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

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**FORM 10-Q**

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(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, 2015.

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: 001-35756

**NEOGENOMICS, INC.**  
(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

74-2897368

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

12701 Commonwealth Drive, Suite 9, Fort Myers,

Florida

(Address of principal executive offices)

33913

(Zip Code)

(239) 768-0600

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically 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 November 2, 2015, the registrant had 60,350,750 shares of Common Stock, par value \$0.001 per share outstanding.

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NEOGENOMICS, INC.

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**FORWARD-LOOKING STATEMENTS**

The information in this Quarterly Report on Form 10-Q contains “forward-looking statements” and information within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) relating to NeoGenomics, Inc., a Nevada corporation and its subsidiaries, NeoGenomics Laboratories, Inc., a Florida corporation (“NEO”, “NeoGenomics Laboratories” or the “Subsidiary”) and Path Labs LLC, a Delaware limited liability company (“Path Logic”) (collectively referred to as “we”, “us”, “our”, “NeoGenomics”, or the “Company”), which are subject to the “safe harbor” created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management. The words “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the risks set forth under “Risk Factors” and in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission (the “SEC”) on March 3, 2015, and as amended and filed with the SEC on April 30, 2015.

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

- Our ability to implement our business strategy;
- The expected reimbursement levels from governmental payers and private insurers and proposed changes to those levels, including the application of the Protecting Access to Medicare Act.
- The application, to our business and the services we provide, of existing laws, rules and regulations, including without limitation, Medicare laws, anti-kickback laws, Health Insurance Portability and Accountability Act of 1996 regulations, state medical privacy laws, federal and state false claims laws and corporate practice of medicine laws;
- Regulatory developments in the United States including increasing downward pressure on health care reimbursement;
- Our ability to maintain our license under the Clinical Laboratory Improvement Amendments of 1988;
- Food and Drug Administration proposed regulation of Laboratory Developed Tests;
- Failure to timely or accurately bill for our services;
- The impact of adoption of the ICD-10-CM code set;
- Our ability to expand our operations and increase our market share;
- Our ability to expand our service offerings by adding new testing capabilities;
- Our ability to meet our future capital requirements;
- Our ability to integrate acquired businesses, including our proposed acquisition of Clariant, Inc. and costs related to such acquisitions;
- The impact of internalization of testing by customers;
- Our ability to compete with other diagnostic laboratories;
- Our ability to hire and retain sufficient managerial, sales, clinical and other personnel to meet our needs;
- Our ability to successfully scale our business, including expanding our facilities, our backup systems and infrastructure;
- Our ability to generate sufficient cash flow from our license agreement with Health Discovery Corporation to support its fair value; and
- The accuracy of our estimates regarding reimbursement, expenses, future revenues and capital requirements.

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

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEOGENOMICS, INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share and per share amounts)  
(unaudited)

	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 33,966	\$ 33,689
Accounts receivable (net of allowance for doubtful accounts of \$4,479 and \$4,180, respectively)	21,556	20,475
Inventories	2,967	2,616
Deferred income tax asset, net	821	821
Other current assets	1,547	1,141
Total current assets	60,857	58,742
<b>PROPERTY AND EQUIPMENT</b> (net of accumulated depreciation of \$24,791 and \$19,822, respectively)	15,898	15,082
<b>INTANGIBLE ASSETS, NET</b>	3,928	4,212
<b>GOODWILL</b>	2,929	2,929
<b>OTHER ASSETS</b>	129	141
<b>TOTAL ASSETS</b>	<u>\$ 83,741</u>	<u>\$ 81,106</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,026	\$ 6,294
Accrued compensation	4,767	3,897
Accrued expenses and other liabilities	1,332	1,208
Short-term portion of equipment capital lease obligations	4,203	3,224
Total current liabilities	15,328	14,623
<b>LONG-TERM LIABILITIES</b>		
Long-term portion of equipment capital lease obligations	5,743	5,257
Deferred income tax liability, net	821	821
Total long-term liabilities	6,564	6,078
<b>TOTAL LIABILITIES</b>	<u>21,892</u>	<u>20,701</u>
<b>COMMITMENTS AND CONTINGENCIES (SEE NOTE G)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.001 par value, (100,000,000 shares authorized; 60,598,616 and 60,242,818 shares issued and outstanding, respectively)	61	60
Additional paid-in capital	82,256	79,751
Accumulated deficit	(20,468)	(19,406)
Total stockholders' equity	61,849	60,405
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 83,741</u>	<u>\$ 81,106</u>

See notes to unaudited consolidated financial statements.

**NEOGENOMICS, INC.**  
**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,	
	2015	2014	2015	2014
<b>NET REVENUE</b>	\$ 25,126	\$ 23,217	\$ 72,523	\$ 62,070
<b>COST OF REVENUE</b>	13,955	12,923	40,995	32,826
<b>GROSS MARGIN</b>	11,171	10,294	31,528	29,244
<b>OPERATING EXPENSES</b>				
General and administrative	7,438	6,370	21,036	17,295
Research and development	871	1,014	2,342	2,275
Sales and marketing	2,748	2,983	8,569	8,775
Total operating expenses	11,057	10,367	31,947	28,345
<b>INCOME (LOSS) FROM OPERATIONS</b>	114	(73)	(419)	899
<b>INTEREST AND OTHER EXPENSE – NET</b>	(239)	(218)	(623)	(736)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	(125)	(291)	(1,042)	163
<b>INCOME TAXES</b>	—	—	20	78
<b>NET INCOME (LOSS)</b>	<u>\$ (125)</u>	<u>\$ (291)</u>	<u>\$ (1,062)</u>	<u>\$ 85</u>
<b>NET INCOME (LOSS) PER SHARE – Basic</b>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ 0.00</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – Basic</b>	60,537	54,444	60,414	51,272
<b>NET INCOME (LOSS) PER SHARE – Diluted</b>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ 0.00</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – Diluted</b>	60,537	54,444	60,414	53,926

See notes to unaudited consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (1,062)	\$ 85
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Bad debt expense	1,849	2,044
Amortization of intangibles	283	200
Depreciation and amortization of property and equipment	4,971	3,938
Amortization of debt issue costs	—	66
Stock based compensation – options and restricted stock	1,588	566
Stock based compensation – warrants	319	173
Changes in assets and liabilities, net:		
Accounts receivable, net of write-offs	(2,930)	12
Inventories	(351)	(582)
Other current assets	(409)	93
Other assets	12	39
Accounts payable and other liabilities	2	1,830
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,272</b>	<b>8,464</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition, net of cash	-	(5,829)
Purchases of property and equipment	(1,682)	(2,719)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,682)</b>	<b>(8,548)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on credit facility, net	—	(4,282)
Repayment of capital lease obligations	(2,912)	(2,632)
Issuance of common stock for cash, net of transaction expense	—	34,430
Issuance of common stock for the exercise of options, warrants and ESPP shares	599	2,100
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(2,313)</b>	<b>29,616</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>277</b>	<b>29,532</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>33,689</b>	<b>4,834</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 33,966</b>	<b>\$ 34,366</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	672	770
Income taxes paid	20	170
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Equipment leased under capital lease obligations and equipment loans	4,377	4,824

See notes to unaudited consolidated financial statements.

**NEOGENOMICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Unaudited**

**NOTE A — NATURE OF BUSINESS AND BASIS OF PRESENTATION**

NeoGenomics, Inc., a Nevada corporation (the “Parent”), and its subsidiaries, NeoGenomics Laboratories, Inc., a Florida corporation (“NEO”, “NeoGenomics Laboratories”) and Path Labs LLC., a Delaware limited liability company (“Path Logic”) (collectively referred to as “we”, “us”, “our”, “NeoGenomics”, or the “Company”), operates a network of anatomic pathology and certified “high complexity” clinical laboratories 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.

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

Certain information and footnote disclosures normally included in the Company’s annual audited consolidated financial statements and accompanying notes have been condensed or omitted in these accompanying interim consolidated financial statements. Accordingly, the accompanying interim consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s annual report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission (the “SEC”) on March 3, 2015 and as amended and filed with the SEC on April 30, 2015.

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

**NOTE B — RECENTLY ISSUED ACCOUNTING GUIDANCE**

Management has determined that there has been no recently issued accounting guidance that will have a material impact on the consolidated financial statements.

**NOTE C — ACQUISITIONS**

On July 8, 2014, NeoGenomics, Laboratories entered into a membership interest purchase agreement with Path Logic, and Path Labs Holdings, LLC, a Delaware limited liability company (“PL Holdings”), whereby the Company acquired all of the outstanding membership interests in Path Logic from PL Holdings for a purchase price (in thousands) of \$5,908 (the “Acquisition”). NeoGenomics Laboratories paid the purchase price using cash on hand and borrowings on its revolving credit facility.

The following table summarizes the final amounts for the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

	<b>Fair Value July 8, 2014</b>
Current assets, including cash and cash equivalents	\$ 1,722
Property, plant and equipment	577
Identifiable intangible assets – customer relationships	1,930
Long term deposits	28
Goodwill	2,929
Total assets acquired	7,186
Current liabilities	(1,180 )
Long-term liabilities	(98 )
Net assets acquired	<u>\$ 5,908</u>

**NEOGENOMICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Unaudited**

The above estimated fair values of assets acquired and liabilities assumed are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. The measurement period adjustments were complete as of December 31, 2014.

Acquired intangible assets of \$1.93 million consist of customer relationships which are being amortized over thirteen years. We recorded approximately \$37,000 and \$111,000 of amortization expense for the three and nine months ended September 30, 2015, respectively.

The estimated amortization expense related to the acquired intangible assets for each of the five succeeding fiscal years and thereafter as of September 30, 2015 is as follows (in thousands):

<u>Year Ending December 31,</u>	
Remainder of 2015	\$ 37
2016	148
2017	148
2018	148
2019	148
2020	148
Thereafter	970
Total	<u>\$ 1,747</u>

The goodwill arising from the Acquisition includes revenue synergies as a result of our existing customers and Path Logic's customers having access to each other's testing menus and capabilities. It also arises from the new product lines which Path Logic has added to the Company's product portfolio. The total amount of goodwill which is expected to be deductible for tax purposes is approximately \$3.7 million, which will be amortized on the Company's tax returns over fifteen years.

The following unaudited pro forma information (in thousands) have been provided for illustrative purposes only and are not necessarily indicative of results that would have occurred had the Acquisition been in effect since January 1, 2013, nor are they necessarily indicative of future results.

	<u>Three Months Ended</u> <u>September 30, 2014</u>	<u>Nine Months Ended</u> <u>September 30, 2014</u>
Revenue	\$ 23,405	\$ 67,289
Net income (loss)	(35)	(450)
Income (loss) per share		
Basic	\$ (0.00)	\$ (0.01)
Diluted	\$ (0.00)	\$ (0.01)

The unaudited pro forma consolidated results above have been prepared by adjusting our historical results to include the Acquisition as if it occurred on January 1, 2013. These unaudited pro forma consolidated historical results were then adjusted for the following:

- Adjustments to reflect the impact of \$361,000 of transaction costs related to the 2014 acquisition as of January 1, 2013,
- A net reduction in amortization expense due to decreased intangible assets recorded related to the acquisition,
- a net reduction in interest expense as we did not acquire the existing debt from the acquisition, offset by our interest expense on net borrowings under capital leases and notes payable,
- a net reduction in depreciation expense due to decreased fixed asset values recorded related to the acquisition,
- a net reduction in general and administrative to remove the management fees from the private equity company and the Chief Executive Officer's salary from the results,



**NEOGENOMICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Unaudited**

- a net reduction to adjust for the tax effect of the losses that were acquired which is based on an estimate of the state income taxes and federal alternate minimum tax which would not be required based on the losses for all periods.

As noted above, the unaudited pro forma results of operations do not purport to be indicative of the actual results that would have been achieved by the combined company for the periods presented or that may be achieved by the combined company in the future.

**NOTE D — GOODWILL AND INTANGIBLE ASSETS**

The Company has recorded Goodwill of \$2,929 as of September 30, 2015. The changes in the carrying amount of goodwill for the nine month period ended September 30, 2015 and for the year ended December 31, 2014 are as follows (in thousands):

	September 30, 2015	December 31, 2014
Balance as of January 1	\$ 2,929	\$ -
Goodwill acquired during the period	-	2,929
Balance at end of period	\$ 2,929	\$ 2,929

Intangible assets as of September 30, 2015 and December 31, 2014 consisted of the following (in thousands):

	Amortization Period	September 30, 2015		
		COST	Accumulated Amortization	Net
Customer Relationships	156 months	\$ 1,930	\$ 183	\$ 1,747
Support Vector Machine (SVM) technology	108 months	500	199	301
Laboratory developed test (LDT) technology	164 months	1,482	389	1,093
Flow Cytometry and Cytogenetics technology	202 months	1,000	213	787
Total		<u>\$ 4,912</u>	<u>\$ 984</u>	<u>\$ 3,928</u>

	Amortization Period	December 31, 2014		
		COST	Accumulated Amortization	Net
Customer Relationships	156 months	\$ 1,930	\$ 71	\$ 1,859
Support Vector Machine (SVM) technology	108 months	500	167	333
Laboratory developed test (LDT) technology	164 months	1,482	297	1,185
Flow Cytometry and Cytogenetics technology	202 months	1,000	165	835
Total		<u>\$ 4,912</u>	<u>\$ 700</u>	<u>\$ 4,212</u>

We recorded approximately \$93,000 and \$89,000 in straight-line amortization expense of intangibles in the three months ended September 30, 2015 and 2014, respectively. We recorded approximately \$283,000 and \$200,000 in straight-line amortization expense of intangibles in the nine months ended September 30, 2015 and 2014, respectively. The Company recorded amortization expense from customer relationships as a general and administrative expense. We will continue to record the amortization of the Support Vector Machine (SVM) technology, the Laboratory developed tests (LDT) technology and the Flow Cytometry and Cytogenetics technology intangibles as a research and development expense until the such time that we have products, services or cost savings directly attributable to these intangible assets that would require recordation in cost of goods sold.

**NEOGENOMICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Unaudited**

The estimated amortization expense related to amortizable intangible assets for each of the five succeeding fiscal years and thereafter as of September 30, 2015 is as follows (in thousands):

Year Ending December 31,		
Remainder of 2015	\$	93
2016		372
2017		372
2018		372
2019		372
2020		372
Thereafter		1,975
Total	\$	<u>3,928</u>

**NOTE E — REVENUE RECOGNITION AND CONTRACTUAL ADJUSTMENTS**

The Company recognizes revenues 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 or electronic equivalent, and revenues are recognized once the diagnostic services have been performed, and the results have been delivered to the ordering physician. These diagnostic services are billed to various payers, including Medicare, commercial insurance companies, other directly billed healthcare institutions such as hospitals and clinics, and individuals. The Company reports revenues from contracted payers, 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 payers, including certain insurance companies and individuals, based on the amount expected to be collected. The difference between the amount billed and the amount estimated to be collected from non-contracted payers is recorded as an allowance to arrive at the reported net revenues. The expected revenues from non-contracted payers are based on the historical collection experience of each payer or payer 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. The Company regularly reviews its historical collection experience for non-contracted payers and adjusts its expected revenues for current and subsequent periods accordingly.

The table below shows the adjustments made to gross service revenues to arrive at net revenues (in thousands), the amount reported on our statements of operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Gross service revenues	\$ 57,192	\$ 60,660	\$ 167,525	\$ 159,665
Total contractual adjustments and discounts	(32,066)	(37,443)	(95,002)	(97,595)
Net revenues	<u>\$ 25,126</u>	<u>\$ 23,217</u>	<u>\$ 72,523</u>	<u>\$ 62,070</u>

**NOTE F — EQUITY**

Stock Options

On May 4, 2015, the board of directors of Parent (the "Board of Directors") further amended the Amended and Restated Equity Incentive Plan dated as of April 16, 2013 (the "Plan") to add an additional 2,500,000 shares to the maximum aggregate number of shares of Parent common stock reserved and available for issuance under the Plan, bringing the total available from the Plan to 9,500,000 shares. This amendment was approved by the shareholders on June 12, 2015.

On May 4, 2015, the Compensation Committee of the Board of Directors granted 1,645,000 options to certain executives and key employees of the Company. The options were granted at a price of \$4.78 per share and had a weighted average fair market value of \$1.80 per option for a total fair market value of \$2,961,000.

**NEOGENOMICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Unaudited**

A summary of the stock option activity under the Company's plans for the nine months ended September 30, 2015 is as follows:

	Number of shares	Weighted average exercise price
Options outstanding at December 31, 2014	4,012,096	\$ 2.04
Options granted	1,756,000	4.80
Less:		
Options exercised	289,125	1.61
Options canceled or expired	12,500	3.19
Options outstanding at September 30, 2015	5,466,471	2.95
Exercisable at September 30, 2015	2,686,247	\$ 1.52

As of September 30, 2015, there was approximately \$3.2 million of unrecognized share based compensation expense related to stock options that will be recognized over a weighted-average period of approximately 1.5 years.

Stock based compensation expense recognized for stock options and restricted stock and included in the consolidated statements of operations was allocated as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Research and development expense	\$ 161	\$ 200	\$ 339	\$ 269
General and administrative expense	667	120	1,395	297
Total stock based compensation expense	\$ 828	\$ 320	\$ 1,734	\$ 566

Stock based compensation recorded in research and development relates to unvested options granted to a non-employee in connection with the licensed technology from Health Discovery Corporation.

Common Stock Warrants

A summary of the warrant activity for the nine months ended September 30, 2015 is as follows:

	Number of shares	Weighted average exercise price
Warrants outstanding at December 31, 2014	650,000	\$ 1.48
Warrants granted	—	—
Less:		
Warrants exercised	—	—
Warrants canceled or expired	—	—
Warrants outstanding at September 30, 2015	650,000	\$ 1.48
Exercisable at September 30, 2015	530,000	\$ 1.49

During the three months ended September 30, 2015 and 2014, we recorded \$58,000 and \$137,000 of warrant compensation expense, respectively. During the nine months ended September 30, 2015 and 2014, we recorded \$173,000 and \$172,000 of warrant compensation expense, respectively. Warrant expense for the periods presented is recorded in research and development as the expense relates to unvested performance based warrants granted to a non-employee in connection with the licensed technology from Health Discovery Corporation.

**NEOGENOMICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Unaudited**

Restricted Stock Awards

On April 16, 2015 the Company granted four directors of Parent each 2,080 shares of restricted stock. Such restricted stock will vest ratably over each of the next four quarters so long as the director still serves as a member of the Board of Directors. The fair market value of each grant of restricted stock on the award date was deemed to be \$10,025 or \$4.82 per share, which was the closing price of Parent's common stock on the day before the grant was approved by the compensation committee of the Board of Directors.

On June 16, 2015 the Company granted two newly elected directors of Parent each 1,560 shares of restricted stock. Such restricted stock will vest ratably over each of the next three quarters so long as the director still serves as a member of the Board of Directors. The fair market value of each grant of restricted stock on the award date was deemed to be \$9,079 or \$5.82 per share, which was the closing price of Parent's common stock on the day before the grant was approved by the compensation committee of the Board of Directors.

**NOTE G — COMMITMENTS**

During the nine months ended September 30, 2015, the Company entered into agreements with Wells Fargo Equipment Finance to lease approximately \$1.50 million of laboratory and computer equipment. One lease agreement for approximately \$0.2 million includes a 36 month term with a \$1.00 buyout option at the end of the term and an interest rate of 3.61%. The other lease agreement for approximately \$1.30 million includes a 60 month term with a \$1.00 buyout option at the end of term and an interest rate of 4.08%. The Company accounted for these lease agreements as capital leases.

During the nine months ended September 30, 2015, the Company entered into agreements with several vendors to lease approximately \$2.8 million of laboratory equipment, computer equipment and computer software. The leases have varying terms ranging from 34 to 60 months with \$1.00 buyout options at the end of the terms and interest rates ranging between 4.00% and 13.5% with a weighted average interest rate of 5.47%. The Company accounted for these lease agreements as capital lease obligations.

**NOTE H — OTHER RELATED PARTY TRANSACTIONS**

During the three months ended September 30, 2015 and 2014, Steven C. Jones, a director of Parent, earned approximately \$66,000 and \$67,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance. During each of the nine months ended September 30, 2015 and 2014, Mr. Jones earned approximately \$197,000 for various consulting work performed in connection with his duties as Executive Vice President of Finance. Mr. Jones also received \$77,500 and \$47,500 during the nine months ended September 30, 2015 and 2014, respectively as payment of his annual bonus compensation for the previous fiscal years.

On May 4, 2015 Parent granted Steven C. Jones 225,000 stock options to purchase shares of Parent common stock. The options were granted at a price of \$4.78 per share and had a weighted average fair market value of \$1.80 per option. The options vest ratably over the next three years.

**NOTE I — SUBSEQUENT EVENTS**

Acquisition

On October 20, 2015, Parent and NeoGenomics Laboratories Inc., entered into a Stock Purchase Agreement with GE Medical Holding AB ("GE Medical"), a subsidiary of General Electric Company pursuant to which Parent (through NeoGenomics Laboratories) proposes to acquire from GE Medical all of the issued and outstanding shares of common stock, par value \$0.01 per share, of Clariant, Inc., a Delaware company ("Clariant"). The purchase price consists of (i) \$80.0 million in cash, (ii) 15.0 million shares of Parent's common stock and (iii) 14,666,667 shares of the Parent's Series A convertible preferred stock ("the Series A Preferred Stock"). The cash portion of the purchase price is subject to adjustment for changes in Clariant's working capital as of the closing of the acquisition and certain indebtedness and other customary adjustments that may be determined at or after the closing. The final determination of the allocation of the purchase price will be based on the fair values of assets and liabilities of Clariant as of the date the acquisition closes. The closing of the acquisition is subject to, among other things, stockholder approval and the receipt of all required

**NEOGENOMICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Unaudited**

authorizations, clearances, consents and governmental approvals. Assuming receipt of the foregoing, we expect the acquisition to be completed near the end of 2015 or early 2016.

On or prior to the closing of the acquisition, the Company expects to enter into two separate credit facilities with separate lenders. The first is a revolving credit facility based on our accounts receivable which would provide for up to \$25.0 million of availability of which we expect to use \$10.0 million at closing to fund a portion of the cash consideration of the acquisition. The second credit facility is a \$55.0 million Term Loan that the Company would use to fund a portion of the cash consideration of the acquisition. In the event the proposed acquisition is not closed, the Company will not enter into the \$55.0 million term loan, however, the Company may still enter into the \$25.0 million revolving credit facility of which would be used for operating liquidity and funding any future acquisitions.

The closing of the acquisition is subject to various closing conditions including, without limitation, the approval by Parent's stockholders of the transaction, the issuance of the common stock and Series A Preferred Stock, and the increase in authorized common stock and preferred stock.

Covance Agreement

On October 28, 2015, NeoGenomics Laboratories amended the Strategic Alliance Agreement that it originally entered into with Covance Central Laboratory Services as of November 18, 2013. As part of the amended agreement, the Company will receive \$2 million during the fourth quarter of 2015.

2016 Medicare Physician Fee Schedule

On October 30, 2015, the Centers for Medicare and Medicaid Services ("CMS") released a public display copy of the CY 2016 Physician Fee Schedule ("PFS") Final Rule with Comment Period. Comments on portions of the rule are being accepted by CMS through December 29, 2015, including comments on standard times for certain of the clinical labor tasks associated with pathology services and on recommended values for potentially mis-valued codes. If the so called "Final Rule" passes without further changes, it will result in significantly increased reimbursement by CMS in 2016 for the main FISH CPT codes that we perform and bill. There are reductions in certain other CPT codes that we frequently bill, including the main codes used for billing Flow Cytometry testing. For the first nine months of 2015 we billed Medicare \$5.1 million for FISH testing, and we believe that reimbursement for FISH from Medicare will increase by approximately 75% if the final rule is passed without further changes. We also had billings for flow cytometry testing of \$2.6 million to CMS for the first nine months of 2015, and we believe flow reimbursement will decline by approximately 18% if the final rule is passed without further changes. The final 2016 PFS rule will not be issued until January 2016. Significant rate changes by Medicare have historically influenced reimbursement rates set by commercial insurance payors.

END OF FINANCIAL STATEMENTS

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

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

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

**Introduction**

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

**Overview**

We operate a network of cancer-focused genetic testing laboratories with a mission to improve patient care through exceptional genetic and molecular testing services. Our vision is to become America's premier cancer genetic testing laboratory by delivering uncompromising quality, exceptional service and innovative products and services. The Company has laboratory locations in Ft. Myers and Tampa, Florida; Fresno, Irvine, and West Sacramento, California; and Nashville, Tennessee, and currently offers the following types of testing services:

- a) Cytogenetics - the study of normal and abnormal chromosomes and their relationship to disease. It involves looking at the chromosome structure to identify changes from patterns seen in normal chromosomes. Cytogenetic studies are often utilized to answer diagnostic, prognostic and predictive questions in the treatment of hematological malignancies.
- b) Fluorescence In-Situ Hybridization ("FISH") - a branch of cancer genetics that focuses on detecting and locating the presence or absence of specific DNA sequences and genes on chromosomes. FISH helps bridge abnormality detection between the chromosomal and DNA sequence levels. The technique uses fluorescent probes that bind to only those parts of the chromosome with which they show a high degree of sequence similarity. Fluorescence microscopy is used to visualize the fluorescent probes bound to the chromosomes. FISH can be used to help identify a number of gene alternations, such as amplification, deletions, and translocations.
- c) Flow cytometry - a rapid way to measure the characteristics of cell populations. Cells from peripheral blood, bone marrow aspirate, lymph nodes, and other areas are labeled with selective fluorescent antibodies and analyzed as they flow in a fluid stream through a beam of light. The properties measured in these antibodies include the relative size, relative granularity or internal complexity, and relative fluorescence intensity. These fluorescent antibodies bind to specific cell surface antigens and are used to identify malignant cell populations. Flow cytometry is typically performed in diagnosing a wide variety of leukemia and lymphoma neoplasms. Flow cytometry is also used to monitor patients through therapy to determine whether the disease burden is increasing or decreasing, otherwise known as minimal residual disease monitoring.
- d) Immunohistochemistry ("IHC") - refers to the process of localizing proteins in cells of a tissue section and relies on the principle of antibodies binding specifically to antigens in biological tissues. IHC is widely used in the diagnosis of abnormal cells such as those found in cancerous tumors. Specific surface cytoplasmic or nuclear markers are characteristic of cellular events such as proliferation or cell death (apoptosis). IHC is also widely used to understand the distribution and localization of differentially expressed proteins.
- e) Molecular testing - a rapidly growing cancer diagnostic tool focusing on the analysis of DNA and RNA, as well as the structure and function of genes at the molecular level. Molecular testing employs multiple technologies including DNA fragment length analysis, real-time polymerase chain reaction ("RT-PCR") RNA analysis, bi-directional Sanger sequencing analysis, and Next-Generation sequencing ("NGS").

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

- f) Pathology consultation services are when our pathologists review surgical samples on a consultative basis for our clients. NeoGenomics is one of a few laboratories in the country with an electron microscopy lab which enables us to analyze complex renal cases. We have expertise in Hematopathology, Dermatopathology, Nephropathology, Gastroenterology and Genitourinary (GI and GU) Pathology and in Women's Health.

The cancer testing services we offer to community-based pathologists are designed to be a natural extension of, and complementary to, the services that they perform within their own practices. We believe our relationship as a non-competitive partner to community-based pathology practices and hospital pathology labs empowers them 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. Community-based pathology practices and hospital pathology labs may order certain testing services on a technical component only ("TC" or "tech-only") basis, which allows them to participate in the diagnostic process by performing the professional component ("PC") interpretation services without having to hire laboratory technologists or purchase the sophisticated equipment needed to perform the technical component of the tests. We also support our pathology clients with interpretation and consultative services on difficult or complex cases and provide overflow interpretation services when requested by clients.

In areas where we do not provide services to community-based pathology practices and/or hospital pathology labs, we may directly serve oncology, dermatology, urology and other clinician practices that prefer to have a direct relationship with a laboratory for cancer-related genetic and molecular testing services. We typically service these types of clients with a "global" service offering where we perform both the technical and professional components of the tests ordered. However, in certain instances larger clinician practices have internalized pathology interpretation services, and our "tech-only" service offering allows these larger clinician practices to also participate in the diagnostic process by performing the PC interpretation services on TC testing performed by NeoGenomics.

**2015 Focus Areas: Grow, Innovate, Diversify and Get Lean**

Grow

We plan to continue growing organically by providing high complexity, cancer-related laboratory testing services to hospitals, community-based pathology practices, and clinicians throughout the United States. We currently perform analyses for hematopoietic cancers such as leukemia and lymphoma (blood and lymphoid tumors) and solid tumor cancers such as breast, lung, colon, and bladder cancer. For hematopoietic cancers, we typically analyze bone marrow aspirate and peripheral blood specimens. For solid tumor cancers, we typically analyze tissue samples or urine.

Our growth over the past several years has been due to several factors. Our highly trained sales team has been successful in competing against other larger national laboratories with one of the broadest test menus in our industry. Our sales team consists of many industry veterans who can talk to pathologists and oncologists about our complex testing and developments in the field of cancer testing. Our tech-only testing option allows local pathologists to compete against the large national laboratories and helps our clients view us as more of a partner who is working with them, rather than against them by taking away work. Our sales representatives often become trusted advisors to our clients who rely on them, and NeoGenomics, to keep up with the latest developments in the rapidly changing field of molecular genetics. We have also been successful in expanding to new geographies where we did not previously have sales representation and this has helped us bring our service offerings to new clients.

Our growth has also been aided by strong client retention. We believe our low client attrition is due to our strong service levels and culture of customer focus. We work to have engaged employees who want to achieve the highest customer satisfaction possible. Our TC-PC model results in clients viewing us as more of a partner than a vendor and this also helps in our retention of clients. By retaining our existing customer base and bringing in a steady stream of new customers we have been able to organically grow our business.

We are keenly focused on innovation, and believe this has been a key factor in our growth. Over the past three years, we have developed over 100 new molecular oncology tests, and panels, and believe we now have one of the most comprehensive oncology test menus of any laboratory in the world. By launching new tests at a steady rate, our sales representatives are able to share cutting edge developments in molecular genetics with customers and prospective customers. We believe clients are increasingly relying on us because we are an emerging leader in the molecular oncology field. We have had several academic centers begin to refer specimens for testing. These high profile reference

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

customers often result in other accounts referring testing as well. New customers who begin using us because of our many new innovative test offerings often begin to refer large portions of their other testing, which has helped to sustain our growth. We are increasingly being seen as a one-stop shop able to handle all of the oncology testing needs of our clients.

We will also look to grow our business through mergers or acquisitions if the right opportunities become available. We are focused on strategic opportunities that would be complementary to our menu of services and would be accretive to our earnings and cash flow in the short to medium timeframe. In 2014 we acquired Path Labs, LLC, doing business as ("Path Logic"), a leading provider of specialized anatomic pathology services to hospitals and physicians primarily in Northern California. Path Logic provides high-quality Anatomic Pathology services with significant expertise in the sub-specialties of renal pathology, dermatopathology, women's health and gastrointestinal and genitourinary pathology. On October 20, 2015 we entered into a Stock Purchase Agreement with GE Medical Holding AB ("GE Medical"), a subsidiary of General Electric Company pursuant to which we (through NeoGenomics Laboratories) propose to acquire from GE Medical all of the issued and outstanding shares of common stock of Clariant Inc., a Delaware Corporation (the "Transaction"). We believe the transaction will enable NeoGenomics to broaden its offering of innovative cancer diagnostic tests to hospitals and physicians across the country, and to accelerate its growth in the fast-growing worldwide market for pharmaceutical clinical trials and research. Complementary product offerings and expanded geographical reach of the combined company are expected to provide customers with substantial benefits and create a significantly larger and more diversified provider of precision oncology diagnostics.

We believe Clariant's outstanding pathology services and capabilities in the analysis of solid tumor cancers of the breast, colon and lung are highly complementary to NeoGenomics' industry-leading molecular testing services and extensive expertise in testing for hematologic cancers. We believe hospital, physician, and pharmaceutical industry clients will benefit from the combined company's ability to offer a wider range of world-class tests, closer geographical access to services, and enhanced service capabilities. The proposed acquisition will allow the combined company to further leverage its existing laboratory facilities and infrastructure to drive productivity improvements and lower operating costs. See Note I to the financial statements. The closing of the Transaction is subject to various closing conditions including, without limitation, the approval by Parent's stockholders of the transaction, the issuance of the common stock and Series A Preferred Stock, and the increase in authorized common stock and preferred stock. See Note I to the financial statements.

#### Innovate

We are committed to being an innovative leader in oncology testing. Our goal is to develop new assays to help physician clients better manage their patients and to enable them to practice evidence-based medicine tailored specifically for each of their patients. During the nine months ended September 30, 2015, we introduced an additional 37 new tests.

We also recently launched twelve NEOLAB<sup>™</sup> liquid biopsy tests for hematological disease using next generation sequencing and other advanced molecular technologies. These twelve new tests use cell-free circulating DNA and RNA found in blood plasma to identify molecular abnormalities in the bone marrow without the need for a bone marrow biopsy.

It is estimated that more than 600,000 bone marrow biopsies are performed annually in the U.S. to diagnose and monitor patients with various hematologic cancers. However, bone marrow biopsies are a painful and uncomfortable procedure for patients, and can be associated with complications. These new tests are designed to help patients by reducing the need for bone marrow biopsies, and to assist clinicians in their treatment of cancer patients.

The technology is based on the concept that hematologic cells release their DNA, RNA, and protein into circulation as the cells are immersed in blood. The cell-free circulating DNA, RNA and protein are referred to as exosomes, microvesicles, apoptotic bodies or simply DNA- or RNA-protein complexes. Our new tests use proprietary methods to extract these circulating nucleic acids and analyze them using next generation sequencing and advanced methods in order to evaluate molecular abnormalities present in hematological cancers.

Physicians can utilize the new liquid biopsy tests to: 1) Screen patients to determine if a bone marrow biopsy is necessary, especially when myelodysplastic syndrome or acute leukemia is suspected; 2) Monitor disease status, response to therapy and predict early relapse; and 3) Complete testing when a bone marrow sample is inadequate or is technically difficult to obtain.



**NEOGENOMICS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
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Our clients have been very receptive to our new molecular offerings and we believe that we have the most comprehensive clinical molecular test menu of any laboratory in the United States. We are also seeing increasing interest in our molecular menu from several pharmaceutical firms. We also introduced a number of NeoTYPETM profiles that combine multiple molecular tests into multi-gene tests targeting specific types of cancer to help pathologists and oncologists determine cancer subtypes on difficult cases. We use next generation sequencing (NGS) and bi-directional sanger sequencing analysis which we believe is superior to many of the molecular tests being offered by our competitors because we are able to detect mutations that other methods would not detect. We also add other testing modalities to NGS such as FISH, IHC and Flow Cytometry which allow for a more comprehensive analysis of each case.

We are also working to develop a proprietary NeoLABTM (Liquid Alternative to Biopsy) Prostate cancer test that is performed on blood plasma and urine rather than on prostate tissue biopsies. There are two goals for this test, a) to diagnose the presence of cancer in patients with BPH (benign prostatic hyperplasia) and b) to distinguish high-grade from low-grade cancer in patients with prostate cancer. We completed a preliminary patient study in June 2013, and the results were published in March 2014 in the Genetic Testing and Molecular Biomarkers journal. In addition, in February 2014, we completed a follow up study with additional patient samples which confirmed the published preliminary data from the first trial. The results of this second study were presented at the Association of Clinical Oncologists ("ASCO") meeting in 2014. We are currently conducting a pivotal validation study that is targeting over 1,000 patients to further validate the efficacy of our NeoLABTM Prostate Test. The NeoLABTM test is available as a Laboratory Developed Test ("LDT"), free of charge, to patients who want to participate in the ongoing validation on the condition that their treating physician must provide clinical utilization and follow-up data to us as part of the testing process. Further validation work needs to be completed, however we continue to be encouraged about the potential for this new test. We are planning an unrestricted commercial launch of the NeoLABTM prostate test in 2016.

In addition, over the last year we believe we have vastly improved our immunohistochemistry offering, developed a new digital imaging platform and launched several new FISH tests. We expect these new tests to drive growth in the future. We also expect to continue to make investments in R&D that will allow us to commercialize a number of new and innovative genetic tests as scientific and medical technological advances are made.

#### Diversify

Our third focus area in 2015 is to diversify our business. We have focused on developing our clinical trials business and expanding our relationships with biopharmaceutical firms. We have several ongoing clinical trials with numerous international pharmaceutical firms and we expect clinical trials testing to be a major component of our diversification strategy in the coming years. Our extensive molecular testing menu has helped to attract interest from several leading pharmaceutical firms and it remains a strong selling point. We have also done work for several leading academic centers related to clinical trials. We believe that our ability to quickly develop new genetic tests for certain bio-markers makes us a good candidate to work with firms on development projects and trials. In November of 2013, we announced a five-year contract with Covance Central Laboratories ("Covance") to provide comprehensive anatomic pathology, histology and specialty testing laboratory services for clinical trials. On October 28, 2015, the agreement with Covance was amended to enable us to enter into strategic relationships and offer our services to other central laboratories and contract research organizations. As part of the amended agreement, we will receive \$2 million during the fourth quarter of 2015. The agreement will remain in effect through the original five-year term. We expect to continue to work with Covance through the term of the contract, and already have several studies in-house and underway. Developing the many customer relationships we have with pharmaceutical firms will remain a key focus area for NeoGenomics in the years to come.

#### Get Lean

We are also focused on becoming more efficient and reducing our cost per test. Our best practice teams work with our information technology teams to make improvements in efficiencies to our lab processes. We are using information systems and technology to move us further along the path of being a "fully digital lab" that uses on-line ordering, bar coding, specimen tracking, and other tools to create a streamlined, seamless, and efficient lab. Our laboratory teams are using lean principles and are increasing automation to lower our cost-per-test. We've also been working with suppliers to lower supply costs and have changed vendors in some cases. In addition, our laboratory department had incentive compensation linked to their success in reducing cost per test. During the nine months ended September 30, 2015 we reduced our average cost of goods sold per test in our "Base Business" (excluding Path Logic) by 7.9% versus the

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comparable periods in 2014 and we have identified several other areas in the laboratory where we believe we can drive further automation and efficiencies.

**Competitive Strengths**

Turnaround Times

We strive to provide industry leading turnaround times for test results to our clients nationwide. By providing information to our clients in a rapid manner, physicians can begin treating their patients as soon as possible. We believe our average 4-5 day turnaround time for our cytogenetics testing services, our average 3-4 day turnaround time for FISH testing services, our 5-7 day turnaround time for molecular testing and our average 1 day turnaround time for flow cytometry and pathology testing services are industry-leading benchmarks for national laboratories. Our consistent timeliness of results is a competitive strength and a driver of additional testing requests by our referring physicians. Rapid turnaround times allow for the performance of other adjunctive tests within an acceptable diagnosis window in order to augment or confirm results and more fully inform treatment options. We believe that our fast turnaround times are a key differentiator versus other national laboratories, and our clients often cite them as a key factor in their relationship with us.

Medical Team

Our team of medical professionals and Ph.Ds. are specialists in the field of genetics, oncology and pathology. Our medical team is led by our Chief Medical Officer, Dr. Maher Albitar, a renowned hematopathologist with extensive experience in molecular and genetic testing. Prior to joining NeoGenomics, Dr. Albitar was Medical Director for Hematopathology and Oncology at the Quest Nichols Institute and Chief R&D Director for Hematopathology and Oncology for Quest Diagnostics. He also served as Section Chief for Leukemia at the University of Texas M. D. Anderson Cancer Center and Medical Director of the MD Anderson Molecular laboratory, one of the first labs of its kind in the United States. In addition to Dr. Albitar, we employ 15 other full-time M.D.'s and Ph.D.'s in addition to part-time consultants for specific specialties.

Extensive Tech-Only Service Offerings

We currently have the most extensive menu of tech-only FISH services in the country. We also offer tech-only flow cytometry and immunohistochemistry testing services. These types of testing services allow the professional interpretation component of a test to be performed and billed separately by our physician clients. Our FISH, Flow Cytometry and other tech-only service offerings allow properly trained and credentialed community-based pathologists to extend their own practices by performing professional interpretations services, which allows them to better service the needs of their local clientele without the need to invest in the lab equipment and personnel required to perform the technical component of genetic and molecular testing.

Our tech-only services are designed to give pathologists the option to choose, on a case by case basis, whether they want to order just the technical information and images relating to a specific test so they can perform the professional interpretation, or order "global" services and receive a comprehensive test report which includes a NeoGenomics Pathologist's interpretation of the test results. Our clients appreciate the flexibility to access NeoGenomics' medical staff for difficult or complex cases or when they are otherwise unavailable to perform professional interpretations. We believe this innovative approach to serving the needs of pathology clients' results in longer term, more committed client relationships that are more akin to strategic partnerships. Our extensive tech-only service offerings have differentiated us and allowed us to compete more effectively against larger, more entrenched competitors in our niche of the industry.

Global Service Offerings

We also offer a full set of global services to meet the needs of those clients who are not credentialed and trained in interpreting genetic tests and who are looking for specialists to interpret the testing results for them. In our global service offerings, our lab performs the technical component of the tests and our M.D.s and Ph.Ds. provide the interpretation services. Our professional staff is also available for post-test consultative services. These clients rely on the expertise of our medical team to give them the answers they need in a timely manner to help inform their diagnoses and treatment decisions. Many of our tech-only clients also rely on our medical team for difficult or challenging cases by ordering our global testing services on a case-by-case basis or our medical team can serve as a backup to support our clients who

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need help to satisfy the continued and demanding requirements of their practice. Our reporting capabilities allow for all relevant case data from our global services to be captured in one summary report. When providing global services, we perform both the technical and professional component of the test, which results in a higher reimbursement level.

Client Education Programs

We believe we have one of the most extensive client education programs in the genetic and molecular testing industry. We train pathologists how to use and interpret genetic testing services so that they can better interpret technical data and render their diagnosis, which allows them to participate in our TC-PC program. Our educational programs include an extensive library of on-demand training modules, online courses, and custom tailored on-site training programs that are designed to prepare clients to utilize our tech-only services. We offer training and information on new cancer tests and the latest developments in the field of molecular genetic testing. Each year, we also regularly sponsor seminars and webinars on emerging topics of interest in our field. Our medical staff is involved in many aspects of our training programs.

Superior Testing Technologies and Instrumentation

We use some of the most advanced testing technologies and instrumentation in the laboratory industry. The use of next generation sequencing in our molecular testing allows us to detect multiple mutations which can be missed with single point mutation analysis. Many laboratories rely on more limited molecular tests which only detect single elements on a gene. Our automated FISH and Cytogenetics tools allow us to deliver the highest quality testing to our clients and our Flow Cytometry laboratory is one of only a few in the country using 10-color Flow Cytometry analysis technology on a technical-only basis. We are one of only a few laboratories with an electron microscopy (EM) department for diagnosis in complex renal case analysis.

Laboratory Information System

We believe we have a state-of-the-art Laboratory Information System ("LIS") that interconnects our locations and provides flexible reporting solutions to clients. This system allows us to standardize testing and deliver uniform test results and images throughout our network, regardless of the location that any specific portion of a test is performed within our network. This allows us to move specimens and image analysis work between locations to better balance our workload. Our LIS also allows us to offer highly specialized and customizable reporting solutions to our tech-only clients. For instance, our tech-only FISH and Flow Cytometry applications allow our community-based pathologist clients to tailor individual reports to their specifications and incorporate only the images they select and then issue and sign-out such reports using our system. Our customized reporting solution also allows our clients to incorporate test results performed on ancillary tests not performed at NeoGenomics into summary report templates. This FlexREPORT<sup>tm</sup> feature has been well-received by clients.

National Direct Sales Force

Our direct sales force has been trained extensively in cancer genetic testing and consultative selling skills to service the needs of clients. Our sales representatives are organized into three regions (Northeast, Central and West) for the core NeoGenomics business, and one separate sales team for our Path Logic division. These sales representatives all utilize our custom Customer Relationship Management System ("CRM") to manage their territories, and we have integrated all of the important customer care functionality within our LIS into the CRM so that our sales representatives can stay informed of emerging issues and opportunities within their regions. Our in-house customer care team is aligned with our field sales team to serve the needs of our clients by utilizing the same LIS and CRM. Our field teams can see in real-time when a client calls the laboratory, the reason for the call, the resolution, and if face-to-face interaction is needed for follow-up.

Geographic Locations

Many high complexity laboratories within the cancer testing niche have frequently operated a core facility on either the West Coast or the East Coast of the United States to service the needs of their customers around the country. We believe our clients and prospects desire to do business with a laboratory with national breadth and a local presence. We have six facilities, three large laboratory locations in Fort Myers, Florida, West Sacramento, California and Irvine, California and three smaller laboratory locations in Fresno, California, Nashville, Tennessee and Tampa, Florida. Our

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objective is to "operate one lab with multiple locations" in order to deliver standardized, high quality, test results. We intend to continue to develop and open new laboratories and/or expand our current facilities as market situations dictate and business opportunities arise.

Scientific Pipeline

In the past few years our field has experienced a rapid increase in tests that are tied to specific "genomic pathways". These predictive tests are typically individualized for a small sub-set of patients with a specific subtype of cancer. The therapeutic target in the genomic pathway is typically a small molecule found at the level of the cell surface, within the cytoplasm and/or within the nucleus. These genomic pathways, known as the "Hallmarks of Cancer", contain a target-rich environment for small-molecule "anti-therapies". These anti-therapies target specific mutations in the major cancer pathways such as the Proliferation Pathway, the Apoptotic Pathway, the Angiogenic Pathway, the Metastasis Pathway, and the Signaling Pathways and Anti-Signaling Pathways.

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, the 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, 2014 as amended.

Deferred Taxes

We recorded a full valuation allowance against all of our deferred tax assets as of both September 30, 2015 and December 31, 2014. This was done although we had pretax income in 2013 and 2014, due to the unsettled circumstances around reimbursement reductions in 2015 which includes further Medicare rate reductions and the fact that we believe that most commercial insurance companies followed Medicare's reimbursement framework and reduced reimbursement for the effected Medicare CPT codes. We believe that our profitability for 2015 is not reasonably assured as evidenced by our loss position for the nine months ended September 30, 2015. However, given our current earnings and anticipated future earnings, we believe there is a reasonable possibility that within the next twelve months, sufficient positive evidence may become available to allow us to reach a conclusion that a significant portion of the valuation allowance will no longer be needed. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded. Subsequent periods would have a higher income tax expense should the Company in fact be profitable. However the exact timing and amount of the valuation allowance are subject to change on the basis of the levels of profitability that we are able to actually achieve and the outlook for the Company.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
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Proposed Acquisition of Clariant Business

On October 20, 2015, we entered into a Stock Purchase Agreement with GE Medical, pursuant to which we (through NeoGenomics Laboratories) propose to acquire from GE Medical all of the issued and outstanding shares of common stock of Clariant, a wholly owned subsidiary of GE Medical. The purchase price consists of (i) \$80.0 million in cash, (ii) 15.0 million shares of our common stock, and (iii) 14,666,667 shares of our Series A Preferred Stock. The cash portion of the purchase price is subject to adjustment for changes in Clariant's working capital as of the closing of the Transaction and certain indebtedness and other customary adjustments that may be determined at or after the closing. The final determination of the allocation of the purchase price will be based on the fair values of assets and liabilities of Clariant as of the date the Transaction closes. The closing of the Transaction is subject to, among other things, stockholder approval and the receipt of all required authorizations, clearances, consents and governmental approvals. Assuming receipt of the foregoing, we expect the Transaction to be completed near the end of 2015 or early 2016.

For additional information regarding the Transaction, see our preliminary proxy statement filed with the SEC on October 23, 2015, and the definitive proxy statement to be filed thereafter.

**Results of Operations for the Three and Nine Months Ended September 30, 2015 as Compared to the Three and Nine Months Ended September 30, 2014**

In July 2014 NeoGenomics Laboratories purchased all of the membership interests of Path Logic from PL Holdings for a purchase price (in thousands) of \$5,908, (see Note C to our financial statements for additional information). For certain year-over-year comparability purposes we are discussing results since the acquisition without the effects of Path Logic so we may better explain the changes that occurred this year when compared to the prior year results. Such results will be referred to as "Base Business".

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

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	55.5%	55.7%	56.5%	52.9%
Gross Profit	44.5%	44.3%	43.5%	47.1%
Operating expenses:				
General and administrative	29.6%	27.4%	29.0%	27.9%
Research and development	3.5%	4.4%	3.2%	3.7%
Sales and marketing	10.9%	12.8%	11.8%	14.1%
Total operating expenses	44.0%	44.6%	44.0%	45.7%
Income (loss) from operations	0.5%	(0.3)%	(0.5)%	1.4%
Interest and other expense - net	(1.0)%	(0.9)%	(0.9)%	(1.2)%
Net income (loss) before income taxes	(0.5)%	(1.2)%	(1.4)%	0.2%
Income taxes	0.0%	0.0%	0.0%	0.1%
Net income (loss)	(0.5)%	(1.2)%	(1.4)%	0.1%

Revenue

Our consolidated revenue for the three and nine months ended September 30, 2015 was approximately \$25.1 million and \$72.5 million, respectively, compared to \$23.2 million and \$62.1 million for the three and nine months ended September 30, 2014, respectively. The Path Logic acquisition accounted for revenues of \$2.0 million and \$6.3 million for the three and nine months ended September 30, 2015, respectively, compared to \$2.4 million for the three and nine months ended September 30, 2014. Growth in the Base Business, was approximately \$2.3 million and \$6.5 million for the three and nine months ended September 30, 2015, respectively.

The following table shows the revenue, requisition and test metrics for our Base Business for the three and nine months ended September 30, 2015 and 2014:

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	For the three months ended September 30,			For the nine months ended September 30,		
	2015	2014	%	2015	2014	% Change
<b>Base Business</b>						
Requisitions received (cases)	35,427	28,493	24.3 %	101,542	82,551	23.0 %
Number of tests performed	56,380	44,975	25.4 %	160,999	129,184	24.6 %
Average number of requisitions/tests	1.59	1.58	0.6 %	1.59	1.56	1.9 %
Total testing revenue (in thousands)	\$ 23,097	\$ 20,835	10.9 %	\$ 66,214	\$ 59,688	10.9 %
Average revenue per requisition	\$ 652	\$ 731	(10.8 %)	\$ 652	\$ 723	(9.8 %)
Average revenue per test	\$ 410	\$ 463	(11.4 %)	\$ 411	\$ 462	(11.0 %)
Total cost of revenue (in thousands)	\$ 12,257	\$ 11,172	9.7 %	\$ 35,798	\$ 31,075	15.2 %
Average cost per requisition	\$ 346	\$ 392	(11.7 %)	\$ 353	\$ 376	(6.1 %)

Our year-over-year revenue growth in our Base Business is the result of a broad based increase in the number of new clients resulting in a 25.4% increase in test volume for the three months ended September 30, 2015 compared to the same period in 2014 and a 24.6% increase in test volume for the nine months ended September 30, 2015 compared to the same period in 2014. We believe that the increase in new clients is a direct result of our efforts to innovate by developing one of the most comprehensive molecular testing menus in the industry. Our leading molecular testing menu has also allowed us to up-sell many existing clients which is also helping to drive our growth. Customers increasingly see us as a one-stop-shop able to handle all of their cancer testing needs. We expanded our sales team during 2015 and we are seeing the benefit from that expansion as the sales team is performing well. Our average revenue/test decrease of approximately 11.4% for the three months ended September 30, 2015 compared to the same period in 2014 and our revenue/test decrease of approximately 11.0% for the nine months ended September 30, 2015 compared to the same period in 2014 was primarily attributable to the reduction in payments from Medicare and commercial insurance plans on certain FISH and immunohistochemistry tests as a result of the 2015 Medicare physician fee schedule being reduced for certain CPT codes. Many commercial insurance plans have used the reduced Medicare fees for FISH as a benchmark and have made similar reductions to the new FISH CPT Codes.

The following table shows the requisitions and revenue for Path Logic for the three and nine months ended September 30, 2015 (\$ in thousands, except for requisitions):

	For the three months ended September 30,			For the nine months ended September 30,		
	2015	2014	% Change	2015	2014	% Change
<b>Path Logic</b>						
Requisitions received (cases)	15,713	19,623	(19.9 %)	49,413	19,623	151.8 %
Total testing revenue	\$ 2,029	\$ 2,382	(14.8 %)	\$ 6,309	\$ 2,382	164.9 %
Average revenue per requisition	\$ 129	\$ 121	6.6 %	\$ 128	\$ 121	5.8 %
Total cost of revenue	\$ 1,697	\$ 1,752	(3.1 %)	\$ 5,197	\$ 1,752	196.6 %
Average cost per requisition	\$ 108	\$ 89	21.3 %	\$ 105	\$ 89	18.0 %

Revenues for Path Logic have decreased by approximately \$353 thousand or 15% for the three month period ended September 30, 2015 when compared to the period from the date of acquisition, July 8, 2014 to September 30, 2014. This decrease in revenue is due to a decline in requisition volume due to customer attrition. On a per requisition basis, cost per requisition has increased as a result of the volume decline and fixed costs in the laboratory.

Cost of Revenue and Gross Profit

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

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The consolidated cost of revenue and gross profit metrics are as follows(\$ in thousands):

<b>Consolidated</b>	<b>For the three months ended September 30,</b>			<b>For the nine months ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>\$ Change</b>	<b>2015</b>	<b>2014</b>	<b>\$ Change</b>
Cost of revenue	\$ 13,955	\$ 12,923	\$ 1,032	\$ 40,995	\$ 32,826	\$ 8,169
Cost of revenue as a % of revenue	55.5%	55.7%		56.5%	52.9%	
Gross Profit	\$ 11,171	\$ 10,294	\$ 877	\$ 31,528	\$ 29,244	\$ 2,284
Gross Profit as a % of revenue	44.5%	44.3%		43.5%	47.1%	

Consolidated cost of revenue increased in the three and nine months ended September 30, 2015 due to the increases in our testing volumes. The cost of revenue as a percentage of revenue increased for the three and nine months ended September 30, 2015 as compared to the prior year due to the aforementioned decline in reimbursement rates for 2015 as compared to the prior year.

The cost of revenue, gross profit and test metrics for the Base Business (\$ in thousands, except per test amounts) are as follows:

<b>Base Business</b>	<b>For the three months ended September 30,</b>			<b>For the nine months ended September 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>\$ Change</b>	<b>2015</b>	<b>2014</b>	<b>\$ Change</b>
Cost of revenue	\$ 12,257	\$ 11,172	\$ 1,085	\$ 35,798	\$ 31,075	\$ 4,723
Cost of revenue as a % of revenue	53.1%	53.6%		54.1%	52.1%	
Gross Profit	\$ 10,840	\$ 9,664	\$ 1,176	\$ 30,416	\$ 28,613	\$ 1,803
Gross Profit as a % of revenue	46.9%	46.4%		45.9%	47.9%	
Cost of Revenue per Test	\$ 217	\$ 248	\$ (31)	\$ 222	\$ 241	\$ (19)
Gross Profit per Test	\$ 192	\$ 215	\$ (23)	\$ 189	\$ 221	\$ (32)

Cost of revenue for the Base Business increased in the three and nine months ended September 30, 2015 due to the increases in our testing volumes. The cost of revenue as a percentage of revenue slightly decreased for the three months ended September 30, 2015 and increased for the nine months ended September 30, 2015 as compared to the same periods in the prior year. These changes are largely due to the aforementioned decline in reimbursement rates for 2015 as compared to the prior year. The \$31 thousand and \$19 thousand decline in cost of revenue per test for the three and nine months ended September 30, 2015 when compared to the prior year periods was the result of several factors, including most notably:

- Improved productivity in our laboratory as we experienced an increase in the amount of tests processed per laboratory FTE (full time equivalent personnel). This was driven by improved capacity planning and utilization along with several process improvements and automation in the laboratory.
- Our supplies cost as a percentage of revenue declined based on efforts made to reduce price from certain key vendors and efforts by the operations teams to more efficiently utilize supplies and reduce any supply waste. We have also changed vendors and platforms in order to drive down our cost of testing.

Our operation teams work closely with our information technology team and outsourced programmers to re-design our systems and processes to improve efficiencies. We are working on reducing the time it takes laboratory technologists to complete their processes by reducing the need for any manual data entry and we are working with our clients to adopt "On-Line orders" which helps improve quality by eliminating errors and reduces our costs. We continue to focus on improving our laboratory operations in order to continue to drive further improvements in our cost per test. We believe that we will continue to realize a reduction in average cost of revenue per test in future periods based on the activities of our operations teams.

The cost of revenue and gross profit for Path Logic are as follows:

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Path Logic (\$ in thousands)	For the three months ended September 30,			For the nine months ended September 30,		
	2015	2014	\$ Change	2015	2014	\$ Change
Cost of revenue	\$ 1,697	\$ 1,752	\$ (55)	\$ 5,197	\$ 1,752	\$ 3,445
Cost of revenue as a % of revenue	83.7%	73.5%		82.4%	73.5%	
Gross Profit	\$ 331	\$ 630	\$ (299)	\$ 1,111	\$ 631	\$ 480
Gross Profit as a % of revenue	16.3%	26.5%		17.6%	26.5%	

Cost of revenue for Path Logic has decreased slightly for the three month period ending September 30, 2015 when compared to the period from the date of acquisition, July 8, 2014 to September 30, 2014. Cost of revenue as a percentage of revenue increased to 83.7% for the three months ended September 30, 2015 as compared to 73.5% for the period from date of acquisition, July 8, 2014 to September 30, 2014. The costs were consistent with the prior year amounts and the changes in the percentages of revenue are a result of the fixed costs to operate the laboratory at current capacity. We anticipate volume to increase and the corresponding percentages to decrease accordingly in the future.

General and Administrative Expenses

General and administrative expenses relate to billing, bad debt expense, finance, human resources, information technology 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.

Consolidated general and administrative expenses for the periods presented are as follows:

(\$ in thousands)	For the three months ended September 30,			For the nine months ended September 30,		
	2015	2014	\$ Change	2015	2014	\$ Change
General and administrative	\$ 7,438	\$ 6,370	\$ 1,068	\$ 21,036	\$ 17,295	\$ 3,741
As a % of revenue	29.6%	27.4%		29.0%	27.9%	

General and administrative expenses increased for both the three and nine months ended September 30, 2015, compared to the same periods in 2014. These overall changes were the result of increased expenses in the following areas: payroll and payroll related, non-cash warrants and options, depreciation, amortization and technology and equipment. The increases in general and administrative expenses are primarily due to additional resources necessary to service the growth of the company and the increased requisitions received. In addition, stock based compensation expense increased to approximately \$667 thousand for the three months ended September 30, 2015 from approximately \$120 thousand for the same period in 2014. This increase of approximately \$547 thousand was primarily due to increased stock options outstanding. As a percentage of revenue, general and administrative expenses only increased slightly.

Bad debt expense increased approximately \$316 thousand to \$545 thousand for the three months ended September 30, 2015 as compared with the three months ending September 30, 2014. As a percentage of revenue, bad debt expense for the three months ended September 30, 2015 was 2% compared to 1% for the three months ended September 30, 2014. Bad debt was historically low during the three months ended September 30, 2014 due to collections of older account balances.

Bad debt expense decreased by approximately \$195 thousand to \$1.8 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. As a percentage of revenue, bad debt for this period remained relatively constant.

We expect our overall general and administrative expenses to increase, as we add personnel and equity related compensation expenses, increase our billing and collections activities; incur additional expenses associated with the expansion of our facilities and backup systems; incur additional bad debt expense related to increasing sales, and as we continue to build our physical infrastructure to support our anticipated growth.



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Research and Development Expenses

Research and development activities relate to developing new proprietary and non-proprietary genetic tests as well as costs related to our licensing agreement with Health Discovery Corporation, expenses include amortization of the licensed technology, payroll and payroll related costs, maintenance and depreciation of laboratory equipment, laboratory reagents, probes and supplies.

Stock based compensation, recorded in research and development relates to unvested performance based options and warrants granted to a non-employee in connection with the licensed technology from Health Discovery Corporation.

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

(\$ in thousands)	For the three months ended September 30,			For the nine months ended September 30,		
	2015	2014	\$ Change	2015	2014	\$ Change
Research and development	\$ 871	\$ 1,014	\$ (143)	\$ 2,342	\$ 2,275	\$ 67
As a % of revenue	3.5 %	4.4 %		3.2 %	3.7 %	

Excluding stock based compensation of \$219 thousand and \$337 thousand, research and development expense was \$652 thousand and \$677 thousand for the three months ended September 2015 and 2014, respectively, remaining consistent year over year. Excluding stock based compensation of \$512 thousand and \$441 thousand, research and development expense was \$1.8 million for each of the three months ended September 2015 and 2014, remaining consistent year over year. The year over year variances in stock based compensation expense are directly related to the fluctuations in our stock price.

We expect our research and development expenses to fluctuate in future quarters because of increases or decreases in our stock price and the corresponding stock based compensation expense for non-employee stock options and warrants. Increases in our stock price result in additional expense and decreases in our stock price can result in recovery of previously recorded expense. We anticipate research and development expenditures, excluding stock based compensation to remain consistent in future quarters as we continue to work on bringing new tests to market.

Sales and Marketing Expenses

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

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

(\$ in thousands)	For the three months ended September 30,			For the nine months ended September 30,		
	2015	2014	\$ Change	2015	2014	\$ Change
Sales and marketing	\$ 2,748	\$ 2,983	\$ (235)	\$ 8,569	\$ 8,775	\$ (206)
As a % of revenue	10.9 %	12.8 %		11.8 %	14.1 %	

Sales and marketing expenses decreased for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The decrease was the result of minor reductions in payroll, personnel related expenses and travel related expenses. Sales and marketing expenses also decreased slightly for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. This decrease was the result of a reduction in commissions and personnel related expenses.

We expect our overall sales and marketing expenses to increase modestly as our test volumes increase, but to remain stable as a percentage of our overall sales.

Interest Expense, Net

Interest expense, net primarily consisted of the interest expense we incur on capital lease obligations offset by the interest income we earn on cash deposits. Interest expense, net decreased slightly from approximately \$272 thousand for the

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three months ended September 30, 2014 to approximately \$239 thousand for the three months ended September 30, 2015. Interest expense, net decreased from approximately \$793 thousand for the nine months ended September 30, 2014 to \$623 thousand for the nine months ended September 30, 2015. The decrease is primarily due to the fact that for the period ended September 30, 2015, we had no interest payments related to the revolving credit facility as this facility was paid off in August of 2014. This decrease is partially offset by an increase in interest expense which is related to capital lease obligations for laboratory equipment that were entered into in 2015.

Net Income

The following table provides the consolidated net income (loss) for each period along with the computation of basic and diluted net income (loss) per share for the for the three and nine months ended September 30, 2015 and 2014:

(in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net (loss) income	\$ (125)	\$ (291)	\$ (1,062)	\$ 85
Basic weighted average shares outstanding	60,537	54,444	60,414	51,272
Effect of potentially dilutive securities	—	-	—	2,654
Diluted weighted average shares outstanding	60,537	54,444	60,414	53,926
Basic net (loss) income per share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ 0.00</u>
Diluted net (loss) income per share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ 0.00</u>

Non-GAAP Measures

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

Adjusted EBITDA (as defined by us) 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 our financial performance.

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The following is a reconciliation of GAAP net income (loss) to Non-GAAP EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2015 and 2014:

(in thousands)	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Net (loss) income (Per GAAP)	\$ (125)	\$ (291)	\$ (1,062)	\$ 85
Adjustments to Net Income:				
Interest expense (income), net	239	272	623	793
Income taxes	-	-	20	78
Amortization of intangibles	93	89	283	200
Depreciation and amortization	1,722	1,538	4,971	3,938
EBITDA	1,929	1,608	4,835	5,094
Further Adjustments to EBITDA:				
Non-cash stock based compensation	887	457	1,907	738
Acquisition related transaction expense	-	473	-	473
Costs of terminating credit facility	-	98	-	98
Adjusted EBITDA (non-GAAP)	\$ 2,816	\$ 2,636	\$ 6,742	\$ 6,403

Trade Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported, net of an allowance for doubtful accounts, which is estimated based on the aging of accounts receivable with each payer category and the historical data on bad debts in these aging categories. In addition, the allowance is adjusted periodically for 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.

The following tables present the Company's gross outstanding accounts receivable (\$ in thousands) by payer group at September 30, 2015 and December 31, 2014:

**NEOGENOMICS AGING OF RECEIVABLES BY PAYER GROUP**  
**September 30, 2015**

Payer Group	0-30	%	31-60	%	61-90	%	91-120	%	>120	%	Total	%
Client	\$ 5,601	21 %	\$ 2,948	11 %	\$ 1,753	7 %	\$ 1,069	4 %	\$ 4,492	18 %	\$ 15,863	61 %
Commercial												
Insurance	655	2 %	667	3 %	686	3 %	673	3 %	1,747	6 %	4,428	17 %
Medicaid	12	0 %	8	0 %	7	0 %	4	0 %	23	0 %	54	0 %
Medicare	665	3 %	422	2 %	401	1 %	332	1 %	1,840	7 %	3,660	14 %
Private Pay	18	0 %	12	0 %	10	0 %	11	0 %	10	0 %	61	0 %
Unbilled												
Revenue	1,969	8 %	—	0 %	—	0 %	—	0 %	—	0 %	1,969	8 %
Total	\$ 8,920	34 %	\$ 4,057	16 %	\$ 2,857	11 %	\$ 2,089	8 %	\$ 8,112	31 %	\$ 26,035	100 %

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**NEOGENOMICS AGING OF RECEIVABLES BY PAYER GROUP**

**December 31, 2014**

Payer Group	0-30	%	31-60	%	61-90	%	91-120	%	>120	%	Total	%
Client	\$ 3,705	15 %	\$ 3,212	13 %	\$ 1,639	7 %	\$ 1,018	4 %	\$ 2,348	9 %	\$ 11,922	48 %
Commercial												
Insurance	826	4 %	719	3 %	767	3 %	748	3 %	3,763	15 %	6,823	28 %
Medicaid	15	0 %	4	0 %	11	0 %	23	0 %	340	2 %	393	2 %
Medicare	720	3 %	927	4 %	727	3 %	327	1 %	1,263	5 %	3,964	16 %
Private Pay	27	0 %	24	0 %	29	0 %	20	0 %	159	1 %	259	1 %
Unbilled Revenue	1,294	5 %	—	0 %	—	0 %	—	0 %	—	0 %	1,294	5 %
<b>Total</b>	<b>\$ 6,587</b>	<b>27 %</b>	<b>\$ 4,886</b>	<b>20 %</b>	<b>\$ 3,173</b>	<b>13 %</b>	<b>\$ 2,136</b>	<b>8 %</b>	<b>\$ 7,873</b>	<b>32 %</b>	<b>\$ 24,655</b>	<b>100 %</b>

The following table represents the balance in allowance for doubtful accounts (in thousands) and that allowance as a percentage of gross accounts receivable at September 30, 2015 and December 31, 2014.

	September 30, 2015	December 31, 2014	\$ Change
Allowance for doubtful accounts	\$ 4,479	\$ 4,180	\$ 299
Allowance as a % of gross accounts receivable	17.2 %	17.0 %	

The slight increase in the allowance for doubtful accounts for the period ended September 30, 2015 as compared to the same period in 2014 is attributed to the higher accounts receivable balance. As a percentage of gross accounts receivable, the allowance for doubtful accounts remained relatively consistent.

**Liquidity and Capital Resources**

The following table presents a summary of our consolidated cash flows for operating, investing and financing activities (in thousands) for nine months ended September 30, 2015 and 2014 as well as the period ended cash and cash equivalents and working capital.

	For the nine months ended September 30,	
	2015	2014
Net cash provided by (used in):		
Operating activities	\$ 4,272	\$ 8,464
Investing activities	(1,682)	(8,548)
Financing activities	(2,313)	29,616
Net increase (decrease) in cash and cash equivalents	277	29,532
Cash and cash equivalents, beginning of period	\$ 33,689	4,834
Cash and cash equivalents, end of period	\$ 33,966	\$ 34,366
Working Capital (1), end of period	\$ 45,529	\$ 43,289

(1) Defined as current assets minus current liabilities.

During the nine months ended September 30, 2015, cash provided by operating activities decreased by approximately \$4.2 million compared with the same period in 2014. The decrease was primarily related to the timing of our cash receipts, specifically the drop in our days-sales-outstanding during 2014, in addition to our net loss for the period ended September 30, 2015 compared to our net income for the period ended September 30, 2014.

During the nine months ended September 30, 2015, cash used by investing activities decreased by approximately \$6.9 million compared with the same period in 2014. This decrease was primarily due to the \$5.8 million used to acquire Path Logic in 2014, in addition to a reduction in the use of cash in purchasing and developing property and equipment.

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**(CONTINUED)**

During the nine months ended September 30, 2015, cash used by financing activities primarily consisted of payments made on our capital leases which was partially offset by cash received for the issuance of Parent common stock for the exercise of stock options and ESPP shares. Our cash provided by financing activities for the nine months ended September 30, 2014 consisted primarily of net cash proceeds from the \$34.6 million equity raise completed in August 2014 partially offset by the pay-off of our revolving credit facility with Capital Source and repayments on capital leases and loans.

We had approximately \$34 million in cash and cash equivalents as of September 30, 2015. We believe that cash on hand in addition to the cash generated from operations will provide adequate resources to meet our operating commitments for the next twelve months.

The foregoing information does not give effect to the Transaction and any funding arrangements we may enter into in connection with the Transaction. On or prior to the closing of the Transaction, we expect to enter into two separate credit facilities with separate lenders. The first is a revolving credit facility based on our accounts receivable, which would provide for up to \$25.0 million of availability of which we expect to use \$10.0 million at closing to fund a portion of the cash consideration of the Transaction. The second credit facility is a \$55.0 million Term Loan that we would use to fund a portion of the cash consideration of the Transaction. In the event the Transaction is not closed, we will not enter into the \$55.0 million term loan, however, we may still enter into the \$25.0 million revolving credit facility of which would be used for operating liquidity and funding any future acquisitions.

#### **Capital Expenditures**

We currently forecast capital expenditures in order to execute on our business plan and keep up with the growth in our testing volumes, although the actual amount and timing of such capital expenditures will ultimately be determined by the volume of our business. We currently anticipate that our capital expenditures for the year ended December 31, 2015 will be in the range of \$7.5 million to \$9.0 million. During the nine months ended September 30, 2015, we have purchased approximately \$6.0 million of capital equipment, software and leasehold improvements of which \$4.3 million was acquired through capital lease obligations. We have been and plan to continue funding these expenditures with capital lease financing arrangements, cash, and through bank loan facilities if necessary.

#### **Related Party Transactions**

##### **Consulting Agreements**

During the three months ended September 30, 2015 and 2014, Steven C. Jones, a director of the Company, earned approximately \$66,000 and \$67,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance. During each of the nine months ended September 30, 2015 and 2014, Mr. Jones earned approximately \$197,000 for various consulting work performed in connection with his duties as Executive Vice President of Finance. Mr. Jones also received \$77,500 and \$47,500 during the nine months ended September 30, 2015 and 2014 as payment of his annual bonus compensation for the previous fiscal years.

On May 4, 2015 the Company granted Steven C. Jones 225,000 stock options to purchase shares of Parent common stock. The options were granted at a price of \$4.78 per share and had a weighted average fair market value of \$1.80 per option. The options vest ratably over the next three years.

##### **Off-balance Sheet Arrangements**

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

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

We do not invest in or trade instruments which are sensitive to market risk. We also do not have any material foreign operations or foreign sales so we have no exposure to foreign currency exchange rate risk.

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

**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 Securities and Exchange Commission's (the "SEC") rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II — OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

From time to time the Company is engaged in legal proceedings in the ordinary course of business. We do not believe any current legal proceedings are material to our business. No material proceedings were terminated during the quarter ended September 30, 2015.

**ITEM 1A. RISK FACTORS**

There have been no material changes in our risk factors from those set forth in Part I, Item 1A, "Risk Factors" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014; as filed with the SEC on March 3, 2015, and as amended and filed with the SEC on April 30, 2015, except as follows:

**Failure to complete the Transaction could negatively impact our business, financial condition, results of operations or stock prices.**

Completion of the Transaction is conditioned upon the satisfaction of certain closing conditions, including stockholder approval of the issuance of the shares of common and preferred stock as consideration, the charter amendments to increase the number of our authorized shares of common stock and preferred stock and the approval of the Transaction. The required conditions to closing may not be satisfied in a timely manner, if at all, or, if permissible, waived. If the Transaction is not completed for these or any other reasons, our ongoing business may be adversely affected and will be subject to a number of risks and consequences, including the following:

- we may be required, under certain circumstances, to pay GE Medical a termination fee of up to \$15.0 million pursuant to the terms of the Stock Purchase Agreement;
- we must pay the substantial fees and expenses we incurred related to the Transaction, such as legal, accounting, consulting, financing, printing and synergy planning fees and expenses, even if the Transaction is not completed;
- matters relating to the Transaction may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to us;
- the market price of our common stock may decline to the extent that the current market price reflects a market assumption that the Transaction will be completed;
- we may experience negative reactions to the termination of the Transaction from customers, business partners, lenders and employees; and
- we would not realize any of the anticipated benefits of having completed the Transaction.

Furthermore, any delay in the completion of the Transaction, or any uncertainty about its completion, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**We may be unable to obtain the financing necessary to complete the Transaction.**

The obligations of the lenders under a new senior secured revolving credit facility and a new senior secured term loan facility (the "Credit Facilities") to provide the financing for the Transaction will be subject to a number of conditions, which may not be achieved. These conditions include (i) the consummation of the Transaction on the terms and conditions set forth in the Stock Purchase Agreement, (ii) the absence of a material adverse effect with respect to NeoGenomics and Clariant, (iii) a consolidated total funded leverage multiple of NeoGenomics, after giving pro forma effect to completion of the Transaction, of not more than 3.75 times pro forma adjusted EBITDA for the trailing twelve month period as of the closing date, and (iv) the administrative agent under each Credit Facility having a perfected lien

## NEOGENOMICS, INC.

and security interest on our assets. If any of the conditions are not satisfied and we fail to receive the financing under the Credit Facilities, we may be unable to complete the Transaction.

### **We will incur substantial additional indebtedness in connection with the Transaction.**

We expect to incur \$65.0 million of additional indebtedness under the Credit Facilities in order to pay the cash consideration and related fees and expenses in connection with the Transaction. Following the Transaction, we will also have \$15.0 million of available borrowing capacity under the revolving credit facility. As a result, following the Transaction we will have indebtedness that is substantially greater than our indebtedness prior to the Transaction. This higher level of indebtedness may:

- require us to dedicate a greater percentage of our cash flows to payments on our debt, thereby reducing the availability of cash flow to fund capital expenditures, pursue other acquisitions or investments in new technologies, make stock repurchases and for general corporate purposes;
- increase our vulnerability to general adverse economic conditions, including increases in interest rates as the borrowings bear interest at variable rates or if such indebtedness is refinanced at a time when interest rates are higher; and
- limit our flexibility in planning for, or reacting to, changes in or challenges relating to our businesses and industry, creating competitive disadvantages compared to other competitors with lower debt levels and borrowing costs.

We cannot assure you that cash flows, combined with additional borrowings under any future credit facility, will be available in an amount sufficient to enable us to repay our indebtedness, or to fund other liquidity needs.

In addition, we may incur substantial additional indebtedness in the future, which could cause the related risks to intensify. We may need to refinance all or a portion of our indebtedness on or before their respective maturities. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we are unable to refinance our debt, we may default under the terms of our indebtedness, which could lead to an acceleration of the debt. We do not expect that we could repay all of our outstanding indebtedness if the repayment of such indebtedness was accelerated.

In addition, for so long as any shares of our Series A Preferred Stock remain outstanding, in the event that we issue any other shares of capital stock or any unsecured debt securities for cash, we are required to apply at least 50% of the net cash proceeds to redeem shares of Series A Preferred Stock at the conversion price of \$7.50 per share, subject to adjustments. As a result, our ability to repay our outstanding indebtedness will be constrained by the fact that we will only receive half of the net cash proceeds from certain capital raising activities for as long as any of our Series A Preferred Stock remains outstanding.

### **While the Transaction is pending, we will be subject to contractual limitations that could adversely affect our business.**

The Stock Purchase Agreement restricts us from taking certain specified actions while the Transaction is pending without GE Medical's consent. These restrictions may prevent us from pursuing otherwise attractive business opportunities and making other changes to our business prior to closing of the Transaction or termination of the Stock Purchase Agreement.

### **The Transaction may result in a loss of customers and strategic alliances.**

As a result of the Transaction, some of our customers or strategic partners or those of Clariant may terminate their respective business relationships with us following the Transaction. In addition, potential customers or strategic partners may delay entering into, or decide not to enter into, a business relationship with us because of the Transaction. If customers or strategic alliances are adversely affected by the Transaction, our business and financial performance following the Transaction would suffer.



**Uncertainties associated with the Transaction may cause a loss of management personnel and other key employees which could adversely affect our future business and operations following the Transaction.**

NeoGenomics and Clariant are dependent on the experience and industry knowledge of our respective officers, contracted pathologists and other key employees to execute our business plans. Our success after the Transaction will depend in part upon our ability to retain key management personnel and other key employees, including within NeoGenomics and Clariant's current and prospective employees may experience uncertainty about their roles within NeoGenomics or other concerns regarding our operations following the Transaction, any of which may have an adverse effect on our ability to attract or retain key management and other key personnel. Accordingly, no assurance can be given that we will be able to attract or retain key management personnel and other key employees until the Transaction is completed or following the Transaction to the same extent that we have previously been able to attract or retain such employees.

**The Transaction is subject to a number of conditions, including the absence of certain legal or regulatory actions and the expiration or termination of any waiting or notice period under applicable antitrust laws. Any imposition of conditions to completion of the Transaction by a legal or regulatory authority could impair our ability to complete the Transaction on a timely basis, result in abandonment of the Transaction or otherwise have a material adverse effect on us.**

Completion of the Transaction is conditioned upon, among other matters, the absence of certain legal or regulatory actions and the receipt of certain governmental authorizations, consents, orders, clearances or other approvals. Notwithstanding termination of the waiting period under the Hart-Scott-Rodino Act, at any time before the closing of the Transaction, the U.S. Department of Justice, the U.S. Federal Trade Commission or others could take action under the antitrust laws with respect to the Transaction, including seeking to enjoin the completion of the Transaction or to require the divestiture of certain of our assets or those of Clariant. There can be no assurance that a challenge to the Transaction on antitrust grounds will not be made or, if such a challenge is made, that it would not be successful. Any imposition of conditions to completion of the Transaction by a legal or regulatory authority could impair our ability to complete the Transaction on a timely basis, result in abandonment of the Transaction or otherwise have a material adverse effect on us. In addition, if we were to proceed with the Transaction despite the imposition of regulatory conditions or restrictions, our business, financial condition, results of operations, cash flows and the price of our common stock following completion of the Transaction could be adversely affected.

**Our right to recover for certain breaches of the covenants, agreements, representations and warranties made by GE Medical in the Purchase Agreement are limited.**

Pursuant to the Stock Purchase Agreement, all covenants, agreements, representations and warranties made by the parties in the Purchase Agreement will survive for a period of 15 months following the closing of the Transaction, subject to certain exceptions for the "fundamental representations." Subject to the terms, conditions and limitations set forth in the Stock Purchase Agreement, GE Medical will indemnify us against any losses that are suffered or incurred by us resulting from or arising out of a breach of GE Medical's representations or warranties or covenants contained in the Stock Purchase Agreement. However, other than instances of fraud and breaches of certain "fundamental" representations, GE Medical will not be liable for any losses unless and until the aggregate amount of losses that are suffered or incurred by us exceed \$2.0 million, and then only for losses incurred by us that are in excess of this amount, subject to a limit on GE Medical's maximum aggregate liability for breaches of representations other than certain "fundamental" representations of \$50.0 million. If we incur any material losses for which GE Medical will not provide indemnification, or if our losses are in excess of GE Medical's maximum aggregate liability, our financial condition could be materially and adversely affected.

We also have agreed to indemnify GE Medical for any breaches of our representations, warranties or covenants contained in the Stock Purchase Agreement, subject to similar deductibles and limitations, including the maximum aggregate liability for breaches of representations other than certain "fundamental" representations of \$50.0 million. If we are required to indemnify GE Medical for a material amount pursuant to the Stock Purchase Agreement, our financial condition could be materially and adversely affected.

**Any delay in completing the Transaction may reduce or eliminate the benefits expected to be achieved thereunder.**

In addition to the required regulatory approvals and clearances, the Transaction is subject to a number of other conditions beyond our control that may prevent, delay or otherwise materially adversely affect its completion. We cannot predict whether and when these other conditions will be satisfied.

Furthermore, the requirements for obtaining the required clearances and approvals could delay the completion of the Transaction for a significant period of time or prevent it from occurring. Any delay in completing the Transaction could cause us not to realize some or all of the synergies and other benefits that we expect to achieve if the Transaction is successfully completed within its expected time frame. A delay could also increase the likelihood of customer and employee attrition prior to the Transaction being closed.

**The anticipated benefits of the Transaction may not be realized, which may adversely affect the value of our common stock.**

To be successful after the Transaction, we will need to combine and integrate our operations with those of Clariant. Integration will require substantial management attention and could detract attention from the day-to-day business of the combined company. We could encounter difficulties in the integration process, such as difficulties offering products and services across our expanded portfolio, the need to revisit assumptions about reserves, revenues, capital expenditures and operating costs, including synergies, the loss of key employees or customers or the need to address unanticipated liabilities. In addition, we cannot be assured that all of the goals and anticipated benefits of the Transaction will be achievable, particularly as the achievement of the benefits are in many important respects subject to factors that we do not control. These factors would include such things as the reactions of third parties with whom we enter into contracts and do business and the reactions of investors and analysts.

If we cannot integrate our business and that of Clariant successfully, we may fail to realize the expected benefits of the Transaction. We could also encounter additional transaction and integration costs, may fail to realize all of the benefits anticipated in the Transaction or be subject to other factors that affect preliminary estimates. Any of these factors could cause a decrease in our cash earnings per share or decrease and contribute to a decrease in the price of our common stock.

**We expect to incur substantial expenses related to the Transaction and the integration of Clariant with our business.**

We expect to incur a number of non-recurring costs in connection with the transaction, including financing costs and legal, banking, accounting and other professional fees. We also expect to incur integration costs associated with combining the companies and the achievement of synergies, which may be material. We are in the process of assessing such costs. There are many factors beyond our control that could affect the total amount or the timing of our transaction and integration expenses. Moreover, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. To the extent our transaction expenses are higher than anticipated or our integration costs are material, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

**We may be unable to make, on a timely basis, necessary changes to our internal control structure resulting from the Transaction.**

Following completion of the Transaction, Clariant will be included in our reporting under the Securities Exchange Act of 1934. Under the Sarbanes-Oxley Act of 2002, we must maintain effective disclosure controls and procedures and internal control over financial reporting. Clariant's internal control structure was previously assessed with regard to the broader environment of General Electric Company and was not subject to a stand-alone review for compliance within the requirements of the Sarbanes-Oxley Act. We will migrate Clariant's operations to our system of internal controls subsequent to the closing of the Transaction. Therefore, we may face difficulties or experience delays in developing changes or potentially necessary improvements to Clariant's internal controls and accounting systems in order to ensure compliance with the requirements of the Sarbanes-Oxley Act. We may need to commit substantial resources, including substantial time from existing accounting personnel and from external consultants, to implement additional procedures and improved controls. This in turn could have an adverse effect on our business, results of operations, or financial condition, harm our reputation, or otherwise cause a decline in investor confidence and our stock price.

## NEOGENOMICS, INC.

**We may be unable to integrate Clariant's business with our own successfully. The Clariant business operates in a manner different from our own.**

The Transaction involves the combination of two companies that currently operate as independent companies. Following the Transaction, we will be required to devote significant management attention and resources to integrating Clariant's business practices and operations with our own. Potential difficulties we may encounter as part of the integration process include the following:

- the potential inability to successfully combine Clariant's business with our own in a manner that permits us to achieve the cost synergies expected to be achieved when expected, or at all, and other benefits anticipated to result from the Transaction;
- challenges optimizing the customer information and technology of the two companies, including the goal of consolidating to one laboratory information system and one billing system;
- challenges effectuating the diversification strategy, including challenges achieving revenue growth from sales of each company's products and services to the customers of the other company;
- complexities associated with managing the combined businesses, including difficulty addressing possible differences in corporate cultures and management philosophies and the challenge of integrating complex systems, technology, networks and other assets of each of the companies in a seamless manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies;
- the potential disruption of, or the loss of momentum in, each company's ongoing businesses before the completion of the Transaction;
- costs and challenges related to the integration of Clariant's internal controls over financial reporting with ours; and
- potential unknown liabilities and unforeseen increased expenses or delays associated with the Transaction.

In addition, Clariant's business is operated in a manner different from the manner in which we operate our business, particularly with regard to digital pathology, immunohistochemistry, clinical trials and more professional component pathology work. We have limited experience managing operations similar to those of Clariant and the loss of Clariant management personnel and key employees could have an adverse effect on our ability to integrate and operate the Clariant business. We and Clariant have operated and, until the completion of the Transaction, will continue to operate independently. It is possible that the integration process could result in diversion of the attention of each company's management which could adversely affect each company's ability to maintain relationships with customers, suppliers, employees and other constituencies or our ability to achieve the anticipated benefits of the Transaction, or could reduce each company's earnings or otherwise adversely affect our business and financial results following the Transaction.

**The Transaction will result in changes to our Board of Directors that may influence our strategy and operations after the closing as compared to our strategy and operations prior to the Transaction.**

If we complete the Transaction, the composition of our Board of Directors will change. In connection with the Transaction, the authorized number of directors on the Board was increased from eight to ten directors, with one of the vacancies created by such increase to be filled by a director selected for appointment to the Board by GE Medical pursuant to an Investor Board Rights, Lockup, and Standstill Agreement to be entered into in connection with the Transaction. In addition, while we have no current plans to appoint an additional director to fill the remaining vacancy, we may do so at any time. It is possible that the addition of new directors may influence our business strategy and operating decisions following completion of the Transaction.

**If the market price of our common stock increases prior to the completion of the Transaction, the market value of the our shares will increase correspondingly and, therefore, the fair value of the purchase price for Clariant will increase correspondingly.**

The number of shares of our common stock to be issued in connection with the Transaction will not be adjusted in the event of any increase or decrease in the market price of our common stock before the closing of the Transaction. As a

## NEOGENOMICS, INC.

result, the market value of our shares, as reflected in the market price of our common stock, may be substantially higher at the time of the closing of the Transaction than the market value at the time our Board approved the Transaction and the Stock Purchase Agreement. The market price of our common stock may fluctuate due to, among other things, changes in our business, operations or prospects, market assessments of the likelihood of completion of the Transaction, the timing of the completion of the Transaction, investors' views of the prospects for the combined entity, general market and economic conditions and other factors.

### **Current stockholders will have reduced ownership and voting interests after the Transaction.**

We will issue to GE Medical 15.0 million shares of our common stock and 14,666,667 Series A Preferred Stock as consideration in the Transaction. The shares of common stock issued to GE Medical would represent 19.8% of our post-closing issued and outstanding shares of common stock based on the number of our outstanding shares as of October 15, 2015. In addition, the Series A Preferred Stock issued to GE Medical will, in addition to their rights to vote separately on certain matters, vote with shares of our common stock as a single class on an "as converted" basis. Accordingly, if we issue all of the Series A Preferred Stock at the closing of the Transaction, the common stock and Series A Preferred Stock issued to GE Medical will represent 32.9% of our total voting power upon closing of the Transaction, with our current stockholders owning the remaining 67.1% of the total voting power. As a result, the ownership and voting interests in us of our current stockholders will be significantly reduced immediately following the Transaction, and may be further reduced upon the conversion of shares of Series A Preferred Stock (including any additional shares of Series A Preferred Stock issued as PIK Dividends) into common stock if such preferred stock is not first redeemed. This reduction in ownership and voting interests will decrease the ability of our current stockholders to influence the election of directors and other matters. In addition, our current stockholders may experience dilution in their interest in our earnings per share.

After the third anniversary of the closing of the Transaction, holders of the Series A Preferred Stock will be permitted, under certain circumstances, to convert such shares into shares of common stock. Any such conversion will further dilute the ownership interests of our stockholders.

### **The increase in our authorized capital stock as part of the Transaction will enable our Board to issue common stock without further stockholder approval and issue preferred stock with rights that may have an adverse effect on our common stockholders.**

In order to issue the shares of common stock and the Series A Preferred Stock as consideration in the Transaction, we are seeking the approval of our stockholders to, among other things, amend our Articles of Incorporation to (a) increase our authorized shares of common stock by 150.0 million shares to an aggregate of 250.0 million authorized shares of common stock and (b) increase our authorized shares of preferred stock by 40.0 million shares to an aggregate of 50.0 million shares of undesignated preferred stock, of which 14,666,667 shares will be designated Series A Preferred Stock and issued to GE Medical upon the closing of the Transaction and up to 10,775,454 shares may be designated Series A Preferred Stock if required to be issued as PIK Dividends.

The increases in our authorized shares of common stock and our preferred stock exceed the amount necessary for purposes of the Transaction. We may issue the additional shares of common stock, or securities convertible into shares of our common stock, following the completion of the Transaction, without further stockholder approval, subject to certain limitations imposed by NASDAQ. Any such issuances could be dilutive to our stockholders and could cause the price of our common stock to decline. In addition, the Board will have the authority, without further action by the holders of common stock, to issue the remaining shares of undesignated preferred stock in one or more series with rights and preferences designated from time to time by the Board. The Board may authorize the issuance of such preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. Furthermore, the existence of the authorized but unissued shares of preferred stock will enable the Board to render more difficult or to discourage a change of control of our company or changes in our management that our stockholders may deem advantageous.

### **GE Medical will have significant influence over us and actions requiring general stockholder approval.**

Assuming the issuance of all of the common stock and Series A Preferred Stock to GE Medical, GE Medical will own approximately 32.9% of our total voting power immediately following the closing of the Transaction based on the number of shares of common stock outstanding as of October 15, 2015. This percentage may increase upon the conversion of shares of Series A Preferred Stock (including any additional shares of Series A Preferred Stock issued as PIK Dividends) into common stock if such preferred stock is not first redeemed. In connection with the Transaction, GE Medical will have

## NEOGENOMICS, INC.

the right to designate one director on our Board. In addition, the Investor Board Rights, Lockup And Standstill Agreement we will enter into with GE Medical at the closing of the Transaction will contain certain rights in favor of GE Medical, including requiring GE Medical's approval before we can further increase the size of our Board and providing GE Medical with the right to participate in future rights offerings to our current stockholders as if the Series A Preferred Stock issued to GE Medical had been converted into shares of common stock. The terms of the Series A Preferred Stock to be issued to GE Medical will provide that, without GE Medical's consent, we may not, among other things, repurchase outstanding shares of our common stock, or engage in certain other transactions.

As a result, GE Medical will have significant influence over matters requiring stockholder approval, including future amendments to our Amended and Restated Articles of Incorporation or other significant or extraordinary transactions. GE Medical's interests may differ from the interests of our other stockholders with respect to certain matters.

In addition, having GE Medical as a significant stockholder may have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from seeking to acquire, a majority of our outstanding shares of common stock or control of the Board through a proxy solicitation.

### **Future sales of our common stock by GE Medical following the closing of the Transaction, or the perception that such sales may occur, could cause our stock price to decline.**

The shares of common stock we issue to GE Medical as consideration in the Transaction are restricted, but GE Medical may sell such shares following the Transaction under certain circumstances. Concurrent with the closing of the Transaction, we and GE Medical will enter into the Investor Board Rights, Lockup And Standstill Agreement, which will limit GE Medical's ability to sell its shares of our common stock for the specified lockup period, subject to volume limitations under Rule 144 under the Securities Act of 1933 and other exceptions. We will also at the time of closing of the Transaction enter into a Registration Rights Agreement with GE Medical pursuant to which we are to file, upon expiration of a lockup period, a registration statement for the resale of common stock by GE Medical, which registration statement when declared effective will allow GE Medical to sell a significant number of shares of our common stock in a short period of time. The sale of a substantial number of shares of our common stock by GE Medical or our other stockholders or the perception that such sales may occur could cause our stock price to decline, make it more difficult for us to raise funds through future offerings of our common stock or acquire other businesses using our common stock as consideration.

### **Our future results will suffer if we do not effectively manage our expanded operations following the Transaction.**

The Transaction is expected to result in a combined company with annual revenues in excess of \$225.0 million. Our future success depends, in part, upon our ability to manage this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that we will be successful following the Transaction.

### **Our future results following the Transaction may differ materially from the unaudited pro forma financial information included in the proxy statement relating to the Transaction.**

The unaudited pro forma combined financial information contained in the proxy statement relating to the Transaction is presented for purposes of presenting our historical financial statements with Clariant's historical combined carve-out financial statements as adjusted to give effect to the Transaction, and is not necessarily indicative of the financial condition or results of operations of the combined companies following the Transaction. The unaudited pro forma combined financial information reflects adjustments, which are based upon preliminary estimates, to allocate the purchase price to Clariant's acquired assets and liabilities. The purchase price allocation reflected in such proxy statement is preliminary, and final allocation of the purchase price will be based upon the fair value of the assets and liabilities of Clariant as of the date of the completion of the Transaction. Such final purchase price allocations may also change since we are issuing shares of our common stock in connection with the Transaction, and the market value of such shares at the closing of the Transaction may vary from the market value used in such preliminary purchase price allocations. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect our financial condition and results of operations following the Transaction. Any change in our financial condition or results of operations may adversely affect the price of our common stock.

## NEOGENOMICS, INC.

### **Clariant may have liabilities that are not known, probable or estimable at this time.**

As a result of the Transaction, Clariant will become an indirect wholly owned subsidiary of ours, and we will effectively assume all of its past liabilities, whether or not asserted. There could be unasserted claims or assessments that we failed or were unable to discover or identify in the course of performing due diligence investigations of Clariant. In addition, there may be liabilities that are neither probable nor estimable at this time which may become probable and estimable in the future. We may learn additional information about Clariant that adversely affects us, such as unknown, unasserted or contingent liabilities and issues relating to compliance with applicable laws, including federal healthcare laws. For example, Clariant from time to time receives payments from the U.S. government. If the U.S. government were to assert that Clariant were not entitled to receive such payments in the amount provided, or at all, in light of applicable billing guidance, the government could impose fines and penalties, in addition to recovery of the overpayments, under federal healthcare laws. Any of the foregoing, individually or in the aggregate, could have a material adverse effect on our business.

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

None

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

### **ITEM 5. OTHER INFORMATION**

None

NEOGENOMICS, INC.

ITEM 6 EXHIBITS

EXHIBIT

NO.	DESCRIPTION
3.1	Bylaws of NeoGenomics, Inc., as amended on October 22, 2015.
10.1	Stock Purchase Agreement, dated as of October 20, 2015, by and among GE Medical Holding, AB, NeoGenomics Laboratories, Inc. and NeoGenomics, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 26, 2015).
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
32.1	Certification by Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows and (iv) related notes.

**NEOGENOMICS, INC.**

**SIGNATURES**

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

**Date: November 6, 2015**

**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



**AMENDMENTS TO AMENDED AND RESTATED BYLAWS OF  
NEOGENOMICS, INC.,  
a Nevada corporation**

October 22, 2015

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The Amended and Restated Bylaws of NeoGenomics, Inc. are hereby amended as follows:

1. Section 2.2 is hereby amended to read, in its entirety, as follows:

Section 2.2 Number and Qualification; Change in Number

(a) Subject to Section 2.2(b), the authorized number of directors of this Corporation shall be not less than two nor more than ten (10), with the exact number to be established from time to time by resolution of the Board. All directors of this Corporation shall be at least twenty-one (21) years of age.

(b) The Board or the stockholders may increase the number of directors at any time and from time to time; provided, however, that neither the Board nor the stockholders may ever increase the number of directors by more than one during any twelve (12) month period, except upon the affirmative vote of two-thirds (2/3) of the directors, or the affirmative vote of the holders of two-thirds (2/3) of all outstanding shares voting together and not by class. This provision may not be amended except by a like vote.

2. Article X is hereby added to read as follows:

ARTICLE X  
ACQUISITION OF CONTROLLING INTEREST

Unless the Articles of Incorporation expressly provide to the contrary, the provisions of Nevada law pertaining to the acquisition of a controlling interest (currently set forth in NRS 78.378 to 78.3793, inclusive), as the same now exists or may hereafter be amended or supplemented, do not and shall not apply to the Corporation or to an acquisition of a controlling interest specifically by types of existing or future stockholders, whether or not identified.

3. The current Article X is hereby renumbered as Article XI, to read as follows:

ARTICLE XI  
CORPORATE SEAL

The corporate seal shall be circular in form and shall have inscribed thereon the name of the Corporation, the date of its incorporation and the word "Nevada".

4. The current Article XI is hereby renumbered as Article XII, and amended to read, in its entirety, as follows:
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ARTICLE XII  
INTERPRETATION

Reference in these Bylaws to any provision of Nevada law or the Nevada Revised Statutes shall be deemed to include all amendments thereto and the effect of the construction and determination of validity thereof by the Nevada Supreme Court.

Nevada law and the Articles of Incorporation (in that order of precedence) will and in all respects be considered senior and superior to these Bylaws, with any inconsistency or conflict to be resolved in favor of Nevada law and such Articles of Incorporation (in that order of precedence), and with these Bylaws to be deemed automatically amended from time to time to eliminate any inconsistency which may then exist.

SECRETARY'S CERTIFICATE

The undersigned duly appointed Secretary of the Corporation does hereby certify that the foregoing Second Amendment to the Amended and Restated Bylaws were adopted by the Board of Directors and stockholders of the Corporation and are effective as of the 22nd day of October, 2015.

/s/ Edwin F. Weidig III  
Edwin F. Weidig III, Secretary

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AMENDED AND RESTATED BYLAWS OF

NEOGENOMICS, INC.,

a Nevada corporation

As Amended and Restated October 14, 2014

ARTICLE I

STOCKHOLDERS' MEETINGS

Section 1.1 Place of Meetings.

All meetings of the stockholders of NeoGenomics, Inc. (the "Corporation") shall be held at the Corporation's corporate headquarters, or at any other place, within or without the State of Nevada, or by means of any electronic or other medium of communication, as the Board of Directors of the Corporation (the "Board") may designate for that purpose from time to time.

Section 1.2 Annual Meetings.

An annual meeting of the stockholders shall be held each year on the date and at the time set by the Board, at which time the stockholders shall elect by majority vote the directors to be elected at the meeting and transact such other business as properly may be brought before the meeting.

Section 1.3 Special Meetings.

Special meetings of the stockholders, for any purpose or purposes whatsoever, may be called at any time by the Chairman of the Board, the Chief Executive Officer or the Board.

Section 1.4 Notice of Meetings.

(a) Notice of each meeting of stockholders, whether annual or special, shall be given at least ten (10) and not more than sixty (60) days prior to the date thereof by the Secretary or any Assistant Secretary causing to be delivered to each stockholder of record entitled to vote at such meeting a written notice stating the time and place of the meeting and the purpose or purposes for which the meeting is called. Such notice shall be signed by the Chief Executive Officer, the Secretary or any Assistant Secretary and shall be (a) mailed postage prepaid to a stockholder at the stockholder's address as it appears on the stock books of the Corporation, or (b) delivered to a stockholder by any other method of delivery permitted at such time by Nevada and federal law and by any exchange on which the Corporation's shares shall be listed at such time. If any stockholder has failed to supply an address or otherwise specify an alternative method of delivery that is permitted by (b) above, notice shall be deemed to have been given if mailed to the address of the Corporation's corporate headquarters or published at least once in a newspaper having general circulation in the county in which the Corporation's corporate headquarters is located.

(b) It shall not be necessary to give any notice of the adjournment of any meeting, or the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which such adjournment is taken; provided, however, that when a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of the original meeting. The Corporation may transact any business which may have been transacted at the original meeting.

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#### Section 1.5 Consent by Stockholders.

Any action, except the removal of directors, that the stockholders could take at a meeting may be taken without a meeting if one or more written consents, setting forth the action taken, shall be signed and dated, before or after such action, by the holders of outstanding stock of each voting group entitled to vote thereon having not less than the minimum number of votes with respect to each voting group that would be necessary to authorize or take such action at a meeting at which all voting groups and shares entitled to vote thereon were present and voted. The consent shall be delivered to the Corporation for inclusion in the minutes or filing with the corporate records.

#### Section 1.6 Quorum.

(a) The presence in person or by proxy of the persons entitled to vote a majority of the Corporation's voting shares at any meeting constitutes a quorum for the transaction of business. Shares shall not be counted in determining the number of shares represented or required for a quorum or in any vote at a meeting if the voting of them at the meeting has been enjoined or for any reason they cannot be lawfully voted at the meeting.

(b) The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of stockholders leaving less than a quorum.

(c) In the absence of a quorum, a majority of the shares present in person or by proxy and entitled to vote may adjourn any meeting from time to time until a quorum shall be present in person or by proxy.

#### Section 1.7 Voting Rights.

(a) Except as otherwise provided in the Corporation's Articles of Incorporation (as the same has been or may be amended from time to time, the "Articles"), at each meeting of the stockholders, each stockholder of record of the Corporation shall be entitled to one vote for each share of stock standing in the stockholder's name on the books of the Corporation. Except as otherwise provided by law, the Articles or these Bylaws, if a quorum is present: (i) directors shall be elected by a majority of the votes of the shares of capital stock of the Corporation present in person or represented by proxy at the meeting and entitled to vote on the election of directors; and (ii) action on any matter, including the election of directors as stated in subsection (i) herein, shall be approved if the majority of votes cast in person or by proxy are in favor of such action.

(b) The Board may fix a date as the record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders. Such record date shall not precede the date on which the Board adopted the resolution fixing the record date and shall not be more than sixty (60) days or less than ten (10) days prior to the date of such meeting.

#### Section 1.8 Proxies.

Every stockholder entitled to vote may do so either in person or by written, electronic, telephonic or other proxy executed in accordance with the provisions of Section 78.355 of the Nevada Revised Statutes.

#### Section 1.9 Manner of Conducting Meetings.

To the extent not in conflict with Nevada law, the Articles or these Bylaws, meetings of stockholders shall be conducted pursuant to such rules as may be adopted by the chairman of such meeting.

#### Section 1.10. Nature of Business at Meetings of Stockholders.

(a) No business may be transacted at any special meeting of stockholders, other than business that is (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof), or the Chief Executive Officer or Chairman of the Board or (b) otherwise properly brought before the meeting by or at the direction of the Board (or any duly authorized committee thereof), the Chairman of the Board, or the Chief Executive Officer.

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(b) No business may be transacted at any annual meeting of stockholders, other than business that is (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board (or any duly authorized committee thereof), (b) otherwise properly brought before the meeting by or at the direction of the Board (or any duly authorized committee thereof), the Chairman of the Board, or the Chief Executive Officer, or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 1.10 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 1.10.

(c) In addition to any other applicable requirements, for business to be properly brought by a stockholder before an annual meeting, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

(d) To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the Corporation's corporate headquarters not less than ninety (90) days nor more than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within thirty (30) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10<sup>th</sup>) day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs.

(e) To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting of stockholders (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and record address of such stockholder, (c) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (d) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (e) a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting.

(f) No business shall be conducted at the annual meeting, or at any special meeting, of stockholders except business brought before the meeting in accordance with the procedures set forth in this Section 1.10. If the chairman of any meeting determines that business was not properly brought before the meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

## ARTICLE II DIRECTORS—MANAGEMENT

### Section 2.1 Powers.

Subject to the limitations of Nevada law, the Articles and these Bylaws as to action to be authorized or approved by the stockholders, all corporate powers shall be exercised by or under authority of, and the business and affairs of this Corporation shall be controlled by, the Board.

### Section 2.2 Number and Qualification; Change in Number

(a) Subject to Section 2.2(b), the authorized number of directors of this Corporation shall be not less than two nor more than eight (8), with the exact number to be established from time to time by resolution of the Board. All directors of this Corporation shall be at least twenty-one (21) years of age.

(b) The Board or the stockholders may increase the number of directors at any time and from time to time; provided, however, that neither the Board nor the stockholders may ever increase the number of directors by more than one during any twelve (12) month period, except upon the affirmative vote of two-thirds (2/3) of the directors,

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or the affirmative vote of the holders of two-thirds (2/3) of all outstanding shares voting together and not by class. This provision may not be amended except by a like vote.

#### Section 2.3 Election.

Each director's term of office shall begin immediately after election and shall continue until the next annual stockholders meeting and his successor is duly elected and qualified. Directors elected by the Board or stockholders to fill a vacancy on the Board shall hold office for the balance of the term to which such director is elected.

#### Section 2.4. Vacancies.

(a) Any vacancies in the Board may be filled by a majority vote of the remaining directors, though less than a quorum, or by a sole remaining director. Each director so elected shall hold office for the balance of the term to which such director is elected. The power to fill vacancies may not be delegated to any committee appointed in accordance with these Bylaws.

(b) The stockholders may at any time elect a director to fill any vacancy not filled by the directors and may elect the additional director(s) at the meeting at which an amendment of the Bylaws is voted authorizing an increase in the number of directors.

(c) A vacancy or vacancies shall be deemed to exist in case of the death, permanent and total disability, resignation, retirement or removal of any director, if the directors or stockholders increase the authorized number of directors but fail to elect the additional director or directors at a meeting at which such increase is authorized or at an adjournment thereof, or if the stockholders fail at any time to elect the full number of authorized directors.

(d) If the Board accepts the resignation of a director tendered to take effect at a future time, the Board or the stockholders shall have power to immediately elect a successor who shall take office when the resignation shall become effective.

(e) No reduction of the number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

#### Section 2.5 Removal of Directors.

Any one or more director(s) may be removed from office, with or without cause, by the affirmative vote of two-thirds of all the outstanding shares voting together and not by class.

#### Section 2.6 Resignations.

Any director of the Corporation may resign at any time either by oral tender of resignation at any meeting of the Board or by giving written notice thereof to the Chairman of the Board, Secretary or the Chief Executive Officer. Such resignation shall take effect at the time it specifies, and the acceptance of such resignation shall not be necessary to make it effective.

#### Section 2.7 Place of Meetings.

(a) Regular and special meetings of the Board shall be held at the corporate headquarters of the Corporation or at such other place within or without the State of Nevada as may be designated for that purpose by the Board.

(b) Meetings of the Board may be held in person or by means of any electronic or other medium of communication approved by the Board from time to time.

#### Section 2.8 Chairman of the Board.

Except as otherwise provided in these bylaws, the Chairman of the Board shall preside at all meetings of the Board of Directors. The Chairman of the Board may, but need not be an employee of the Corporation.

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#### Section 2.9 Regular Meetings.

(a) Regular meetings of the Board shall be held at such time and place within or without the State of Nevada as may be agreed upon from time to time by a majority of the Board.

(b) Notwithstanding the provisions of Section 2.11, no notice need be provided of regular meetings, except that a written notice shall be given to each director of the resolution establishing a regular meeting date or dates, which notice shall set forth the date, time and place of the meeting(s). Except as otherwise provided in these Bylaws or the notice of the meeting, any and all business may be transacted at any regular meeting of the Board.

#### Section 2.10 Special Meetings.

Special meetings of the Board shall be held whenever called by the Chairman of the Board, the Chief Executive Officer or two-thirds (2/3) of the directors. Except as otherwise provided in these Bylaws or the notice of the meeting, any and all business may be transacted at any special meeting of the Board.

#### Section 2.11 Notice; Waiver of Notice.

Notice of each regular Board meeting not previously approved by the Board and each special Board meeting shall be (a) mailed by U.S. mail to each director not later than two (2) days before the day on which the meeting is to be held, (b) sent to each director by overnight delivery service, telex, facsimile transmission, telegram, cablegram, radiogram, e-mail, any other electronic transmission permitted by Nevada law or delivered personally not later than 5:00 p.m. (EST time) on the day before the date of the meeting, or (c) provided to each director by telephone not later than 5:00 p.m. (EST time) on the day before the date of the meeting. Any director who attends a regular or special Board meeting and (x) waives notice by a writing filed with the Secretary, (y) is present thereat and asks that his/her oral consent to the notice be entered into the minutes or (z) takes part in the deliberations thereat without expressly objecting to the notice thereof in writing or by asking that his/her objection be entered into the minutes shall be deemed to have waived notice of the meeting and neither that director nor any other person shall be entitled to challenge the validity of such meeting.

#### Section 2.12 Notice of Adjournment.

Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place is fixed at the meeting adjourned.

#### Section 2.13 Quorum.

A majority of the number of directors as fixed by the Articles or these Bylaws, or by the Board pursuant to the Articles or these Bylaws, shall be necessary to constitute a quorum for the transaction of business, and the action of a majority of the directors present at any meeting at which there is a quorum, when duly assembled, is valid as a corporate act; provided, however, that a minority of the directors, in the absence of a quorum, may adjourn from time to time or fill vacant directorships in accordance with Section 2.4 but may not transact any other business. The directors present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of directors, leaving less than a quorum.

#### Section 2.14 Action by Unanimous Written Consent.

Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if all members of the Board consent in writing thereto. Such written consent shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of such directors.

#### Section 2.15 Compensation.

The Board may pay to directors a fixed sum for attendance at each meeting of the Board or of a standing or special committee, a stated retainer for services as a director, a stated fee for serving as a chair of a standing or special committee and such other compensation, including benefits, as the Board or any standing committee thereof

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shall determine from time to time. Additionally, the directors may be paid their expenses of attendance at each meeting of the Board or of a standing or special committee.

#### Section 2.16 Transactions Involving Interests of Directors.

In the absence of fraud, no contract or other transaction of the Corporation shall be affected or invalidated by the fact that any of the directors of the Corporation is interested in any way in, or connected with any other party to, such contract or transaction or is a party to such contract or transaction; provided, however, that such contract or transaction satisfies Section 78.140 of the Nevada Revised Statutes. Each and every person who is or may become a director of the Corporation hereby is relieved, to the extent permitted by law, from any liability that might otherwise exist from contracting in good faith with the Corporation for the benefit of such person or any person in which such person may be interested in any way or with which such person may be connected in any way. Any director of the Corporation may vote and act upon any matter, contract or transaction between the Corporation and any other person without regard to the fact that such director also is a stockholder, director or officer of, or has any interest in, such other person; provided, however, that such director shall disclose any such relationship and/or interest to the Board prior to a vote and/or action.

### ARTICLE III OFFICERS

#### Section 3.1 Executive Officers.

The Corporation shall have a President, Secretary and a Treasurer. The officers of the Corporation may also include, without limitation, one or more of each of the following: Chief Executive Officer, Chief Financial Officer, Executive Chairman, Vice Chairman, Chief Corporate Officer, Chief Operating Officer, Chief Medical Officer, Chief Scientific Officer, Senior Executive Vice President, Executive Vice President, Senior Vice President, Vice President, Group and/or Division President. Any person may hold two or more offices. Each officer of the Corporation shall be elected by the Board, may be classified by the Board as an executive officer or a non-executive officer (or as a non-officer) at any time, and shall serve at the pleasure of the Board.

#### Section 3.2 Intentionally Omitted

#### Section 3.3 Removal and Resignation; No Right to Continued Employment

(a) Any executive officer may be removed at any time by the Board, either with or without cause.

(b) Any officer may resign at any time by giving written notice to the Board, the Chief Executive Officer or the Secretary of the Corporation. Any such resignation shall take effect as of the date of the receipt of such notice, or at any later time specified therein; provided, however, that such officer may be removed at any time notwithstanding such resignation. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(c) The fact that an employee has been elected by the Board to serve as an executive officer or appointed to serve as an officer shall not entitle such employee to remain an officer or employee of the Corporation.

#### Section 3.4 Vacancies.

A vacancy in any office due to death, permanent and total disability, retirement, resignation, removal, disqualification or any other cause may be filled in any manner prescribed in these Bylaws for regular elections or appointments to such office or may not be filled.

#### Section 3.5 Executive Chairman and Vice Chairman.

The Executive Chairman shall preside, in the absence of the Chief Executive Officer, at all meetings of the stockholders and shall exercise and perform such other powers and duties as from time to time may be assigned by

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the Board. In the absence of the Executive Chairman and the Chief Executive Officer, a Vice Chairman shall preside at all meetings of the stockholders and exercise and perform such other powers and duties as from time to time may be assigned by the Board. A Vice Chairman need not be a member of the Board.

#### Section 3.6 Chief Executive Officer.

Subject to the oversight of the Board, the Chief Executive Officer shall have general supervision, direction and control of the business and affairs of the Corporation. The Chief Executive Officer shall preside at all meetings of the stockholders and, in the absence of the Chairman of the Board, at all meetings of the Board. If not a member of the Board, the Chief Executive Officer shall be an ex officio member of the Executive Committee of the Board and shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and such other powers and duties as may be assigned by the Board.

#### Section 3.7 President.

In the absence or disability of the Chief Executive Officer, the President shall perform all of the duties of the Chief Executive Officer and when so acting shall have all the powers and be subject to all the restrictions upon the Chief Executive Officer, including the power to sign all instruments and to take all actions which the Chief Executive Officer is authorized to perform by the Board of Directors or these Bylaws. The President shall have the general powers and duties usually vested in the office of president of a corporation and such other powers and duties as may be prescribed by the Board.

#### Section 3.8 Chief Financial Officer

The Chief Financial Officer shall exercise direction and control of the financial affairs of the Corporation, including the preparation of the Corporation's financial statements. The Chief Financial Officer shall have the general powers and duties usually vested in the office of the chief financial officer of a corporation and such other powers and duties as may be assigned by the Board.

#### Section 3.9 Chief Operating Officer.

Subject to the oversight of the Chief Executive Officer, the Chief Operating Officer shall exercise direction and control over the day-to-day operations of the Corporation. In the case of the death or total and permanent disability of the Chief Executive Officer and the President(s), the Chief Operating Officer or Chief Corporate Officer, in order of rank or seniority, shall perform all of the duties of such officer, and when so acting shall have all the powers of and be subject to all the restrictions upon such officer, including the power to sign all instruments and to take all actions that such officer is authorized to perform by the Board or these Bylaws. The Chief Operating Officer shall have the general powers and duties of management usually vested in the office of the chief operating officer of a corporation and such other powers and duties as from time to time may be assigned to the Chief Operating Officer by the Executive Chairman, the Chief Executive Officer or Board.

#### Section 3.10 Chief Corporate Officer.

Subject to the oversight of the Chief Executive Officer, the Chief Corporate Officer shall exercise direction and control over the day-to-day corporate functions of the Corporation. In the case of the death or total and permanent disability of the Chief Executive Officer and the President, the Chief Operating Officer or Chief Corporate Officer, in order of rank or seniority, shall perform all of the duties of such officer, and when so acting shall have all the powers of and be subject to all the restrictions upon such officer, including the power to sign all instruments and to take all actions that such officer is authorized to perform by the Board or these Bylaws. The Chief Corporate Officer shall have the general powers and duties of management usually vested in the office of chief corporate officer of a corporation and such other powers and duties as from time to time may be assigned to the Chief Corporate Officer by the Executive Chairman, the Chief Executive Officer or the Board.

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### Section 3.11 Chief Medical Officer

The Chief Medical Officer shall exercise direction and control of the medical affairs of the Corporation, including the preparation of any medical related regulatory documents and advising on any medical related matters for the Corporation. The Chief Medical Officer shall have the general powers and duties usually vested in the office of the chief medical officer of a corporation and such other powers and duties as may be assigned by the Executive Chairman, the Chief Executive Officer or the Board.

### Section 3.12 Chief Scientific Officer

The Chief Scientific Officer shall exercise direction and control of the Corporation's scientific research and development. The Chief Scientific Officer shall have the general powers and duties usually vested in the office of the chief scientific officer of a corporation and such other powers and duties as may be assigned by the Executive Chairman, the Chief Executive Officer or the Board.

### Section 3.13 Senior Executive Vice President, Executive Vice President, Senior Vice President and Vice President.

In the case of the death or total and permanent disability of the Chief Executive Officer and the President, the Chief Operating Officer and the Chief Corporate Officer, a corporate Senior Executive Vice President, an Executive Vice President, a Group President, in the order of rank and seniority, shall perform all of the duties of such officer, and when so acting shall have all the powers of and be subject to all the restrictions upon such officer, including the power to sign all instruments and to take all actions that such officer is authorized to perform by the Board or these Bylaws. Each such officer shall have the general powers and duties usually vested in such office. Each operating region, division, group or corporate staff function officer shall have the general powers and duties usually vested in such office. Each such officer shall have such other powers and perform such other duties as from time to time may be assigned to them respectively by the Executive Chairman, the Chief Executive Officer or the Board.

### Section 3.14 Secretary and Assistant Secretaries.

(a) The Secretary shall record and keep, or cause to be kept, all votes and the minutes of all proceedings in a book or books to be kept for that purpose at the corporate headquarters of the Corporation, or at such other place as the Board may from time to time determine; and perform like duties for the Executive and other committees of the Board, when required. In addition, the Secretary shall keep or cause to be kept, at the registered office of the Corporation in the State of Nevada, those documents required to be kept thereat by Section 5.2 of the Bylaws and Section 78.105 of the Nevada Revised Statutes.

(b) The Secretary shall give, or cause to be given, notice of meetings of the stockholders and special meetings of the Board, and shall perform such other duties as may be assigned by the Executive Chairman, the Chief Executive Officer or Board, under whose supervision the Secretary shall be. The Secretary shall keep in safe custody the seal of the Corporation and affix the same to any instrument requiring it. When required, the seal shall be attested by the Secretary's; the Treasurer's or an Assistant Secretary's signature. The Secretary or an Assistant Secretary hereby is authorized to issue certificates, to which the corporate seal may be affixed, attesting to the incumbency of officers of this Corporation or to actions duly taken by the Board, the Executive Committee, any other committee of the Board or the stockholders.

(c) The Assistant Secretary or Secretaries, in the order of their seniority, shall perform the duties and exercise the powers of the Secretary and perform such duties as the Executive Chairman, the Chief Executive Officer or Board of Directors shall prescribe in the case of death or total and permanent disability of the Secretary.

### Section 3.15 Treasurer and Assistant Treasurers.

(a) The Treasurer shall deposit all moneys and other valuables in the name, and to the credit, of the Corporation, with such depositories as may be determined by the Treasurer. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board or permitted by the Chief Executive Officer or Chief Financial Officer, shall render to the Chief Executive Officer, Chief Financial Officer and directors, whenever they request it,

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an account of all transactions and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws or by the Executive Chairman or the Chief Executive Officer.

(b) The Assistant Treasurer or Treasurers, in the order of their seniority, shall perform the duties and exercise the powers of the Treasurer and perform such duties as the Executive Chairman, the Chief Executive Officer or Board of Directors shall prescribe in the case of death or total and permanent disability of the Treasurer.

#### Section 3.16 Additional Powers, Seniority and Substitution of Officers.

In addition to the foregoing powers and duties specifically prescribed for the respective officers, the Board may by resolution from time to time (a) impose or confer upon any of the officers such additional duties and powers as the Board may see fit, (b) determine the order of seniority among the officers, and/or (c) except as otherwise provided above, provide that in the case of death or total and permanent disability of any officer or officers, any other officer or officers shall temporarily or indefinitely assume the duties, powers and authority of the officer or officers who died or became totally and permanently disabled. Any such resolution may be final, subject only to further action by the Board, granting to any of the Chief Executive Officer, President, Executive Chairman or Vice Chairman (or Chairmen) such discretion as the Board deems appropriate to impose or confer additional duties and powers, to determine the order of seniority among officers and/or to provide for substitution of officers as above described.

#### Section 3.17 Compensation.

The officers of the Corporation shall receive such compensation as shall be fixed from time to time by the Board or a committee thereof. Unless otherwise determined by the Board, no officer shall be prohibited from receiving any compensation by reason of the fact that such officer also is a director of the Corporation.

#### Section 3.18 Transaction Involving Interest of an Officer.

In the absence of fraud, no contract or other transaction of the Corporation shall be affected or invalidated by the fact that any of the officers of the Corporation is interested in any way in, or connected with any other party to, such contract or transaction, or are themselves parties to such contract or transaction; provided, however, that such contract or transaction complies with Section 78.140 of the Nevada Revised Statutes. Each and every person who is or may become an officer of the Corporation hereby is relieved, to the extent permitted by law, when acting in good faith, from any liability that might otherwise exist from contracting with the Corporation for the benefit of such person or any person in which such person may be interested in any way or with which such person may be connected in any way.

### ARTICLE IV EXECUTIVE AND OTHER COMMITTEES

#### Section 4.1 Standing Committees.

(a) The Board may appoint an Executive Committee, an Audit Committee, a Compensation Committee and a Corporate Nominating and Governance Committee, consisting of such number of members as the Board may designate, consistent with the Articles, these Bylaws and the laws of the State of Nevada.

(b) The Executive Committee shall have and may exercise, when the Board is not in session, all of the powers of the Board in the management of the business and affairs of the Corporation, but the Executive Committee shall not have the power to fill vacancies on the Board, to change the membership of or to fill vacancies in the Executive Committee or any other Committee of the Board, to adopt, amend or repeal these Bylaws or to declare dividends or other distributions.

(c) The Audit Committee shall select and engage, on behalf of the Corporation and subject to the consent of the stockholders, and fix the compensation of, a firm of certified public accountants. It shall be the duty of the firm of certified public accountants, which firm shall report to the Audit Committee, to audit the books and accounts of the Corporation and its consolidated subsidiaries. The Audit Committee shall confer with the auditors to determine,

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and from time to time shall report to the Board upon, the scope of the auditing of the books and accounts of the Corporation and its consolidated subsidiaries. If required by Nevada or federal laws, rules or regulations, or by the rules or regulations of any exchange on which the Corporation's shares shall be listed, the Board shall approve a charter for the Audit Committee and the Audit Committee shall comply with such charter in the performance of its duties.

d) The Compensation Committee shall establish a general compensation policy for the Corporation's directors and elected officers and shall have responsibility for approving the compensation of the Corporation's directors, elected officers and any other senior officers determined by the Compensation Committee. The Compensation Committee shall have all of the powers of administration granted to the Compensation Committee under the Corporation's non-qualified employee benefit plans, including any stock incentive plans, long-term incentive plans, bonus plans, retirement plans, deferred compensation plans, stock purchase plans and medical, dental and insurance plans. In connection therewith, the Compensation Committee shall determine, subject to the provisions of such plans, the directors, officers and employees of the Corporation eligible to participate in any of the plans, the extent of such participation and the terms and conditions under which benefits may be vested, received or exercised. The Compensation Committee may delegate any or all of its powers of administration under any or all of the Corporation's non-qualified employee benefit plans to any committee or entity appointed by the Compensation Committee. If required by any Nevada or federal laws, rules or regulations, or by the rules or regulations of any exchange on which the Corporation's shares shall be listed, the Board shall approve a charter for the Compensation Committee and the Compensation Committee shall comply with such charter in the performance of its duties.

(e) The Nominating and Corporate Governance Committee shall review and evaluate the size, composition, function and duties of the Board consistent with its needs. The Nominating and Corporate Governance Committee shall establish criteria for the selection of candidates to the Board and its committees, and identify and recommend individuals qualified to become Board and Board committee members consistent with such criteria. The Nominating and Corporate Governance Committee shall oversee the evaluation of the Board and develop and recommend to the Board the Corporate Governance Guidelines for the Corporation and oversee compliance with such Guidelines. The Board shall approve a charter for the Nominating and Corporate Governance Committee and the Nominating and Corporate Governance Committee shall comply with such charter in the performance of its duties.

#### Section 4.2 Other Committees.

Subject to the limitations of the Articles, these Bylaws and the laws of the State of Nevada, or duties not delegable by the Board, any or all of the responsibilities and powers of the Board may be exercised, and the business and affairs of this Corporation may be exercised or controlled by or under the authority of such other committee or committees as may be appointed by the Board, including, without limitation, an Ethics Committee and a Compliance Committee. The responsibilities and/or powers to be exercised by any such committee shall be designated by the Board.

#### Section 4.3 Procedures.

Meetings and actions of committees shall be governed by, and held in accordance with, the following provisions of Article II of these Bylaws: Section 2.9 (Regular Meetings), Section 2.10 (Special Meetings), Section 2.11 (Notice; Waiver of Notice), Section 2.12 (Notice of Adjournment), Section 2.13 (Quorum) and Section 2.14 (Action by Unanimous Written Consent), with such changes in the context of these Bylaws as are necessary to substitute the committee and its members for the Board and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board. The Board may adopt rules for the governance of any committee not inconsistent with the provisions of these Bylaws.

### ARTICLE V CORPORATE RECORDS AND REPORTS—INSPECTION

#### Section 5.1 Records.

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The Corporation shall maintain adequate and correct accounts, books and records of its business and properties. All of such books, records and accounts shall be kept at its corporate headquarters and/or at other locations within or without the State of Nevada as may be designated by the Board.

#### Section 5.2 Articles, Bylaws and Stock Ledger.

The Corporation shall maintain and keep the following documents at its registered office in the State of Nevada: (a) a certified copy of the Articles and all amendments thereto; (b) a certified copy of these Bylaws and all amendments thereto; and (c) the Stock Ledger (unless such Stock Ledger is kept by a third party transfer agent).

#### Section 5.3 Inspection.

Stockholders of the Corporation may inspect books and records of the Corporation in accordance with Sections 78.105 and 78.257 of the Nevada Revised Statutes.

#### Section 5.4 Checks, Drafts, Etc.

All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of, or payable to, the Corporation, shall be signed or endorsed only by such person or persons, and only in such manner, as shall be authorized from time to time by the Board, the Chief Executive Officer, the President, the Chief Financial Officer or the Treasurer.

### ARTICLE VI OTHER AUTHORIZATIONS

#### Section 6.1 Execution of Contracts.

Except as otherwise provided in these Bylaws, the Board may authorize any officer or agent of the corporation to enter into and execute any contract, document, agreement or instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent or employee shall have any power or authority, except in the ordinary course of business, to bind the Corporation by any contract or engagement, to pledge its credit or to render it liable for any purpose or in any amount.

#### Section 6.2 Dividends or Other Distributions

From time to time, the Board may declare, and the Corporation may pay, dividends or other distributions on its outstanding shares in the manner and on the terms and conditions provided by the laws of the State of Nevada and the Articles, subject to any contractual restrictions to which the Corporation is then subject.

### ARTICLE VII SHARES AND TRANSFER OF SHARES

#### Section 7.1 Shares.

(a) The shares of the capital stock of the Corporation may be represented by certificates or uncertificated. Each registered holder of shares of capital stock, upon written request to the Secretary of the Corporation, shall be provided with a stock certificate representing the number of shares owned by such holder.

(b) Certificates for shares shall be in such form as the Board may designate and shall be numbered and registered as they are issued. Each shall state the name of the record holder of the shares represented thereby; its number and date of issuance; the number of shares for which it is issued; the par value; a statement of the rights, privileges, preferences and restrictions, if any; a statement as to rights of redemption or conversion, if any; and a

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statement of liens or restrictions upon transfer or voting, if any, or, alternatively, a statement that certificates specifying such matters may be obtained from the Secretary of the Corporation.

(c) Every certificate for shares must be signed by the Chief Executive Officer or the President and the Secretary or an Assistant Secretary, or must be authenticated by facsimiles of the signatures of the Chief Executive Officer or the President and the Secretary or an Assistant Secretary. Before it becomes effective, every certificate for shares authenticated by a facsimile or a signature must be countersigned by a transfer agent or transfer clerk, and must be registered by an incorporated bank or trust company, either domestic or foreign, as registrar of transfers.

(d) Even though an officer who signed, or whose facsimile signature has been written, printed, or stamped on a certificate for shares ceases, by death, resignation, retirement or otherwise, to be an officer of the Corporation before the certificate is delivered by the Corporation, the certificate shall be as valid as though signed by a duly elected, qualified and authorized officer if it is countersigned by the signature or facsimile signature of a transfer clerk or transfer agent and registered by an incorporated bank or trust company, as registrar of transfers.

(e) Even though a person whose facsimile signature as, or on behalf of, the transfer agent or transfer clerk has been written, printed or stamped on a certificate for shares ceases, by death, resignation, or otherwise, to be a person authorized to so sign such certificate before the certificate is delivered by the Corporation, the certificate shall be deemed countersigned by the facsimile signature of a transfer agent or transfer clerk for purposes of meeting the requirements of this section.

#### Section 7.2 Transfer on the Books.

Upon surrender to the Secretary or transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation or its transfer agent to issue a new certificate, if requested by the transferee, to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

#### Section 7.3 Lost or Destroyed Certificates.

The Board may direct, or may authorize the Secretary to direct, a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost or destroyed, upon the Secretary's receipt of an affidavit of that fact by the person requesting the replacement certificate for shares so lost or destroyed. When authorizing such issue of a new certificate or certificates, the Board or Secretary may, in its or the Secretary's discretion, and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or such owner's legal representative, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost or destroyed.

#### Section 7.4 Transfer Agents and Registrars.

The Board, the Chief Executive Officer, the Chief Financial Officer or the Secretary may appoint one or more transfer agents or transfer clerks, and one or more registrars, who may be the same person, and may be the Secretary of the Corporation, an incorporated bank or trust company or any other person or entity, either domestic or foreign.

#### Section 7.5 Fixing Record Date for Dividends, Etc.

The Board may fix a time, not exceeding fifty (50) days preceding the date fixed for the payment of any dividend or distribution, or for the allotment of rights, or when any change or conversion or exchange of shares shall go into effect, as a record date for the determination of the stockholders entitled to receive any such dividend or distribution, or any such allotment of rights, or to exercise the rights in respect to any such change, conversion, or exchange of shares, and, in such case, only stockholders of record on the date so fixed shall be entitled to receive such dividend, distribution, or allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after any record date fixed as aforesaid.

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Section 7.6 Record Ownership.

The Corporation shall be entitled to recognize the exclusive right of a person registered as such on the books of the Corporation as the owner of shares of the Corporation's stock to receive dividends or other distributions and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not the Corporation shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VIII  
AMENDMENTS TO BYLAWS

Section 8.1 By Stockholders.

New or restated bylaws may be adopted, or these Bylaws may be repealed, amended and/or restated, at any meeting of the stockholders, by the affirmative vote of the holders of a majority of all outstanding shares voting together and not by class, except amendment of Section 2.5 shall require the approval of two-thirds (2/3) of all outstanding shares voting together (unless the Certificate of Designation of any preferred stock of the Corporation requires the affirmative vote of such holders of preferred stock).

Section 8.2 By Directors.

Subject to the right of the stockholders to adopt, amend and/or restate or repeal these Bylaws, as provided in Section 8.1, the Board may adopt, amend, or repeal any of these Bylaws, except amendment of Section 2.5 shall require the approval of two-thirds (2/3) of all outstanding shares voting together (unless the Certificate of Designation of any preferred stock of the Corporation requires the affirmative vote of such holders of preferred stock) by the affirmative vote of two-thirds of the directors. This power may not be delegated to any committee appointed in accordance with these Bylaws.

Section 8.3 Record of Amendments.

Whenever an amendment or a new Bylaw is adopted, it shall be copied in the book of minutes with the original Bylaws, in the appropriate place. If any Bylaw is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted, or written assent was filed, shall be stated in said book.

ARTICLE IX  
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 9.1 Indemnification in Actions, Suits or Proceedings other than those by or in the Right of the Corporation.

Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (except an action by or in the right of the Corporation) (a "Proceeding"), by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by Nevada law against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding (collectively, "Costs"). The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and that, with respect to any criminal action or proceeding, such person had reasonable cause to believe that such person's conduct was unlawful.

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#### Section 9.2 Indemnification in Actions, Suits or Proceedings by or in the Right of the Corporation.

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed Proceeding by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against Costs incurred by such person in connection with the defense or settlement of such action or suit. Indemnification may not be made for any claim, issue or matter as to which such person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Corporation or for amounts paid in settlement to the Corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

#### Section 9.3 Indemnification by a Court.

If a claim under Sections 9.1 or 9.2 is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for Costs incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has failed to meet a standard of conduct which makes it permissible under Nevada law for the Corporation to indemnify the claimant for the amount claimed. Neither the failure of the Corporation (including the Board, independent legal counsel, or the stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because such claimant has met such standard of conduct, nor an actual determination by the Corporation (including the Board, independent legal counsel, or the stockholders) that the claimant has not met such standard of conduct, shall be a defense to the action or create a presumption that the claimant has failed to meet such standard of conduct.

#### Section 9.4 Expenses Payable in Advance.

The Corporation shall pay the Costs incurred by any person entitled to indemnification in defending a Proceeding as such Costs are incurred and in advance of the final disposition of a Proceeding; provided, however, that the Corporation shall pay the Costs of such person only upon receipt of an undertaking by or on behalf of such person to repay the amount if it is ultimately determined by a court of competent jurisdiction that such person is not entitled to be indemnified by the Corporation.

#### Section 9.5 Nonexclusivity of Indemnification and Advancement of Expenses.

The right to indemnification and advancement of Costs authorized in this Article IX or ordered by a court: (a) does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the Articles of the Corporation or any agreement, vote of stockholders or disinterested directors or otherwise, for either an action in such person's official capacity or an action in another capacity while holding such person's office, except that indemnification, unless ordered by a court pursuant to Nevada law or the advancement of expenses made pursuant to Section 9.4, may not be made to or on behalf of any director or officer if a final adjudication establishes that such person's acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action; and (b) continues for a person who has ceased to be a director, officer, employee, or agent and inures to the benefit of the heirs, executors and administrators of such a person.

#### Section 9.6 Insurance.

The Corporation may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of

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the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise in accordance with Section 78.752 of the Nevada Revised Statutes.

#### Section 9.7 Certain Definitions.

(a) For purposes of this Article IX, references to “the Corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article IX with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Article IX, references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan.

(c) For purposes of this Article IX, references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries;

(d) For purposes of this Article IX, a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article IX.

(e) For purposes of this Article IX, the term “Board” shall mean the Board of the Corporation or, to the extent permitted by the laws of Nevada, as the same exist or may hereafter be amended, its Executive Committee. On vote of the Board, the Corporation may assent to the adoption of Article IX by any subsidiary, whether or not wholly owned.

#### Section 9.8 Indemnification of Witnesses.

To the extent that any director, officer, employee, or agent of the Corporation is by reason of such position, or a position held with another entity at the request of the Corporation, a witness in any action, suit or proceeding, such person shall be indemnified against all Costs actually and reasonably incurred by such person or on such person’s behalf in connection therewith.

#### Section 9.9 Indemnification Agreements.

The Corporation may enter into agreements with any director, officer, employee, or agent of the Corporation providing for indemnification to the full extent permitted by Nevada law.

#### Section 9.10 Actions Prior to Adoption of Article IX.

The rights provided by this Article IX shall be available whether or not the claim asserted against the director, officer, employee, or agent is based on matters which antedate the adoption of this Article IX.

#### Section 9.11 Severability.

If any provision Article IX shall for any reason be determined to be invalid, the remaining provisions hereof shall not be affected thereby but shall remain in full force and effect.

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ARTICLE X  
CORPORATE SEAL

The corporate seal shall be circular in form and shall have inscribed thereon the name of the Corporation, the date of its incorporation and the word "Nevada".

ARTICLE XI  
INTERPRETATION

Reference in these Bylaws to any provision of Nevada law or the Nevada Revised Statutes shall be deemed to include all amendments thereto and the effect of the construction and determination of validity thereof by the Nevada Supreme Court.

## 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, 2015 of NeoGenomics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 6, 2015

/s/ Douglas M. VanOort  
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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, 2015 of NeoGenomics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 6, 2015

/s/ George Cardoza

George Cardoza

Chief Financial Officer

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

In connection with the Quarterly Report of NeoGenomics, Inc. (the "Company") on Form 10-Q for the three months ended September 30, 2015 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: November 6, 2015

/s/ Douglas M. VanOort  
Douglas M. VanOort  
Chairman and Chief Executive  
Officer

Date: November 6, 2015

/s/ George Cardoza  
George Cardoza  
Chief Financial Officer

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