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

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2016.**

**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** | **74-2897368** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **12701 Commonwealth Drive, Suite 9, Fort Myers, Florida** | **33913** |
| **(Address of principal executive offices)** | **(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 April 20, 2016, the registrant had 77,117,678 shares of Common Stock, par value $0.001 per share outstanding.

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**FORWARD-LOOKING STATEMENTS**

The information in this Quarterly Report on Form 10-Q contains "forward-looking statements" and information within the meaning of Section 27A of the Securities Act of 1933, as amended (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"), Path Labs LLC, a Delaware limited liability company ("PathLogic") and Clarient, Inc. a Delaware Corporation and its wholly owned subsidiaries Clarient Diagnostic Services, Inc. (together "Clarient") (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 15, 2016, and amended on April 18, 2016.

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 ("LDT's");
- Failure to timely or accurately bill for our services;
- Our ability to expand our operations and increase our market share;
- Our ability to expand our service offerings by adding new testing capabilities;
- Our ability to meet our future capital requirements;
- Our ability to integrate acquired businesses, including our acquisition of Clarient, 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)**

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 19,256 | $ 23,420 |
| Accounts receivable (net of allowance for doubtful accounts of $7,343 and $4,759, respectively) | 50,088 | 48,943 |
| Inventories | 5,334 | 5,108 |
| Other current assets | 6,525 | 4,889 |
| Total current assets | 81,203 | 82,360 |
| Property and equipment (net of accumulated depreciation of $30,135 and $26,534, respectively) | 33,559 | 34,577 |
| Intangible assets, net | 85,774 | 87,800 |
| Goodwill | 146,179 | 146,421 |
| Other assets | 129 | 129 |
| Total assets | $ 346,844 | $ 351,287 |
| **LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable | $ 15,288 | $ 12,464 |
| Accrued compensation | 9,185 | 6,217 |
| Accrued expenses and other liabilities | 4,980 | 7,374 |
| Revolving credit facility, net | — | 8,869 |
| Short-term portion of capital leases | 4,267 | 4,534 |
| Short-term portion of loans | 596 | 600 |
| Total current liabilities | 34,316 | 40,058 |
| **Long-term liabilities** | | |
| Long-term portion of capital leases | 4,124 | 5,040 |
| Long-term portion of loans, net | 52,316 | 52,336 |
| Deferred income tax liability, net | 15,916 | 15,741 |
| Total long-term liabilities | 72,356 | 73,117 |
| Total liabilities | 106,672 | 113,175 |
| Commitments and contingencies - see Note I | | |
| **Redeemable convertible preferred stock:** | | |
| Series A Redeemable Convertible Preferred Stock, $0.01 par value, (50,000,000 shares authorized; and 14,666,667 shares issued and outstanding, respectively) | 34,169 | 28,602 |
| **Stockholders' equity** | | |
| Common stock, $.001 par value, (250,000,000 shares authorized; 77,033,608 and 75,820,307 shares issued and outstanding, respectively) | 77 | 76 |
| Additional paid-in capital | 233,401 | 231,375 |
| Accumulated deficit | (27,475) | (21,941) |
| Total stockholders' equity | 206,003 | 209,510 |
| Total liabilities, redeemable convertible preferred stock and stockholders' equity | $ 346,844 | $ 351,287 |

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 March 31, | |
|---|---|---|
| | **2016** | **2015** |
| **NET REVENUE** | | |
| Clinical testing revenue | $ 54,622 | $ 22,839 |
| BioPharma & research revenue | 5,082 | 187 |
| Total Revenue, net | 59,704 | 23,026 |
| **COST OF REVENUE** | 32,531 | 13,482 |
| **GROSS MARGIN** | 27,173 | 9,544 |
| Operating expenses: | | |
| General and administrative | 18,005 | 6,522 |
| Research and development | 1,446 | 669 |
| Sales and marketing | 5,800 | 2,914 |
| Total Operating Expenses | 25,251 | 10,105 |
| **INCOME (LOSS) FROM OPERATIONS** | 1,922 | (561) |
| Interest expense, net | 1,593 | 195 |
| Income (loss) before taxes | 329 | (756) |
| Income tax expense | 174 | 5 |
| **NET INCOME (LOSS)** | 155 | (761) |
| Deemed dividends on preferred stock | 1,840 | — |
| Amortization of preferred stock beneficial conversion feature | 3,727 | — |
| **NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS** | $ (5,412) | $ (761) |
| **NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS** | | |
| Basic | $ (0.07) | $ (0.01) |
| Diluted | $ (0.07) | $ (0.01) |
| **WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:** | | |
| Basic | 76,068 | 60,277 |
| Diluted | 76,068 | 60,277 |

See notes to unaudited consolidated financial statements.

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

| | For the three months ended March 31, | |
|---|---|---|
| | **2016** | **2015** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income (loss) | $ 155 | $ (761) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities, net of business acquisition: | | |
| Depreciation | 3,585 | 1,586 |
| Amortization of intangibles | 2,026 | 93 |
| Amortization of debt issue costs | 182 | - |
| Stock based compensation – options, restricted stock and warrants | 703 | 401 |
| Provision for bad debts | 2,663 | 602 |
| Changes in assets and liabilities, net of business acquisition: | | |
| (Increase) in accounts receivable, net of write-offs | (3,809) | (1,610) |
| (Increase) decrease in inventories | (225) | 21 |
| Decrease (increase) in prepaid expenses | (401) | (42) |
| Decrease in other current assets | — | 1 |
| (Decrease) in accounts payable and other liabilities | 2,180 | (1,078) |
| Net cash provided by (used in) operating activities | 7,059 | (787) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of property and equipment | (1,001) | (842) |
| Net cash used in investing activities | (1,001) | (842) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of revolving credit facility | (10,044) | — |
| Repayment of capital lease obligations/loans | (1,379) | (921) |
| Issuance of common stock for the exercise of options, warrants and ESPP shares, net of transaction expenses | 1,201 | 109 |
| Net cash used in financing activities | (10,222) | (812) |
| Net change in cash and cash equivalents | (4,164) | (2,441) |
| Cash and cash equivalent, beginning of period | 23,420 | 33,689 |
| Cash and cash equivalents, end of period | $ 19,256 | $ 31,248 |
| **Supplemental disclosure of cash flow information:** | | |
| Interest paid | $ 1,416 | $ 212 |
| Income taxes paid | 207 | 5 |
| **Supplemental disclosure of non-cash investing and financing information:** | | |
| Equipment acquired under capital lease/loan obligations | 173 | 2,525 |

See notes to unaudited consolidated financial statements.

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

NeoGenomics, Inc., a Nevada corporation (the "Parent" or the "Parent Company"), and its subsidiaries, NeoGenomics Laboratories, Inc., a Florida corporation ("NEO" or, "NeoGenomics Laboratories"), Path Labs LLC., a Delaware Limited Liability Corporation ("PathLogic") and Clarient Inc., a Delaware Corporation, and its wholly-owned subsidiary Clarient Diagnostic Services, Inc. (together, "Clarient"), (collectively referred to as "we", "us", "our", "NeoGenomics", or the "Company"), operates as a certified "high complexity" clinical laboratory in accordance with the federal government's Clinical Laboratory Improvement Act, as amended ("CLIA"), and is dedicated to the delivery of clinical diagnostic services to pathologists, oncologists, urologists, hospitals, and other laboratories throughout the United States.

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, 2015, filed with the Securities and Exchange Commission (the "SEC") on March 15, 2016 and as amended and filed with the SEC on April 18, 2016.

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.

We have one reportable operating segment that delivers testing services to hospitals, pathologists, oncologists, other clinicians and researchers and represents 100% of the Company's consolidated assets, net revenues and net income for each of the quarters ended March 31, 2016 and 2015. Also, at March 31, 2106, all of our services were provided within the United States and all of our assets were located in the United States.

Reclassification of Prior Year Presentation

Certain prior period amounts have been reclassified for consistency with the current period presentation. For the period ended March 31, 2016, the Company retrospectively adopted ASU 2015-17 and thus revised the classification of deferred tax assets on the Consolidated Balance Sheets. The deferred tax assets that were presented as of December 31, 2015 have offset the deferred tax liabilities and been presented as a long term liability under the description deferred tax liabilities, net. The Company also revised the classification on the Consolidated Statement of Operations by separating other income from interest expense. These changes in classification have no net effect on the previously reported cash flows in the Consolidated Statements of Cash Flows, Consolidated Balance Sheets or Statements of Operations for any period.

**Note B — Recently Issued Accounting Guidance**

Effective January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17, Income Taxes. The standard update was issued to simplify the presentation of deferred income taxes and required deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for fiscal years and interim periods within those fiscal years, beginning after December 31, 2016. Earlier application is permitted as of the beginning of an interim or annual period. The Company has early adopted this ASU and applied the amendments retrospectively to all deferred tax liabilities and assets presented. The effect of the adoption on the Consolidated Balance Sheet as of March 31, 2016 and December 31, 2015, was the offset of long term deferred tax liabilities by current deferred tax assets of $16,668,000.

Effective September 2015, the FASB issued ASU 2015-16, Business Combinations. The standard update was issued to simplify the accounting for measurement period adjustments. The update requires that adjustments to provisional amounts identified during the measurement period be recognized in the period determined. The effect of these adjustments on current earnings that would have been related to previously reported earnings is required to be disclosed. ASU 2015-16 is effective for fiscal years and interim periods

within those fiscal years, beginning after December 31, 2015. The update should be applied prospectively to adjustments that occur after the effective date of this update. The Company has adopted this ASU 2015-16 and it did not have a material effect on Company's earnings for the period ended March 31, 2016.

**Note C — Acquisitions**

Clarient

On December 30, 2015 ("the acquisition date"), the Company acquired from GE Medical Holding AB ("GE Medical"), a subsidiary of General Electric Company ("GE"), all of the issued and outstanding shares of common stock of Clarient, Inc., ("Clarient") a wholly owned subsidiary of GE Medical, for a purchase price consisting of (i) cash consideration of approximately $73.8 million, which includes an approximately $6.7 million estimated working capital adjustment and adjustments for estimated cash on hand and estimated indebtedness of Clarient on the Closing Date, (ii) 15,000,000 shares of NeoGenomics' common stock, and (iii) 14,666,667 shares of NeoGenomics' Series A Preferred Stock pursuant to the Stock Purchase Agreement.

The cash consideration paid as part of the purchase price was funded through the following:

- The Company paid approximately $10.7 million using cash on hand
- Approximately $9.5 million, net of transaction costs was funded using a revolving credit facility
- Approximately $53.6 million, net of transaction costs was funded using a term loan

On December 21, 2015 shareholders approved and on December 28, 2015, NeoGenomics filed with the Secretary of State of the State of Nevada amendments to its Articles of Incorporation to increase the authorized number of shares of common stock from 100.0 million shares to 250.0 million shares and to increase the authorized number of shares of preferred stock from 10.0 million shares to 50.0 million shares in order to fund the common and preferred stock portion of the purchase price.

The Company issued 15,000,000 shares of common stock as consideration for the acquisition of Clarient. The common stock includes restrictions imposed on the holder in the Investor Board Rights, Lockup and Standstill Agreement. We estimated the fair value of the common stock consideration using inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. The key assumption in the fair value determination was a 15 percent discount due to lack of marketability of the common stock as a result of the restrictions imposed on the holder. The acquisition date fair value of common stock transferred is calculated below ($ in thousands, except share and per share amounts):

| Common Stock Valuation | | Amount |
|---|---|---|
| Shares of common stock issued as consideration | | 15,000,000 |
| Stock price per share on closing date | $ | 8.04 |
| Value of common stock issued as consideration | $ | 120,600 |
| Issue discount due to lack of marketability | $ | (18,090 ) |
| Fair value of common stock at December 30, 2015 | $ | 102,510 |

The Company issued 14,666,667 shares of Series A Preferred Stock as consideration for the acquisition of Clarient. The rights of the Series A Preferred Stock are described in Note F. We estimated the fair value of the Series A Preferred Stock consideration using significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. The fair value of the Series A Preferred Stock at the acquisition date was $73.2 million or $4.99 per share. This fair value was further reduced by the intrinsic value assigned to the beneficial conversion feature to arrive at a carrying amount of $28.6 million.

On a fully diluted basis, assuming full conversion of the Series A Preferred Stock, GE Medical would own approximately 32% of NeoGenomics. In addition, pursuant to the Investor Board Rights, Lockup and Standstill Agreement, NeoGenomics has appointed a director designated by GE Medical to the Board.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date of December 30, 2015. The Company is in the process obtaining input from third-party valuations of its tangible and intangible assets and other information necessary to measure the remaining assets acquired and liabilities assumed; thus, the provisional measurements

of current assets, property and equipment, intangible assets, goodwill, current liabilities, net deferred tax liabil ities and long-term liabilities are subject to change.

The preliminary acquisition fair values below are presented as of December 30, 2015 (in thousands):

| | December 30, 2015 (As Initially Reported) | Measurement Period Adjustments | December 30, 2015 (As Adjusted) |
|---|---|---|---|
| Current assets, including cash and cash equivalents of $890 | $ 31,978 | $ - | $ 31,978 |
| Property and equipment | 19,241 | - | 19,241 |
| Identifiable intangible assets – customer relationships | 84,000 | - | 84,000 |
| Goodwill | 143,493 | (242) | 143,251 |
| Total assets acquired | 278,712 | (242) | 278,470 |
| Current liabilities | (12,631) | 242 | (12,389) |
| Deferred tax liability | (17,904) | - | (17,904) |
| Long-term liabilities | (103) | - | (103) |
| Net assets acquired | $ 248,074 | $ - | $ 248,074 |

Of the $84.0 million of acquired intangible assets, $81.0 million was provisionally assigned to customer relationships which are being amortized over fifteen years and $3.0 million was provisionally assigned to trade names which are being amortized over two years. For the periods ending March 31, 2016 and December 31, 2015, we recorded approximately $1.9 million and $36,000 of amortization expense respectively. The amortization expense for the period ended December 31, 2015 represented two days of ownership of Clarient.

Goodwill arising from the acquisition of Clarient includes revenue synergies as a result of our existing customers and Clarient's customers having access to each other's testing menus and capabilities and also from the new product lines which Clarient adds to the Company's product portfolio. None of the goodwill is expected to be deductible for income tax purposes. The provisional fair value of accounts receivable acquired is approximately $27.6 million

The Company recognized acquisition related transaction costs of approximately $4.7 million during the year ended December 31, 2015. These costs include due diligence, legal, consulting and other transaction related expenses associated with the acquisition of Clarient. These expenses were included in general and administrative expenses in our consolidated statements of operations for the year ended December 31, 2015. The Company also incurred debt issuance costs of $3.3 million which are recorded as reductions in the carrying amount of the related liabilities and are being amortized over the term of the loans.

The following unaudited pro forma information (in thousands), have been provided for illustrative purposes and are not necessarily indicative of results that would have occurred had the Acquisition been in effect since January 1, 2014, nor are they necessarily indicative of future results.

| | March 31 2015 |
|---|---|
| Revenue | $ 54,316 |
| Net (loss) attributable to common stockholders | (45,526) |
| (Loss) per share | $ (0.60) |
| Basic | 75,277 |
| Diluted | 75,277 |

The unaudited pro forma consolidated results during the quarter ended March 31, 2015 have been prepared by adjusting our historical results to include the Acquisition as if it occurred on January 1, 2014. These unaudited pro forma consolidated historical results were then adjusted for the following:

- Remove transaction expenses from the year ended December 31, 2015 and record them in the year ended December 31, 2014
- Adjustments to reflect amortization and depreciation expense associated with the acquired assets, partially offset by the elimination of the amortization and depreciation expense associated with Clarient's historical assets.
- Removal of costs associated with MultiOmyx, assets not acquired in the transaction, and to record royalty fees due to GE for continued use of the MultiOmyx product through a licensing agreement.
- Remove general and administrative expenses related to a Lab Services Agreement with the Saudi Arabian National Guard Health Affairs, as GE Medical has retained this agreement.
- Record interest expense under the Credit Facilities and amortization of financing costs classified as interest expense.
- Remove royalty costs associated with the use of the GE brand as NeoGenomics will discontinue the use of the GE brand.
- Accrue for dividends on the Series A Preferred stock and to amortize a portion of the beneficial conversion feature

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 $146.2 million as of March 31, 2016. The changes in the carrying amount of goodwill for the three month period ended March 31, 2016 and for the year ended December 31, 2015 are as follows (in thousands):

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Balance as of January 1 | $ 146,421 | $ 2,929 |
| Goodwill acquired during the period | - | 143,492 |
| Adjustment to preliminary value of goodwill (Note C) | (242) | - |
| Balance at end of period | $ 146,179 | $ 146,421 |

Intangible assets as of March 31, 2016 and December 31, 2015 consisted of the following (in thousands):

| | | March 31, 2016 | | |
|---|---|---|---|---|
| | Amortization Period | Cost | Accumulated Amortization | Net |
| Trade Name | 24 months | $ 3,000 | $ 383 | $ 2,617 |
| Customer Relationships | 156 months | 82,930 | 1,842 | 81,088 |
| Support Vector Machine (SVM) technology | 108 months | 500 | 227 | 273 |
| Laboratory developed test (LDT) technology | 164 months | 1,482 | 443 | 1,039 |
| Flow Cytometry and Cytogenetics technology | 202 months | 1,000 | 243 | 757 |
| Total | | $ 88,912 | $ 3,138 | $ 85,774 |

| | | December 31, 2015 | | |
|---|---|---|---|---|
| | Amortization Period | Cost | Accumulated Amortization | Net |
| Trade Name | 24 months | $ 3,000 | $ 8 | $ 2,992 |
| Customer Relationships | 156 months | 82,930 | 247 | 82,683 |
| Support Vector Machine (SVM) technology | 108 months | 500 | 213 | 287 |
| Laboratory developed test (LDT) technology | 164 months | 1,482 | 416 | 1,066 |
| Flow Cytometry and Cytogenetics technology | 202 months | 1,000 | 228 | 772 |
| Total | | $ 88,912 | $ 1,112 | $ 87,800 |

We recorded approximately $2.0 million and $93,000 in straight-line amortization expense of intangible assets in the three months ended March 31, 2016 and 2015, respectively. The Company recorded amortization expense from customer relationships and trade names 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 intangible assets 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.

The estimated amortization expense related to amortizable intangible assets for each of the five succeeding fiscal years and thereafter as of March 31, 2016 is as follows (in thousands):

| Year Ending December 31, | | |
|---|---|---|
| Remainder of 2016 | $ | 5,246 |
| 2017 | | 7,264 |
| 2018 | | 5,771 |
| 2019 | | 5,771 |
| 2020 | | 5,771 |
| 2021 | | 5,726 |
| Thereafter | | 50,225 |
| Total | $ | 85,774 |

**Note E — Debt**

Term Loan

On December 30, 2015, the Company entered into a Term Loan and Guaranty Agreement (the "Term Loan Facility") for which AB Private Credit Investors LLC is to act as the administrative agent and collateral agent. The agreement provides for $55.0 million of borrowings. On March 31, 2016, the Company had current outstanding borrowings of $550,000 and long-term outstanding borrowings of $52.2 million, net of unamortized debt issuance costs of $2.2 million.

The fair value of the Company's Term loan is estimated by discounting the future cash flow using the Company's current borrowing rates for similar types and maturities of debt, except for floating-rate notes for which the carrying amounts were considered a reasonable estimate of fair value.

The interest rate for borrowings under the Term Loan Facility will be, at NeoGenomics Laboratories' election, (i) (A) a base rate equal to the greatest of 4%, the prime rate, the federal funds rate plus 0.5% and the one month LIBOR rate plus 1%, plus (B) an initial applicable margin of 6% , or (ii) the (A) LIBOR rate for interest periods from one to twelve months, plus (B) an initial applicable margin of 7%, with a minimum LIBOR of 1.00%. Interest on borrowings under the facility will be reduced to Base Rate plus 5.5% or LIBOR plus 6.50% upon the later of (i) NeoGenomics' achieving maximum total leverage of less than 2.0 to 1.0 and (ii) January 1, 2017.

NeoGenomics and all of its present and future subsidiaries (other than NeoGenomics Laboratories) are guarantors under the Term Loan Facility. The Term Loan Facility contains the following financial covenants: (i) maintenance of a maximum total leverage ratio of 4.0 to 1.0 (stepping down over time to 3.25 to 1.0), and (ii) maintenance of a minimum consolidated fixed charge coverage ratio of 1.10 to 1.0 (stepping up over time to 1.25 to 1.0). These covenants are effective beginning with the quarter ending March 31, 2016. The Company was in compliance with all such covenants as of March 31, 2016.

The Term Loan Facility also contains various affirmative and negative covenants, such as the delivery of financial statements, tax authority compliance, maintenance of property, limitations on additional debt, restriction of dividends and other standard clauses.

The Term Loan Facility has a maturity of five years. In addition, the Term Loan Facility provides for annual amortization payments in an amount equal to 1.0% of the original principal amount of the term loan, paid in quarterly installments, and mandatory prepayments with (i) proceeds of certain assets sales and recovery events, (ii) proceeds of certain debt issuances, (iii) proceeds of certain extraordinary receipts, as defined, (iv) a portion of certain tax refunds and insurance proceeds, and (v) a portion of excess cash flow as defined.

Auto Loans

The company has auto loans with various financial institutions. The auto loan terms range from 36-60 months and carry interest rates from 0.0% to 5.2%.

Maturities of Long-Term Debt

Maturities of long-term debt at March 31, 2016 are summarized as follows (in thousands):

| | Term Loan | Auto Loans | Total Long Term Debt |
|---|---|---|---|
| Remainder of 2016 | $ 413 | $ 40 | $ 453 |
| 2017 | 550 | 40 | 590 |
| 2018 | 550 | 18 | 568 |
| 2019 | 550 | 14 | 564 |
| 2020 | 52,937 | 4 | 52,941 |
| | $ 55,000 | $ 116 | $ 55,116 |
| Less: Current portion of long-term debt | (550) | (46) | (596) |
| Less: Debt issuance costs, net | (2,204) | - | (2,204) |
| Long-term debt, net | $ 52,246 | $ 70 | $ 52,316 |

Short-Term Debt - Revolving Credit Facility

On December 30, 2015, the Company entered into a Credit Agreement (the "Revolving Credit Facility") for which Wells Fargo Bank, N.A., is to act as the administrative agent. The Revolving Credit Facility provides for up to $25.0 million of revolving loans and a letter of credit subfacility for $1.0 million. Borrowings under the revolver and the letter of credit subfacility are limited to a borrowing base comprised of 85% of the expected net value of certain billed and unbilled accounts receivable less reserve amounts established by Wells Fargo Bank, N.A.

The carrying amount of the Revolving Credit Facility approximates fair value due to the short maturity and their variable market rates of interest that change with current Prime and no change in counterparty credit risk and were classified as Level 2 of the fair value hierarchy.

The interest rate for borrowings under the Revolving Credit Facility will be, at NeoGenomics Laboratories' election, (i) (A) a base rate equal to the greatest of the prime rate, the federal funds rate plus 0.5% and the three month LIBOR rate plus 1%, plus (B) an applicable margin ranging from 2.0% to 2.5%, or (ii) the (A) LIBOR rate plus (B) an applicable margin ranging from 3.0% to 3.5%. NeoGenomics will also pay 0.25% per year on any unused portion of the revolver.

NeoGenomics is a guarantor under the Revolving Credit Facility. All of NeoGenomics' present and future subsidiaries (including NeoGenomics Laboratories) are borrowers under the Revolving Credit Facility. The Revolving Credit Facility contains the following financial covenants: (i) maintenance of a maximum total leverage ratio (funded indebtedness (including the outstanding amounts under the Credit Facilities), plus capitalized lease obligations, divided by EBITDA) of not more than 4.0 to 1.0 (stepping down over time to 3.25 to 1.0), (ii) maintenance of a minimum consolidated fixed charge coverage ratio (EBITDA less capital expenditures not financed with debt or certain equity), divided by the sum of cash interest expense, scheduled payments and mandatory prepayments of principal on indebtedness, taxes and restricted payments) of at least 1.1 to 1.0 (stepping up over time to 1.25 to 1.0) and (iii) maintenance of a minimum cash velocity equal to or greater than 80%. These covenants are effective beginning with the quarter ending March 31, 2016. The Company was in compliance with such all covenants as of March 31, 2016.

The Revolving Credit Facility also contains various affirmative and negative covenants, such as the delivery of financial statements, tax authority compliance, maintenance of property, limitations on additional debt, restriction of dividends and other standard clauses.

The Revolving Credit Facility has a maturity of five years, maturing on December 30, 2020. In addition, the Revolving Credit Facility provides for mandatory prepayment in the event that the borrowing base is less than the aggregate amount of the advances outstanding under the revolver and any letters of credit, which prepayment will be equal to the amount necessary to remedy the over-advance.

A t March 31, 2016, the Company had n o outstanding borrowings under the Revolving Credit Facility, nor under the letter of credit subfacility. The related debt issuance costs of approximately $1.2 million have been reclassified into other current assets. There is approximately $25 million in available credit under the Revolving Credit Facility to be drawn upon as needed.

**Note F — Class A Redeemable Convertible Preferred Stock**

On December 30, 2015, the Company issued 14,666,667 shares of its Series A Redeemable Convertible Preferred stock ("Series A Preferred Stock") as part of the consideration for the acquisition of Clarient, see Note C. The Series A Preferred Stock has a face value of $7.50 per share for a total liquidation value of $110 million.

The Company recorded the Series A Preferred Stock at a fair value of approximately $73.2 million or $4.99 per share on the date of issuance. The difference between the fair value of $73.2 million and the liquidation value of $110 million represents a discount of $36.8 million from the initial face value as a result of assessing the impact the rights and features (listed below) of the instrument and their effect on the value to the issuer and holder.

Beneficial Conversion Feature

The fair value of the common stock into which the Series A Preferred Stock was convertible at the date of issuance exceeded the allocated purchase price fair value of the Series A Preferred Stock by approximately $44.7 million on the date of issuance, resulting in a beneficial conversion feature. The Company will recognize the beneficial conversion feature as non-cash, deemed dividend to the holders of Series A Preferred Stock over the first three years the Series A Preferred Stock is outstanding, as the date the stock first becomes convertible is three years from the issue date. The amount recognized for the period ended March 31, 2016 was approximately $1.8 million.

Classification

The Company classified the convertible preferred stock as temporary equity on the consolidated balance sheets due to certain change in control events that are outside the Company's control, including deemed liquidation events described in the Series A Certificate of Designation.

**Note G — 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 March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Gross service revenues | $ 132,720 | $ 53,631 |
| Total contractual adjustments and discounts | (73,016) | (30,605) |
| Net revenues | $ 59,704 | $ 23,026 |

**Note H — Equity**

A summary of the stock option activity under the Company's plans for the three months ended March 31, 2016 is as follows:

| | Number of shares | Weighted average exercise price |
|---|---|---|
| Options outstanding at December 31, 2015 | 5,326,505 | $ 3.07 |
| Options granted | 762,500 | 6.77 |
| Less: | | |
| Options exercised | 1,218,292 | 0.92 |
| Options canceled or expired | 139,542 | 4.68 |
| Options outstanding at March 31, 2016 | 4,731,171 | 3.42 |
| Exercisable at March 31, 2016 | 1,753,494 | $ 2.32 |

As of March 31, 2016, there was approximately $4.0 million of unrecognized share based compensation expense related to stock options that will be recognized over a weighted-average period of approximately 1.4 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 March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Research and development expense | $ (9) | $ 55 |
| General and administrative expense | 796 | 287 |
| Total stock based compensation expense | $ 787 | $ 342 |

Stock based compensation recorded in research and development relates to unvested options and warrants granted to a non-employee.

Common Stock Warrants

A summary of the warrant activity for the three months ended March 31, 2016 is as follows:

| | Number of shares | Weighted average exercise price |
|---|---|---|
| Warrants outstanding at December 31, 2015 | 650,000 | $ 1.48 |
| Warrants granted | — | — |
| Less: | | |
| Warrants exercised | — | — |
| Warrants canceled or expired | — | — |
| Warrants outstanding at March 31, 2016 | 650,000 | 1.48 |
| Exercisable at March 31, 2016 | 530,000 | $ 1.49 |

During the three months ended March 31, 2016 and 2015, we recorded $(84,000) and $59,000 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.

**Note I — Commitments**

During the three months ended March 31, 2016, the Company entered into leases for approximately $173,000 in laboratory and computer equipment. These leases have 36 month terms, a $1.00 buyout option at the end of the terms and interest rates of 5.0% and 6.01%. The Company accounted for these lease agreements as capital leases.

**Note J — Other Related Party Transaction**

During the three months ended March 31, 2016 and 2015, Steven C. Jones, a director of the Company, earned approximately $65,750 and $65,000 respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance and reimbursement of incurred expenses. Mr. Jones also received $78,900 and $47,500 during the three months ended March 31, 2016 and 2015, respectively as payment of his annual bonus compensation for the previous fiscal years.

**Note I—Subsequent Event**

On April 20, 2016, the Compensation Committee of the Board of Directors granted 1,525,027 options to certain Executives and key employees of the Company. The options were granted at a price of $7.15 per share and had a weighted average fair market value of $2.50 per option for a total fair market value of $3.8 million. We expect our stock option compensation expense to increase by approximately $1.7 million, $1.4 million, $584,000, and $118,000 in the years ended December 31, 2016, 2017, 2018 and 2019, respectively.

END OF FINANCIAL STATEMENTS

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

*NeoGenomics, Inc., a Nevada corporation (referred to individually as the "Parent Company" or collectively with its subsidiaries as "NeoGenomics", "we", "us", "our" or the "Company" in this Form 10-K) 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 in the United States. Our mission is to improve patient care through exceptional genetic and molecular testing services. Our vision is to become the World's leading cancer testing and information company by delivering uncompromising quality, exceptional service and innovative solutions.

On December 30, 2015, we acquired Clarient, Inc, ("Clarient") and its wholly owned subsidiary Clarient Diagnostic Services, Inc. from GE Medical Holding AB ("GE Medical"), a subsidiary of General Electric Company, for approximately $249.5 million, consisting of (i) cash consideration of approximately $74.0 million, which included an approximately $6.7 million estimated working capital adjustment and adjustments for estimated cash on hand and estimated indebtedness of Clarient on the closing date, (ii) 15,000,000 shares of our common stock, and (iii) 14,666,667 shares of our series A convertible preferred stock (the "Acquisition"). For additional information and risks associated with the acquisition, see "Risk Factors," which appears in Item 1A of the Form 10-K which was filed with the SEC on March 15, 2016 and amended on April 18, 2016.

We believe the acquisition will allow us to broaden our offering of innovative cancer diagnostic tests to hospitals and physicians across the United States and to accelerate growth in the worldwide market for pharmaceutical clinical trials and research. The following discussion of our business includes the effects of the acquisition of Clarient.

As of December 31, 2015, the Company had laboratory locations in Ft. Myers and Tampa, Florida; Aliso Viejo, Fresno, Irvine, and West Sacramento, California; Houston, Texas and Nashville, Tennessee, and currently offers the following types of genetic and molecular 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") and Digital Imaging – 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

e) n 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. Digital imaging allows clients to see and utilize scanned slides and perform quantitative analysis for certain stains. Scanned slides are received online in real time and can be previewed often a full day before the glass slides can be shipped back to clients.

f) Molecular testing - a rapidly growing cancer testing methodology that focuses 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").

g) Pathology consultation - services provided to clients whereby our pathologists review surgical samples on a consultative basis. NeoGenomics is one of a few laboratories in the country with an electron microscopy lab which enables us to analyze complex renal cases.

h) BioPharma Services and Clinical Trials – services supporting pharmaceutical firms in their drug development programs by supporting various clinical trials and other research initiatives. This growing portion of our business often involves working with the pharmaceutical firms (sponsors) on study design as well as performing the required testing. Our medical team often advises the investigators and works closely with the researchers as specimens are received from the enrolled sites. We have also worked on developing tests that will be used as part of a companion diagnostic to determine patients' response to a particular drug. When studies are completed, our clinical trials team will report the data and often provide key analysis and insights back to the sponsors.

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

After assay design and validation, we provide laboratory services for large scale clinical trial testing. Whether serving as the single contract research organization ("CRO") or partnering one, our BioPharma Services and Clinical Trials team provides significant technical expertise and works closely with our customers to support each stage of clinical trial development. Each trial we support comes with rapid turnaround time, dedicated project management and Quality Assurance oversight. We have experience in supporting FDA submissions for companion diagnostics and our pharma services activities are backed by our large clinical laboratory in Aliso Viejo, CA. Our BioPharma Services and Clinical Trials business is supported by full-time sales associates. Our goal remains focused on helping bring more effective oncology treatments to market through providing world class laboratory services in oncology.

Multiomyx™ - is a hyperplexed immunofluorescence assay technology that has similar staining characteristics as standard immunohistochemical stains, and has the significant advantage that up to 60 multiple proteins can be interrogated from a single FFPE section. Direct comparison of multiple biomarkers is made on the same cell, enabling routine co-expression analysis and identification of cells requiring multiple biomarkers staining. In addition to protein analysis, MultiOmyx is able to integrate genomic data utilizing FISH and NGS on the same sample to generate multiomic phenotypes. Currently, we are only offering Multiomyx™ services to our BioPharma and research clients.

The clinical cancer testing services we offer to community-based pathologists are designed to be a natural extension of, and complementary to, the services that they perform within their own practices. We believe our relationship as a non-competitive partner to community-based pathology practices, hospital pathology labs and academic centers empowers them to expand their breadth of testing and provides a menu of services that we believe matches or exceeds the level of service found in any center of excellence around the world. Community-based pathology practices and hospital pathology labs may order certain testing services on a technical component only ("TC" or "tech-only") basis, which allows them to participate in the diagnostic process by performing the professional component ("PC") interpretation services without having to hire laboratory technologists or purchase the sophisticated equipment needed to perform the technical component of the tests. We also support our pathology clients with interpretation and consultative services using our own specialized pathologists for 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 p ractices 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 comprehensive service offering where we perform both the technical and professional components of the tests ordered. However, in certain instances larger clinician practices have begun to internalize pathology interpretation services, and our "tech-only" service offering allows these larger clinician practices to also participate in the diagnostic process by performing the PC interpretation services on TC testing performed by NeoGenomics.

**2016 Focus Areas: Drive a "One Company Culture, Integrate, Grow and Innovate**

In the past several years, NeoGenomics has experienced rapid growth, substantially all of which has been organic. In December 2015, NeoGenomics completed its acquisition of Clarient from GE Medical. As a result, we expect to more than double in revenue in 2016, and we have focused on several initiatives to continue to build our company to be the World's leading cancer testing and information company.

Create a "One Company" Culture

We believe our acquisition of Clarient in 2015 presents us with a unique opportunity to create a unified corporate culture that supports our vision, values, and strategic objectives. We believe that by engaging our people, we will be able to retain them and motivate them to meet and exceed the expectations of our clients. Excellent teamwork is required as we implement best practices across our expanded testing disciplines and consolidate operations and facilities.

To create a climate of strong teamwork, we constantly communicate company values as well as developments in our business. We invest substantially in training our employees and are working to become a "Best Place to Work" company. We conduct surveys and take action based on feedback from employees designed to make our Company a better place for people to work. We also work to develop and implement performance-based incentive plans for every employee at the company as a tool to reinforce our desired behaviors and organizational culture. Creating a single organizational culture based on values and high performance is a critical initiative and key part of our 2016 plan.

Integrate for Success

Combining the best of NeoGenomics' and Clarient's testing menus and services is one of our main objectives for 2016. There was overlap in many of our test offerings, and differences between operating processes and procedures. As a result, we are rapidly working to develop a single test menu, a single Laboratory Information System ("LIS"), a single billing process, a single brand, and a unified service offering.

Our medical and operating teams are working to develop and implement plans to ensure that we are offering the best tests for our clients. Our information technology teams are working to combine the best features from each LIS. Numerous laboratory functional teams are reviewing and revising processes and procedures to select the highest quality and lowest-cost testing platforms. Our sales teams have been combined to form one national team so that each account has one point of contact. In billing, we intend to combine our separate operations using common policies and procedures in each billing location, and will integrate all operations using a common billing information system. While we expect significant synergies from the combination of our two laboratories, we are also focused on retaining all our clients, and our goal is to ensure that we maintain the highest quality service throughout the integration process.

We believe successfully integrating Clarient's and NeoGenomics' operations will also allow us to become more efficient and to reduce our cost per test. Our best practice teams are working with our information technology teams to make improvements in efficiencies to our lab processes, including a wide-scale adoption of on-line ordering, bar coding, specimen tracking, and other tools to create a streamlined, seamless, and efficient lab.

In addition, we are working to implement plans to consolidate our Irvine Lab facility into our Aliso Viejo Lab facility, and to further streamline the design and operation of this consolidated laboratory. Historically, improvements in our processes and procedures have had a dramatic impact on our cost structure and have allowed us to absorb reductions in average revenue per test with minimal impact to gross margin. For example, during the years ended December 31, 2015 and 2014, we reduced our average cost of goods sold per test in our legacy NeoGenomics business, which we define to exclude the PathLogic and Clarient businesses by 8.6% and 4.7%, respectively, versus the comparable periods in 2014 and 2013, and we have identified several other areas in the laboratory where we believe we can drive further automation and efficiencies.

Drive Profitable Growth

Our plans for 2016 include initiatives to continue our strong organic growth performance. We will continue to pursue market share gains by providing high complexity, cancer-related laboratory testing services to hospitals, community-based pathology practices, and clinicians throughout the United States. We currently perform comprehensive analyses for hematopoietic cancers such as leukemia and lymphoma (blood and lymphoid tumors) as well as solid tumors such as breast, lung, colon, and bladder cancers. For hematopoietic cancers, we typically analyze bone marrow aspirate and peripheral blood specimens. For solid tumors cancers, we typically analyze tissue samples or urine.

Our growth over the past several years has been significantly influenced by our sales team performance. Our highly trained sales team has been successful in competing against other laboratories because we have one of the broadest and most comprehensive test menus in our industry. Our sales team is experienced with the scientific complexity and medical necessity of our testing services, and understands the needs of our client pathologists and oncologists. 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. We believe the strength of our sales team, comprehensive test menu, and our reputation for high quality services, positions us to further drive growth throughout 2016.

Our growth has also been aided by strong client retention. We believe our high rates of client retention are due to strong service levels, our "tech-only" service offerings, and a culture of customer focus in which our engaged employees seek to deliver the highest customer satisfaction possible. Our "tech-only" testing option allows local pathologists to participate with us in the testing process by interpreting results and performing the professional component of certain tests. Our strong service levels are reinforced by a disciplined management process with a system of detailed measures and metrics to ensure committed turnaround times and customer service. By retaining our existing customer base and bringing in a steady stream of new customers, we have been able to organically grow our business significantly faster than the growth rate of the overall market and we plan to continue these activities in 2016.

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 ("PathLogic"), a provider of specialized anatomic pathology services to hospitals and physicians primarily in Northern California. PathLogic 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 December 30, 2015 we completed the acquisition of Clarient. Clarient specializes in advanced genetic and molecular oncology diagnostic services and 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. The Clarient transaction is a good example of the type of acquisition opportunity we will consider in the future.

Continuously Innovate

We are keenly focused on innovation, and believe this has been a key factor in our growth. Over the past several years, we have developed over 125 new or improved molecular oncology tests and disease-specific panels, and believe we now have one of the most comprehensive oncology test menus of any laboratory in the world. By launching new medically significant and necessary tests at a steady rate, we are able to provide cutting-edge developments in molecular genetics for clients and their patients, and we are developing our reputation as a leader in the field of molecular oncology.

Our broad and innovative testing menu allows us to serve community-based pathologists and clinicians as well as pharmaceutical customers and nationally recognized academic centers. In addition, our comprehensive test offering allows us to be a one-stop shop for all of the oncology testing needs of our clients. Pharmaceutical firms are also attracted to our laboratory based on our knowledgeable research and development team and our ability to offer tests at the forefront of medical developments. In many cases, customers who begin using us because of our new innovative test offerings also begin to refer portions of their other testing. Therefore, innovation helps in many ways to sustain our growth.

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. For example, during the year ended December 31, 2015, we introduced approximately 70 new or enhanced molecular and FISH based tests and cancer profiles. In 2014, we launched our multimodality solid tumor "Discovery Profile" which analyzes 315 genes for mutation using NGS and includes 9 FISH tests to analyze translocations, amplifications and deletions that might be missed by NGS. Our multimodality testing is somewhat unique in the industry and provides the gold standard FISH testing for detecting therapy-related abnormalities, many of which are required to be confirmed by FISH prior to initiating expensive therapy.

We are also focused on opportunities to offer "liquid biopsy" testing. We recently launched twelve NeoLAB™ 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. The technology is based on the concept that hematologic cells release their DNA, RNA, and proteins into circulation as the cells are immersed in blood. The cell-free circulating DNA, RNA and proteins 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 other advanced methods in order to evaluate molecular abnormalities present in hematological cancers. We estimate that more than 600,000 bone marrow biopsies are performed annually in the United States 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. 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 without having to perform repeated bone marrow biopsies at set intervals; and 3) complete testing when a bone marrow sample is inadequate or is technically difficult to obtain.

We also continue to develop new testing approaches by combining the capabilities of a variety of testing technologies. We introduced a number of NeoTYPE™ 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. Managed care payers have expressed interest in the more targeted panels as a more cost effective alternative to ordering large panels that include genes that have never been tied to a particular type of cancer. We use 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 working to develop a proprietary NeoLAB™ (Liquid 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: 1) to diagnose the presence of cancer in patients and 2) 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 American Society of Clinical Oncology ("ASCO") meeting in 2014 and were published in the Journal of Cancer in February of 2016. We are also conducting a prospective validation study with over 2,500 patients enrolled thus far to further validate the efficacy of our NeoLAB™ Prostate Test. Recruitment for this prospective study was concluded by the end of 2015. Patients are being followed to collect outcome data and perform statistical analysis. We are planning a full commercial launch of the NeoLAB™ Prostate Test in 2016.

We also expect to continue to make investments in research and development that will allow us to commercialize a number of new and innovative genetic tests as scientific and medical technological advances are made.

**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 and Scientific Team**

Our team of medical professionals and PhDs are specialists in the field of genetics, oncology and pathology. As of March 31, 2016, NeoGenomics medical and scientific team included approximately 30 full and part time Pathologists and PhDs. The team is responsible for the quality of the Company's testing, and for the development and validation of the new assays. The addition of Clarient's pathology team has added increased depth to our medical team, and has enhanced our ability to service a wider range of specialties.

**Extensive Tech-Only Service Offerings**

We believe, we have the most extensive menu of "tech-only" FISH services in the country. We also offer "tech-only" flow cytometry and IHC testing services. These types of testing services allow the professional interpretation component of a test to be performed and billed separately by our physician clients. Our 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 a direct investment in costly 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 and strategic client relationships. 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 comprehensive suite of technical and interpretation services, to meet the needs of those clients who are not credentialed and trained in interpreting genetic tests and who 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 service of interpreting the results of those tests. Our professional staff is also available for post-test consultative services. Clients using our global service offering rely on the expertise of our medical team to give them the answers they need in a timely manner to help inform their diagnoses and treatment decisions. Many of our tech-only clients also rely on our medical team for difficult or challenging cases by ordering our global testing services on a case-by-case basis or our medical team can serve as a backup to support our clients who need help to satisfy the continued and demanding requirements of their practice. Our reporting capabilities allow for all relevant case data from our global services to be captured in one summary report. When providing global services, NeoGenomics bills for both the technical and professional component of the test, which results in a higher reimbursement level.

**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 and our proprietary techniques allow us to achieve high sensitivity in our next generation sequencing testing. In addition, we use high sensitivity Sanger sequencing, RNA and DNA quantification, SNP/Cytogenetic arrays, Fragment Length analysis, and other molecular testing technologies. Our automated FISH and Cytogenetics tools allow us to deliver the highest quality testing to our clients and our flow cytometry laboratory uses 10-color flow cytometry analysis technology on a technical-only basis. We are one of only a few laboratories with an electron microscopy department for diagnosis in complex renal case analysis. Our MultiOmyx platform is a unique immunofluorecence array technology that allows up to sixty immunohistochemistry stains to be analyzed on a single slide. We are continually testing new laboratory equipment in order to remain at the forefront of new developments in the testing field.

**Laboratory Information System**

We believe we have a state-of-the-art 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 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 team for our core clinical genetic testing business is organized into five regions (Northeast, Southeast, North Central, South Central and West), and we have separate sales teams for each of our BioPharma Services and PathLogic businesses. 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 eight facilities and five large laboratory locations in Fort Myers, Florida, West Sacramento, California, Aliso Viejo, California, Irvine, California and Houston Texas and three smaller laboratory locations in Fresno, California, Nashville, Tennessee and Tampa, Florida. Our 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 Advances**

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. The volume of our testing services generally declines modestly during the summer vacation season, year-end holiday periods and other major holidays, particularly when those holidays fall during the middle of the week. In addition, the volume of our testing tends to decline due to extreme adverse weather conditions, such as excessively hot or cold spells, heavy snow, hurricanes or 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, 2015 as amended.

**Results of Operations for the Three Months Ended March 31, 2016 as Compared to the Three Months Ended March 31, 2015**

On December 30, 2015, we completed the acquisition of Clarient and its wholly owned subsidiary Clarient Diagnostic Services, Inc., from GE Medical (see Note C of the notes to the financial statements for additional information).

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

| | For the three months ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Net revenue | 100.0% | 100.0% |
| Cost of revenue | 54.5% | 58.6% |
| Gross Profit | 45.5% | 41.4% |
| Operating expenses: | | |
| General and administrative | 30.2% | 28.3% |
| Research and development | 2.4% | 2.9% |
| Sales and marketing | 9.7% | 12.7% |
| Total operating expenses | 42.3% | 43.9% |
| Income (loss) from operations | 3.2% | (2.5)% |
| Interest expense | 2.7% | 0.8% |
| Net income (loss) before income taxes | 0.5% | (1.7)% |
| Income tax expense | 0.3% | 0.0% |
| Net income (loss) | 0.2% | (1.7)% |

Revenue

Our consolidated revenue for the three months ended March 31, 2016 was approximately $59.7 million compared to $23.0 million for the three months ended March 31, 2015. The Clarient acquisition accounted for approximately $29.5 million or 49% of our consolidated revenues.

The following table shows clinical genetic testing revenue, cost of revenue, requisitions received and tests performed for the three months ended March 31, 2016 and 2015. This data excludes tests performed for BioPharma customers and tests performed by PathLogic (testing revenue and cost of revenue in thousands):

| | For the three months ended March 31, | | |
|---|---|---|---|
| | 2016 | 2015 | % Change |
| Requisitions received (cases) | 88,824 | 31,097 | 185.6% |
| Number of tests performed | 134,904 | 49,116 | 174.7% |
| Average number of tests/requisition | 1.52 | 1.58 | (3.8%) |
| | | | |
| Total clinical genetic testing revenue | $ 52,751 | $ 20,496 | 157.4% |
| Average revenue per requisition | $ 594 | $ 659 | (9.9%) |
| Average revenue per test | $ 391 | $ 417 | (6.2%) |
| | | | |
| Total cost of revenue | $ 27,769 | $ 11,583 | 139.7% |
| Average cost per requisition | $ 313 | $ 372 | (15.9%) |
| Average cost per test | $ 206 | $ 236 | (12.7%) |

Our year-over-year growth in clinical genetic testing revenue, as shown above, was driven by the inclusion of Clarient. We also achieved growth of approximately 36.8% in clinical genetic testing revenue excluding the impact of Clarient (legacy NeoGenomics business). We believe that the increase in revenues are the direct result of our efforts to innovate by developing one of the most comprehensive molecular testing menus in the industry. This broad test menu allows for existing clients to order more testing and also has also attracted many new clients and has helped us to gain market share from competitors.

Our average revenue per clinical genetic test decreased by approximately 6.2% year-over-year. This decrease is primarily attributable to the change in test mix, with the inclusion of Clarient's lower average reimbursement rate per test. Cost per clinical genetic test fell by approximately 12.7% during the quarter as we continue to see the benefits of scale from the added testing volumes.

We have been successful at reducing cost by internalizing many tests that Clarient previously sent to outside laboratories. In the first quarter of 2016, we began performing these tests in house, at a lesser cost. We have also implemented numerous best practices in our laboratories and have incentivized our laboratory teams to reduce the cost of testing. We expect to continue to realize cost synergies and reduce our cost of testing as we consolidate our laboratory testing facilities in Southern California.

The following table shows the requisitions, revenue and test data for our PathLogic business, which performs more traditional anatomic pathology testing for the three months ended March 31, 2016 and 2015 (testing revenue and cost of revenue in thousands):

| | For the three months ended March 31, | | |
|---|---|---|---|
| **PathLogic** | 2016 | 2015 | % Change |
| Requisitions received (cases) | 13,656 | 16,661 | (18.0%) |
| | | | |
| Total testing revenue | $ 1,871 | $ 2,343 | (20.1%) |
| Average revenue per requisition | $ 137 | $ 141 | (2.8%) |
| | . | | |
| Total cost of revenue | $ 1,677 | $ 1,827 | (8.2%) |
| Average cost per requisition | $ 123 | $ 110 | 11.8% |

Revenues for PathLogic have decreased by approximately $472,000 or 20.1% for the three month period ended March 31, 2016 when compared to the same period in 2015.

BioPharma revenue was $5.1 million for the period ended March 31, 2016 vs. $187,000 for the corresponding period in 2015. The increase was almost entirely due to the acquisition of Clarient.

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.

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

| | For the three months ended March 31, | | |
|---|---|---|---|
| **Consolidated** | **2016** | **2015** | **$ Change** |
| Cost of revenue | $ 32,531 | $ 13,482 | $ 19,049 |
| Cost of revenue as a % of revenue | 54.5 % | 58.6 % | |
| Gross Profit | $ 27,173 | $ 9,544 | $ 17,629 |
| Gross Profit as a % of revenue | 45.5 % | 41.4 % | |

Consolidated cost of revenue increased in the three months ending March 31, 2016 when compared to the corresponding period in the prior year as a result of increases in our testing volumes. Cost of revenue as a percentage of revenue decreased year-over-year.

General and Administrative Expenses

General and administrative expenses consist of employee related costs (such as salaries, fringe benefits, and stock based compensation expense) for our billing, finance, human resources, information technology and other administrative personnel. We also allocate professional services, facilities expense, bad debt expense, depreciation and administrative-related costs to general and administrative expenses.

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

| | For the three months ended March 31, | | |
|---|---|---|---|
| **($ in thousands)** | **2016** | **2015** | **$ Change** |
| General and administrative | $ 18,005 | $ 6,522 | $ 11,483 |
| As a % of revenue | 30.2 % | 28.3 % | |

General and administrative expenses increased for the three months ended March 31, 2016 compared to the same period in 2015. The increase was largely due to the inclusion of Clarient and the additional resources necessary to manage the growth of the Company and the increased volume of testing. These changes were the result of increased expenses in the following areas: payroll, stock based compensation, depreciation and amortization, travel and professional fees. We also had an increase of $1.9 million associated with amortization of customer lists and trade names as a result of the Clarient acquisition. Excluding the non-cash amortization related expenses, general and administrative expenses as a percentage of revenue would have been 26.9%, versus 28.3% in the first quarter of 2015.

Bad debt expense increased by approximately $2.1 million to $2.7 million for the period ended March 31, 2016 when compared to the same period in 2015. Bad debt as a percentage of revenue was 4.5%, which was higher than last year's rate of 2.6%. This increase is primarily related to the consolidation of Clarient's results. Clarient has historically had a higher bad debt rate than NeoGenomics. We expect our bad debt rate as a percentage of sales to decline over time as we implement NeoGenomics' billing system and practices into Clarient.

We expect our 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 as sales increase and as we continue to expand our physical infrastructure to support our anticipated growth. However, we anticipate that general and administrative expenses as a percentage of consolidated revenue will drop over the coming years.

Research and Development Expenses

Research and development ("R&D") expenses relate to cost of developing new proprietary and non-proprietary genetic tests, including payroll and payroll related costs, maintenance and depreciation of laboratory equipment, laboratory reagents, probes and supplies, as well as costs related to our licensing agreement with Health Discovery Corporation, including the amortization of the licensed technology.

Stock based compensation, recorded in research and development relates to awards granted to a non-employee in connection with the licensed technology from Health Discovery Corporation. Because portions of the vesting requirements have not been met, the amount of expense is re-measured at the end of each accounting period.

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

| | For the three months ended March 31, | | |
|---|---|---|---|
| ($ in thousands) | 2016 | 2015 | $ Change |
| Research and development | $ 1,446 | $ 669 | $ 777 |
| As a % of revenue | 2.4% | 2.9% | |

Excluding a stock based compensation gain of $93,000 Q1 2016 and stock based compensation expense of $328,000 in Q1 2015, research and development expense was approximately $1.5 million and $341,000 for the three months ended March 31, 2016 and 2015, respectively. The stock based compensation gain in the first quarter of 2016 reflects the decrease in the price of our common stock during the first quarter and the fact that the related options and warrants for a non-employee contractor is accounted for at fair value each quarter. The increase in our R&D expense was related to the development of several new tests including our NeoLAB™ Prostate test, which was made available for ordering during the first quarter of 2016. R&D labor and supplies were higher than prior year as the Company continues to invest heavily in innovation.

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 will increase over time as a percentage of sales as we continue to invest in innovation and bringing new tests to market.

Sales and Marketing Expenses

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

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

| | For the three months ended March 31, | | |
|---|---|---|---|
| ($ in thousands) | 2016 | 2015 | $ Change |
| Sales and marketing | $ 5,800 | $ 2,914 | $ 2,886 |
| As a % of revenue | 9.7% | 12.7% | |

Sales and marketing expenses increased year-over-year, largely attributable to the inclusion of Clarient, as well as the additional sales and marketing personnel and our expansion into new territories and new geographies. We were able to begin realizing synergies during the quarter ending March 31, 2016 as there were several NeoGenomics and Clarient sales territories with overlaps and a reduction in force was made in January of 2016. We expect our sales and marketing expenses over the long term to increase as our test volumes increase, but to remain stable as a percentage of our overall sales.

Interest Expense, net

Interest expense, net is comprised of interest incurred on our term debt, revolving credit facility and our capital lease obligations offset by the interest income we earn on cash deposits. Interest expense, net increased by $1.4 million for the three month period ending March 31, 2016 compared to the same period in 2015. This increase is due to the debt obligations associated with financing the Clarient acquisition.

Net Income

The following table provides consolidated net income (loss) for each period along with the computation of basic and diluted net income (loss) per share for the three months ended March 31, 2016 and 2015:

| | Three Months Ended September 30, | |
|---|---|---|
| (in thousands, except per share amounts) | 2015 | 2014 |
| Net loss available to common shareholders | $ (5,412) | $ (761) |
| Basic weighted average shares outstanding | 76,068 | 60,277 |
| Effect of potentially dilutive securities | — | - |
| Diluted weighted average shares outstanding | 76,068 | 60,277 |
| Basic net loss per common share | $ (0.07) | $ (0.01) |
| Diluted net loss per share | $ (0.07) | $ (0.01) |

Non-GAAP Measures

"Adjusted EBITDA" is defined by us as net income 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 analyses that are consistent with financial models developed by independent 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. We believe 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, we encourage investors to consider both non-GAAP results together with GAAP results in analyzing our financial performance.

The following is a reconciliation of GAAP net income (loss) to Non-GAAP EBITDA and Adjusted EBITDA for the three months ended March 31, 2016 and 2015:

| | For the three months ended March 31, | |
|---|---|---|
| (in thousands) | 2016 | 2015 |
| Net income (loss) (Per GAAP) | $ 155 | $ (761) |
| Adjustments to Net Income: | | |
| Interest expense (income), net | 1,593 | 195 |
| Income taxes | 174 | 5 |
| Amortization of intangibles | 2,026 | 93 |
| Depreciation | 3,585 | 1,586 |
| EBITDA | 7,533 | 1,118 |
| Further Adjustments to EBITDA: | | |
| Non-cash stock based compensation | 703 | 401 |
| Adjusted EBITDA (non-GAAP) | $ 8,236 | $ 1,519 |

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 March 31, 2016 and December 31, 2015:

**NEOGENOMICS AGING OF RECEIVABLES BY PAYER GROUP**
**March 31, 2016**

| Payer Group | 0-30 | % | 31-60 | % | 61-90 | % | 91-120 | % | >120 | % | Total | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Client | $ 12,444 | 22% | $ 6,383 | 11% | $ 3,271 | 6% | $ 2,138 | 4% | $ 4,287 | 8% | $ 28,523 | 51% |
| Commercial Insurance | 2,572 | 4% | 2,734 | 5% | 2,185 | 4% | 1,825 | 3% | 5,268 | 9% | 14,584 | 25% |
| Medicaid | 93 | 0% | 77 | 0% | 94 | 0% | 58 | 0% | 82 | 0% | 404 | 1% |
| Medicare | 1,617 | 3% | 1,306 | 2% | 792 | 1% | 660 | 1% | 2,056 | 4% | 6,431 | 10% |
| Private Pay | 16 | 0% | 11 | 0% | 9 | 0% | 5 | 0% | 5 | 0% | 46 | 0% |
| Unbilled Revenue | 6,346 | 11% | 279 | 0% | 154 | 0% | 96 | 0% | 568 | 1% | 7,443 | 13% |
| Total | $ 23,088 | 40% | $ 10,790 | 19% | $ 6,505 | 11% | $ 4,782 | 8% | $ 12,266 | 22% | $ 57,431 | 100% |

**NEOGENOMICS AGING OF RECEIVABLES BY PAYER GROUP**
**December 31, 2015**

| Payer Group | 0-30 | % | 31-60 | % | 61-90 | % | 91-120 | % | >120 | % | Total | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Client | $ 14,135 | 26% | $ 5,582 | 10% | $ 3,393 | 7% | $ 2,156 | 4% | $ 3,927 | 7% | $ 29,193 | 54% |
| Commercial Insurance | 2,260 | 4% | 2,233 | 4% | 1,641 | 3% | 1,314 | 3% | 4,005 | 7% | 11,453 | 21% |
| Medicaid | 98 | 0% | 113 | 1% | 72 | 0% | 59 | 0% | 64 | 0% | 406 | 1% |
| Medicare | 1,552 | 3% | 1,193 | 2% | 982 | 2% | 772 | 1% | 1,817 | 4% | 6,316 | 12% |
| Private Pay | 17 | 0% | 8 | 0% | 14 | 0% | 11 | 0% | 3 | 0% | 53 | 0% |
| Unbilled Revenue | 4,957 | 10% | 718 | 1% | 151 | 0% | 82 | 0% | 373 | 1% | 6,281 | 12% |
| Total | $ 23,019 | 43% | $ 9,847 | 18% | $ 6,253 | 12% | $ 4,394 | 8% | $ 10,189 | 19% | $ 53,702 | 100% |

The following table represents the balance in allowance for doubtful accounts (in thousands) and that allowance as a percentage of gross accounts receivable at March 31, 2016 and December 31, 2015.

| | March 31, 2016 | December 31, 2015 | $ Change |
|---|---|---|---|
| Allowance for doubtful accounts | $ 7,343 | $ 4,759 | $ 2,584 |
| Allowance as a % of gross accounts receivable | 12.8% | 8.9% | |

The increase in the allowance for doubtful accounts for the period ended March 31, 2016 as compared to the period ended December 31, 2015 is attributed to the acquisition of Clarient and the historically higher rate of bad debt expense that Clarient has recorded.

**Liquidity and Capital Resources**

The following table presents a summary of our consolidated cash flows for operating, investing and financing activities (in thousands) for the three months ended March 31, 2016 and 2015 as well as the period ended cash and cash equivalents and working capital.

| | For the three months ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Net cash provided by (used in): | | |
| Operating activities | $ 7,059 | $ (787) |
| Investing activities | (1,001) | (842) |
| Financing activities | (10,222) | (812) |
| Net change in cash and cash equivalents | (4,164) | (2,441) |
| Cash and cash equivalents, beginning of period | $ 23,420 | $ 33,689 |
| Cash and cash equivalents, end of period | $ 19,256 | $ 31,248 |
| Working Capital (1), end of period | $ 46,887 | $ 42,302 |

(1) Defined as current assets minus current liabilities.

During the three months ended March 31, 2016, cash provided by operating activities increased by approximately $7.8 million compared with the same period in 2015. The increase was primarily related to the acquisition of Clarient and the related increases in our cash receipts, in addition to our net income for the period ending March 31, 2016 compared to our net loss for the period ended March 31, 2015.

During the three months ended March 31, 2016, cash used by investing activities was relatively flat compared with the same period in 2015.

During the three months ended March 31 2016, cash used by financing activities primarily consisted of a $10 million repayment made on our revolving credit facility, originally used to finance the acquisition of Clarient. Cash used for financing activities was also comprised of repayments on our term loan and our capital lease obligations. These repayments were partially offset by cash received for the issuance of Parent common stock for the exercise of stock options and Employee Stock Purchase Plan shares.

We had approximately $19.3 million in cash and cash equivalents as of March 31, 2016. In addition, we have a revolving credit facility which provides for up to $25.0 million in borrowing capacity. As of March 31, 2016, the entire $25 million was available. We believe that the cash on hand, available credit lines and positive cash flows generated from operations will provide adequate resources to meet our operating commitments and interest payments for the year ending December 31, 2016.

Our Preferred Stock Series A, has certain restrictions that will result in the Company having to dedicate fifty percent of the net proceeds from any future equity raise, to redeeming Preferred Stock shares until such time as all of the Preferred shares have been redeemed.

**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, 2016 will be in the range of $10 million to $12.5 million. During the three months ended March 31, 2016, we purchased approximately $1.2 million of capital equipment, software and leasehold improvements of which $0.2 million was acquired through capital lease obligations. We have in the past and plan to continue funding these capital expenditures with capital lease financing arrangements, cash, and through bank loan facilities if necessary.

**Related Party Transactions**

Consulting Agreements

During the three month period ended March 31, 2016 and 2015, Steven C. Jones, a director of the Company, earned approximately $65,750 and $65,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance. Mr. Jones also received $78,900 and $77,500 during the three months ended March 31, 2016 and 2015, respectively as payment of his annual bonus compensation for the previous fiscal 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.

## 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 March 31, 2016 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 March 31, 2016.

### 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, 2015; as filed with the SEC on March 15, 2016, and as amended on April 18, 2016.

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

None

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

### ITEM 5. OTHER INFORMATION

None

**ITEM 6 EXHIBITS**

| EXHIBIT NO. | DESCRIPTION |
|---|---|
| **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 March 31, 2016 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: May 10, 2016**

**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

**EXHIBIT 31.1**

**CERTIFICATIONS**

I, Douglas M. VanOort, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended March 31, 2016 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.

May 10, 2016

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

**EXHIBIT 31.2**

**CERTIFICATIONS**

I, George Cardoza, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended March 31, 2016 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.

May 10, 2016

/s/ George Cardoza
George Cardoza
Chief Financial Officer

**EXHIBIT 32.1**

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

In connection with the Quarterly Report of NeoGenomics, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2016 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: May 10, 2016

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

Date: May 10, 2016

/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.