services
- Our Business Is Subject To Rapid Scientific Change
- The Market For Our Services Is Highly Competitive
- We Face The Risk of Capacity Constraints
- We May Fail To Protect Our Facilities
- The Steps Taken By The Company To Protect Its Proprietary Rights May Not Be Adequate
- We Are Dependent On Key Personnel And Need To Hire Additional Qualified Personnel In Order For Our Business To Succeed
- We may Fail To Obtain Necessary Additional Capital To Finance Growth And Capital Requirements
- Proposed Government Regulation Of Laboratory Developed Tests (“LDT’s”) May Result In Delays To Certain Laboratory Tests and Increase Our Costs To Implement New Tests
- Healthcare Reform Programs May Impact Our Business And The Pricing We Receive For Our Services, Including The Expiration of the Grandfather Clause On December 31, 2011
- Our Net Revenue Will Be Diminished If Payors Do Not Adequately Cover Or Reimburse Our Services
- Third Party Billing Is Extremely Complicated And Will Result In Significant Additional Costs To Us
- Our Operations Are Subject To Strict Laws Prohibiting Fraudulent Billing And Other Abuse, And Our Failure To Comply With Such Laws Could Result In Substantial Penalties
- The Failure To Comply With Significant Government Regulation And Laboratory Operations May Subject The Company To Liability, Penalties Or Limitation Of Operations
- Our Failure To Comply With Governmental Payor Regulations Could Result In Our Being Excluded From Participation In Medicare, Medicaid Or Other Governmental Payor Programs
- Our Business Could Be Harmed By Future Interpretations Of Clinical Laboratory Mark-Up Prohibitions

Table of Contents

- Failure To Comply With The HIPAA Security And Privacy Regulations May Increase Our Operational Costs
- Changes In Regulations, Payor Policies Or Contracting Arrangements With Payors Or Changes In Other Laws, Regulations Or Policies May Adversely Affect Coverage Or Reimbursement For Our Specialized Diagnostic Services
- We Are Subject To Security Risks Which Could Harm Our Operations
- We Must Hire And Retain Qualified Sales Representatives To Grow Our Sales
- Performance Issues, Service Interruptions Or Price Increases By Our Shipping Carrier Could Adversely Affect Our Business, Results Of Operations And Financial Condition, And Harm Our Reputation And Ability To Provide Our Specialized Diagnostic Services On A Timely Basis
- We Use Biological And Hazardous Materials That Require Considerable Expertise And Expense For Handling, Storage Or Disposal And May Result In Claims Against Us
- Our Ability To Comply With The Financial Covenants In Our Credit Agreements Depends Primarily On Our Ability To Generate Substantial Operating Cash Flow
- We Have Potential Conflicts Of Interest Relating To Our Related Party Transactions Which Could Harm Our Business
- We Are Effectively Controlled By Existing Stockholders And Therefore Other Stockholders Will Not Be Able To Direct The Company
- No Foreseeable Dividends
- There May Not Be A Viable Market For Our Common Stock
- We May Become Involved In Securities Class Action Litigation That Could Divert Management's Attention And Harm Our Business
- If Penny Stock Regulations Impose Restrictions On The Marketability Of Our Common Stock, The Ability Of Our Stockholders To Sell Shares Of Our Stock Could Be Impaired

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

Not Applicable

ITEM 3 — DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4 — REMOVED AND RESERVED

ITEM 5 — OTHER INFORMATION

Not Applicable

[Table of Contents](#)

ITEM 6 — EXHIBITS

EXHIBIT NO.	DESCRIPTION
10.1	Master Lease Agreement dated September 9, 2011 between the Company and Garic, Inc
31.1	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
31.2	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
31.3	Certification by Principal Accounting Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows and (iv) related notes.

[Table of Contents](#)

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: October 25, 2011

NEOGENOMICS, INC.

By: /s/ Douglas M. VanOort

Name: Douglas M. VanOort

Title: Chairman and
Chief Executive Officer

By: /s/ George Cardoza

Name: George Cardoza

Title: Chief Financial Officer

By: /s/ Jerome J. Dvonch

Name: Jerome J. Dvonch

Title: Director of Finance and
Principal Accounting Officer

GARIC, INC.
60 EAST 42ND STREET, SUITE 2102
NEW YORK, NEW YORK 10165

Lease Number 2075

MASTER LEASE AGREEMENT

This agreement is made the **9th** day of **September, 2011** between Garic, Inc., its principal office at 60 East 42nd Street, Suite 2102, New York, New York 10165 (the "Lessor") and **NeoGenomics Laboratories, Inc.**, a **Florida** corporation, with its principal office at **12701 Commonwealth Dr. – Suite 9 – Fort Myers, FL 33913** (the "Lessee").

1. LEASE.

Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the items of personal property (the "Equipment") described in an Equipment Schedule or Schedules executed and delivered by Lessor and Lessee concurrently with this Agreement or subsequent thereto. Neither Lessor nor Lessee shall have any obligations hereunder until the execution and delivery of such Equipment Schedule or Schedules. Each Equipment Schedule (which shall be in the form annexed hereto) shall constitute a separate lease and shall be binding, when executed by the parties hereto, upon the parties, their successors, legal representatives and permitted assigns. The terms and conditions contained herein (including the Supplements, if any annexed hereto) and in such Equipment Schedule or Schedules shall govern the leasing and use of the Equipment.

2. ADDITIONAL DEFINITIONS.

- (a) The "Installation Date" means the date on which the Equipment is installed at Lessee's site.
- (b) The "Commencement Date" means, as to the Equipment designated on any Equipment Schedule where the Installation Date for such Equipment falls on the first day of the month, that date, and in any other case, the first day of the month following the month in which such Installation Date falls.

3. TERM OF LEASE.

- (a) The term of this Agreement, as to all Equipment designated on any Equipment Schedule, shall commence on the Installation Date for such Equipment, and shall continue for an initial period specified in the relevant Equipment Schedule, ending that number of months from the applicable Commencement Date (the "Initial Period"); thereafter, the term of this Agreement for all such Equipment shall be automatically extended for successive three (3) month periods unless and until terminated by either party giving to the other not less than Thirty (30) days prior written notice. Any such termination shall be effective only on the last day of the Initial Period or the last day of any such successive periods. No Equipment Schedule may be terminated with respect to less than all items of Equipment identified therein.
- (b) Any notice of termination given by either party under this Agreement or under any Supplement annexed hereto may not be revoked without the written consent of the other party.

4. RENTALS.

As to all Equipment, the monthly rental payable by Lessee to Lessor is as set forth in the applicable Schedule. Rental shall begin on the Installation Date and shall be due and payable by Lessee in advance on the first day of each month. If the Installation Date does not fall on the first day of a month, the first payment shall be a pro rata portion of the monthly rental, calculated on a 30-day basis, due and payable on the Installation Date. In addition to the monthly rental

set forth in the Schedule, Lessee shall pay to Lessor an amount equal to all taxes paid, payable or required to be collected by Lessor, however designated, which are levied or based on such rental, on this Agreement, or on the Equipment or its use, lease, operation, control, or value, including without limitation, state and local privilege or excise taxes based on gross revenue, any penalties or interest in connection therewith or taxes or amounts in lieu thereof paid or payable by Lessor in respect of the foregoing, but excluding taxes based on Lessor's net income. Personal property taxes on the Equipment shall be paid by Lessee. Lessee agrees to file, on behalf of Lessor, all required property tax returns and reports concerning the Equipment with all appropriate governmental agencies, and, send Lessor confirmation of such filing, within not more than forty-five (45) days of the due date of such filing. A late fee penalty of five (5%) percent of the past due amount will be charged to Lessee and payable on demand.

Interest on any past due payment shall accrue at the rate of one and three-quarters (1³/₄ %) percent per month, (including any fraction thereof), or if such rate shall exceed the maximum rate allowed by law, then at such maximum rate, and shall be payable on demand. Charges for taxes, penalties and interest shall be promptly paid by Lessee when invoiced by Lessor.

5. INSTALLATION AND USE OF EQUIPMENT.

- (a) Lessee will provide the required suitable electric current to operate the Equipment and/or suitable place of installation for the Equipment with all appropriate facilities as specified by the manufacturer.
- (b) Subject to the terms of this Agreement, Lessee shall be entitled to unlimited usage of the Equipment without extra charge by Lessor.
- (c) Lessee will at all times keep the Equipment in its sole possession and control. The Equipment shall not be moved from the location stated in the Equipment Schedules without the prior written consent of Lessor.
- (d) After prior notice to Lessor, Lessee may, at its own expense, make alterations in or add attachments to the Equipment, provided that such alterations or attachments do not decrease the value of the Equipment or interfere with the normal and satisfactory operation or maintenance of the Equipment or with Lessee's ability to obtain and continue the maintenance contract required by this Agreement. Unless Lessor shall otherwise agree in writing, all such alterations and attachments shall be and become the property of Lessor or, at the option of Lessee, shall be removed by Lessee and the Equipment restored at Lessee's expense to its original condition, reasonable wear and tear only excepted.

6. MAINTENANCE AND REPAIRS.

- (a) Lessee shall, during the continuance of this Agreement, at its expense, keep the Equipment in good working order and condition and make all necessary adjustments, repairs and replacements thereto. Lessee shall not use or permit the Equipment to be used for any purpose for which, in the opinion of manufacturer, the Equipment is not designed or reasonably suitable.
- (b) Without limiting the generality of the foregoing, Lessee shall, during the continuance of this Agreement, at its own expense, enter into and maintain in force a contract with the manufacturer (or other qualified service organization approved in writing by both parties) covering at least prime shift maintenance of each item of Equipment. Such contract as to each item shall commence upon expiration of the warranty period, if any, relating to such items. Lessee shall furnish Lessor with a copy of such contract(s) upon demand.
- (c) At the termination of this Agreement, Lessee shall, at its expense, return the Equipment to Lessor (at the location designated by Lessor within the continental United States) in the same operating order, repair, condition and appearance as on the Installation Date, reasonable wear and tear only excepted with all engineering changes prescribed by the manufacturer prior thereto incorporated therein, and Lessee shall arrange and pay for such repairs (if any) as are necessary for the manufacturer to accept the equipment under contract maintenance at its then standard rates.

-
- (d) Lessee shall comply with all governmental laws, regulations and requirements, and all insurance requirements, if any, with respect to the use, maintenance and operation of the Equipment.

7. OWNERSHIP AND INSPECTION.

- (a) The Equipment shall at all times remain the property of the Lessor. Lessor may affix or request Lessee to affix tags, decals or plates to the Equipment indicating Lessor's ownership and Lessee shall not permit their removal or concealment.
- (b) It is the intention and understanding of both Lessor and Lessee that the Equipment shall be and at all times remain separately identifiable personal property. Lessee shall not permit the Equipment to be installed in, or used, stored or maintained with, any personal property in such manner or under such circumstances that such Equipment might be or become an accession to or confused with such other personal property; provided, however, that the use or maintenance in accordance with normal operating procedures of Lessee of the Equipment with any other computer equipment owned by or leased to Lessee shall not be a violation of the foregoing provisions of this sentence. Lessee shall not permit the Equipment to be installed in or used, stored, or maintained with, any real property in such a manner or under such circumstances that any person might acquire any rights in such Equipment paramount to the rights of Lessor by reason of such Equipment being deemed to be real property or a fixture thereon any upgrade leased to Lessee by Lessor hereunder shall be described on an Equipment Schedule referring to the Equipment Schedule covering the underlying unit to which the upgrade is attached.
- (c) Lessee shall keep the Equipment free and clear of all liens and encumbrances. Lessee shall not assign this agreement or any of its rights hereunder or sublease the Equipment without the prior written consent of Lessor, except that Lessee may, at its expense, upon prior written notice to Lessor, assign this Agreement or sublease the Equipment to any parent or subsidiary corporation, or to a corporation which shall have acquired all or substantially all of the property of Lessee by merger, consolidation or purchase. No permitted assignment or sublease shall relieve Lessee of any of its obligations hereunder.
- (d) Lessor or its agents shall have free access to the Equipment at all reasonable times for the purpose of inspection and for any other purpose contemplated in this Agreement.
- (e) Lessee shall immediately notify Lessor of all details concerning any damage or loss arising out of the improper manufacture, maintenance, care, functioning or operation of the Equipment.

8. WARRANTIES.

- (a) Lessor shall, at the request and expense of Lessee, enforce for the benefit of Lessee any rights which Lessor shall be entitled to enforce against the manufacturer in respect of the Equipment.
- (b) EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN, THERE ARE NO REPRESENTATIONS OR WARRANTIES OF ANY KIND EXPRESS OR IMPLIED, WITH RESPECT TO THE CONDITION OR PERFORMANCE OF THE EQUIPMENT, ITS MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR WITH RESPECT TO PATENT INFRINGEMENT OR THE LIKE. LESSOR SHALL HAVE NO LIABILITY TO LESSEE FOR ANY CLAIM, LOSS OR DAMAGE OF ANY KIND OR NATURE WHATSOEVER, NOR SHALL THERE BE ANY ABATEMENT OF RENTAL, ARISING OUT OF OR IN CONNECTION WITH (i) THE DEFICIENCY OR INADEQUACY OF THE EQUIPMENT FOR ANY PURPOSE, WHETHER OR NOT KNOWN OR DISCLOSED TO LESSOR, (ii) ANY DEFICIENCY OR DEFECT IN THE EQUIPMENT, (iii) THE USE OR PERFORMANCE OF THE EQUIPMENT, (iv) ANY INTERRUPTION OR LOSS OF SERVICE OR USE OF THE EQUIPMENT, OR (v) ANY LOSS OF BUSINESS OR OTHER CONSEQUENTIAL LOSS OR DAMAGE WHETHER OR NOT RESULTING FROM ANY OF THE FOREGOING. LESSEE WILL DEFEND, INDEMNIFY AND HOLD LESSOR HARMLESS AGAINST ANY AND ALL CLAIMS, DEMANDS AND LIABILITIES ARISING OUT OF OR IN CONNECTION WITH THE DESIGN, MANUFACTURE, POSSESSION OR OPERATION OF THE EQUIPMENT.

9. SECURITY INTEREST.

- (a) In the event that Lessor transfers or assigns or grants a security interest in all or any part of its rights in this Agreement, the Equipment and/or sums payable hereunder to the third party, whether as collateral security for any loans or advances made or to be made to Lessor by such third party or otherwise, Lessee, upon receipt of notice of any such transfer or assignment and instructions from Lessor, shall pay its obligations hereunder or amounts equal thereto to the third party (or to any other party designated by the third party), and Lessee's obligations hereunder shall be absolute and unconditional and shall not be subject to any abatement, reduction, recoupment, defense, offset or counterclaim available to Lessee against Lessor for any reason whatsoever; nor, except as otherwise expressly provided herein, shall this Agreement terminate, or the respective obligations of Lessor or Lessee be otherwise affected, by reason of any defect in the Equipment, condition, design, operation or fitness for use thereof or any loss or destruction of the Equipment or any part thereof, the prohibition of or other restriction against Lessee's use of the Equipment, the interference with such use by any private person or entity, or by reason of any failure by Lessor to perform any of its obligations herein contained, or by reason of any other indebtedness or liability, howsoever and whenever arising, of Lessor to Lessee or to any other person, firm or corporation or to any governmental authority or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the monthly rental and any other amounts payable by Lessee hereunder, shall continue to be payable in all events and at the times herein provided, except as otherwise expressly provided for herein.
- (b) Lessee represents and warrants to, and covenants and agrees with Lessor that, as of the date hereof and as of the date of the Delivery and Acceptance Certificate for each Equipment Schedule that: (1) Lessee is duly organized, validly existing and in good standing under the laws of the state of its organization identified above, has been assigned an organizational file number by such jurisdiction which will be provided by Lessee, upon request of Lessor, and has full power and authority to enter into this Agreement; (2) this Agreement has been duly authorized, executed and delivered by Lessee and is its valid and binding obligation, enforceable in accordance with its terms; (3) no approval, consent, or withholding of objection is required from any governmental authority with respect to the entering into or performance of this Agreement by Lessee; (4) the entering into or performance of this Agreement by Lessee does not and will not violate a judgment, order, law or regulation applicable to Lessee or any provision of Lessee's certificate of incorporation or by-laws or result in a breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Equipment or this Agreement pursuant to, any indenture, mortgage, deed of trust, bank loan, credit agreement or other instrument to which Lessee is a party or by which it or its assets may be bound; (5) the Equipment is located at Lessee's facility as shown on the Schedule; (6) the Equipment has been and is then operating to the satisfaction of Lessee; (7) Lessee has no right, title or interest in the Equipment or any part thereof except the rights, title and interest therein as Lessee thereof under this Agreement; (8) that, on the Installation Date, this Agreement is in full force and effect, neither party is in default hereunder, and Lessee's obligations hereunder are subject to no defenses, setoffs or counterclaims; (9) the Equipment shall be used for business purposes only; (10) Lessee will provide written notice to Lessor not less than 30 days prior to any contemplated change in its name, its jurisdiction of organization or the address of its principal place of business; (11) Lessee agrees promptly to execute and deliver to Lessor standard form UCC-1 financing statements (to be filed for information purposes only) as well as such other agreements, documents, instruments and certificates as Lessor may reasonably request (including, without limitation, an opinion of counsel and certified copies of Board resolutions, both in form and substance satisfactory to Lessor) in order to effect Lessor's purchase of the Equipment or financing thereof. To the extent permitted by applicable law, Lessee hereby authorizes Lessor to file any and all UCC financing statements and other records without Lessee's signature or authentication, at Lessee's expense; and (12) Lessee hereby waives any right it may have under Section 2A-517 of the Uniform Commercial Code or otherwise to revoke its acceptance of the Equipment under the Lease for any reason whatsoever, including, but not limited to: I) any assumption by Lessee that a nonconformity would be cured; II) any inducement of acceptance by the Lessor's assurances or any difficulty to discover a nonconformity before acceptance; or III) any Lessor default under the Lease. Lessee further hereby waives its rights under Section 2A-401 and 2A-402 of the Uniform Commercial Code to suspend performance of any of its obligations under the Lease with respect to the Equipment accepted under the Lease.

10. MISCELLANEOUS CHARGES.

Except as otherwise specifically provided in this Agreement, it is understood and agreed that this is a net lease, and that, as between Lessor and Lessee, Lessee shall be responsible for all costs and expenses of every nature whatsoever arising out of or in connection with or related to this Agreement or the Equipment (such as, but not limited to, transportation in and out, transportation insurance, rigging, drayage, packing, installation and disconnect charges, audit fees for the equipment, personal property tax returns and UCC financing statements).

11. RISK OF LOSS ON LESSEE.

Lessee shall obtain and maintain from the time Lessee executes a document evidencing physical receipt of the Equipment and for the entire term of this Agreement, at its own expense, property damage and liability insurance and insurance against loss or damage to the Equipment including, without limitation, loss by fire (including so-called extended coverage) theft and such other risks of loss as are customarily insured against the type of Equipment leased hereunder by any businesses in which Lessee is engaged, in such amounts, in such form and with such insurers as shall be satisfactory to Lessor; provided, however, that the amount of insurance against loss or damage to the Equipment shall not be less than the greater of the full replacement value of the Equipment or the installments of rent then remaining unpaid hereunder plus any renewal or purchase options contained herein. Each insurance policy will name Lessee as an insured and Lessor as an additional insured and loss payee thereof as Lessor's interest may appear, and shall contain a clause requiring the insurer to give Lessor at least 10 days prior written notice of any alteration in the terms of such policy or of the cancellation thereof. Lessee shall furnish to Lessor a certificate of insurance or other evidence satisfactory to Lessor that such insurance coverage is in effect provided, however, that Lessor shall be under no duty either to ascertain the existence of or to examine such insurance policy or to advise Lessee in the event such insurance coverage shall not comply with the requirements hereof. Lessee further agrees to give Lessor prompt notice of any damage to, or loss of, the Equipment, or any part thereof. Lessor shall be named as the Loss Payee on such policies, which shall be written by an insurance company of recognized responsibility. Lessee agrees to insure the interest of any third party (referred to in Paragraph 9 of this Agreement) under a standard mortgage clause. Evidence of such insurance coverage shall be furnished to Lessor upon demand.

If any item of Equipment is rendered unusable as a result of any physical damage to, or destruction of, the Equipment, the Lessee shall give Lessor immediate notice thereof and this Agreement shall continue in full force and effect without any abatement of rental. Lessee shall determine, within fifteen (15) days after the date of occurrence of such damage or destruction, whether such item of Equipment can be repaired. In the event Lessee determines that such item of Equipment can be repaired, Lessee, at its expense, shall cause such item of Equipment to be promptly repaired. In the event Lessee determines that the item of Equipment cannot be repaired, Lessee, at its expense, shall promptly replace such item of Equipment and convey title for such replacement to Lessor free of all liens and encumbrances, and this Lease shall continue in full force and effect as though such damage or destruction had not occurred. All proceeds of insurance received by Lessor or Lessee under the policy referred to in the preceding paragraph of this section shall be applied toward the cost of any such repair or replacement.

12. INDEMNIFICATION.

Lessee hereby agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless Lessor and its respective successors, assigns, legal representatives, agents and servants, from and against, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses or disbursements (including legal fees and expenses) of any kind and nature whatsoever which may be imposed on, incurred by or asserted against Lessor or any of its respective successors, assigns, legal representatives, agents and servants (whether or not also indemnified against by the manufacturer(s) or any other person(s), in any way relating to or arising out of this Lease or any document contemplated hereby, or the performance or enforcement of any of the terms hereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, return lease, ownership, possession, use, condition, operation, sale or other disposition of the Equipment or any accident in connection therewith (including, without limitation, latent or other defects, whether or not discoverable); provided, however, that Lessee shall not be required to indemnify Lessor or its respective successors, assigns, legal representatives, agents and servants, for loss or liability in respect of any item of Equipment arising from acts or events which occur after possession of such item of Equipment has been returned to Lessor or loss or liability resulting from the willful misconduct or gross negligence of the party otherwise to be indemnified hereunder. Lessee agrees that Lessor shall not be liable to Lessee for any

liability, claim, loss, damage or expense of any kind or nature arising in strict liability or caused directly or indirectly by the inadequacy of the Equipment for any purpose or any deficiency or defect therein or the use or maintenance thereof or any repairs, servicing or adjustments thereto or any delay in providing or failure to provide any thereof or any interruption or loss of service or use thereof or any loss of business.

13. REMEDIES.

Lessee shall be in default hereunder, and there shall be a breach of this Agreement, if:

- (a) Lessee fails to pay any installment of rent within twenty (20) days when the same becomes due and payable.
- (b) Lessee attempts to remove, sell, transfer, encumber, sublet or part with possession of the Equipment or any items thereof, except as expressly permitted herein.
- (c) Lessee shall fail to observe or perform any of the other obligations required to be observed or performed by Lessee hereunder, and such failure shall continue uncured for ten (10) days after written notice thereof to Lessee by Lessor.
- (d) Lessee ceases doing business as a going concern, makes an assignment for the benefit of creditors, admits in writing its inability to pay its debts as they become due, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or an insolvent, files a petition seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement under any present or future statute, law or regulation, or files an answer admitting the material allegations of a petition filed against it in any such proceeding, consents to, or acquiesces in the appointment of, a trustee, receiver, or liquidator of it or of all or any substantial part of its assets or properties, or if it or its owners shall take any action looking to its dissolution or liquidation.
- (e) Within thirty (30) days after the commencement of any proceedings against Lessee seeking reorganization, arrangement, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceedings shall not have been dismissed, or if within 30 days after the appointment without Lessee's consent or acquiescence of any trustee, receiver or liquidator of it or of all or any substantial part of its assets and properties, such appointment shall not be vacated.

In the event that Lessee is in default hereunder, then, in any such event, Lessor may at its option do any or all of the following: (i) by notice to Lessee terminate this Agreement as to all or any Equipment Schedules; (ii) whether or not this Agreement is terminated as to all or any Equipment Schedules, take possession of any or all of the Equipment on any Equipment Schedule wherever situated, and for such purpose, enter upon any premises without liability for so doing; (iii) sell, dispose of, hold, use or lease any Equipment on any Equipment Schedule as Lessor in its sole discretion may decide, without any duty to account to Lessee; (iv) by notice to Lessee, declare immediately due and payable all monies to be paid by Lessee during the Initial Period or, if the Initial Period has then expired, declare immediately due and payable all monies to be paid during any term (extended as provided in Paragraph 3 (a) hereof) then in effect, and Lessee shall thereupon be obliged to pay such monies to Lessor immediately. Lessee shall in any event remain fully liable for reasonable damages as provided by law and for all costs and expenses incurred by Lessor on account of such default, including all court costs and reasonable attorney's fees. In any legal action between Lessor and Lessee, Lessee expressly waives its right to trial by jury. The waiver by Lessor of any breach of any obligation of Lessee shall not be deemed a waiver of such obligation or of any subsequent breach of the same or any other obligation. The subsequent acceptance of rental payments hereunder by Lessor shall not be deemed a waiver of any prior existing breach by Lessee regardless of Lessor's knowledge of such prior existing breach at the time of acceptance of such rental payments. The rights afforded Lessor under this Paragraph shall not be deemed to be exclusive, but shall be in addition to any rights or remedies provided by law.

14. PERFORMANCE OF OBLIGATIONS OF LESSEE BY LESSOR.

If Lessee shall be in default hereunder, Lessor may thereafter, without thereby waiving any obligation of Lessee or such default, make the payment or perform or comply with the agreement, the nonpayment, nonperformance or noncompliance which caused such default, and the amount of such payment and the amount of the reasonable expenses of Lessor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, shall be payable by Lessee upon demand.

15. GENERAL.

- (a) This Agreement shall not be binding upon Lessor unless signed on its behalf by a duly authorized officer. This Agreement shall be deemed to have been made in the State of New York and shall be governed in all respects by the laws of such State.
- (b) This Agreement (including the attached Equipment Schedules and Supplements) constitutes the entire Agreement between Lessee and Lessor with respect to the Equipment, and no covenant, condition or other term or provision may be waived or modified orally.
- (c) All notices hereunder shall be in writing and shall be delivered in person or sent by registered or certified mail, postage prepaid, to the address of the other party as set forth herein or to such other address as such party shall have designated by proper notice.
- (d) During the term of this Agreement and any renewal thereof, Lessee agrees to provide Lessor with all financial statements and other financial information as Lessor may reasonably request. This shall include, but not be limited to, the providing of Audited Financial Statements not more than ninety (90) days following the end of each fiscal year and Interim Financial Statements (signed as reliable, if not audited) not more than forty-five (45) days following the end of each fiscal quarter.

LESSOR:

LESSEE:

GARIC, INC.

NEOGENOMICS LABORATORIES, INC.

BY: _____

BY: /s/ George Cardoza

TITLE: _____

TITLE: CFO

**SECRETARY'S CERTIFICATE RELATING TO
INCUMBENCY AND CORPORATE RESOLUTIONS**

The undersigned, Jeorme Dvonch, Secretary of **NeoGenomics Laboratories, Inc.**, a (State): **Florida** corporation (herein the "Corporation") does hereby certify:

1. That he/she is the duly elected, qualified and acting Secretary of the Corporation and has custody of the corporate records, minutes and corporate seal.
2. That the following named person(s) has/have been properly elected, designated, and assigned to the elective or appointive office in the Corporation as indicated below; that such person(s) hold(s) such office or other stated position at this time and that the specimen signature appearing beside the name of such officer or other authorized person is his/her true and correct signature:

NAME	TITLE	SPECIMEN SIGNATURE
<u>George A Cardoza</u>	<u>CFO</u>	<u>/s/ George Cardoza</u>

3. Under the Certificate of Incorporation and By-Laws of the Corporation (check one) all corporate officers the persons indicated above have the authority to bind the Corporation to contractual obligations generally, except as limited below: _____

4. That he/she is one of the duly authorized and proper officers of the Corporation to make certificates in its behalf and that he/she have caused this certificate to be executed and the seal of the Corporation to be hereunto appended this **9th** day of **September, 2011**.

5. (Check if applicable) Garic, Inc., and its successors and assigns, may rely on this certificate until informed to the contrary in writing by the undersigned or other duly elected officer of the Corporation.

(Corporate Seal)

(Check one): /s/ Jerome Dvonch
Secretary

CERTIFICATIONS

I, Douglas M. VanOort, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended September 30, 2011 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.

October 25, 2011

/s/ Douglas M. VanOort

Douglas M. VanOort
Chairman and Chief Executive
Officer

CERTIFICATIONS

I, George Cardoza, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended September 30, 2011 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.

October 25, 2011

/s/ George Cardoza
George Cardoza
Chief Financial Officer

CERTIFICATIONS

I, Jerome J. Dvonch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended September 30, 2011 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.

October 25, 2011

/s/ Jerome J. Dvonch

Jerome J. Dvonch
Director of Finance and Principal Accounting
Officer

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

In connection with the Quarterly Report of NeoGenomics, Inc. (the "Company") on Form 10-Q for the three months ended September 30, 2011 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 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: October 25, 2011

/s/ Douglas M. VanOort

Douglas M. VanOort
Chairman and Chief Executive
Officer

Date: October 25, 2011

/s/ George Cardoza

George Cardoza
Chief Financial Officer

Date: October 25, 2011

/s/ Jerome J. Dvonch

Jerome J. Dvonch
Director of Finance and Principal Accounting
Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.