

NEOGENOMICS INC  
Form 10-Q  
May 02, 2011  
Table of Contents

**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, 2011.

or

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

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

Commission File Number: 333-72097

**NEOGENOMICS, INC.**

(Exact name of registrant as specified in its charter)

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**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

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

**12701 Commonwealth Drive, Suite 9, Fort Myers,**

**Florida**  
(Address of principal executive offices)

**(239) 768-0600**

**33913**  
(Zip Code)

(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 26, 2011, the registrant had 42,829,703 shares of Common Stock, par value \$0.001 per share outstanding.

**Table of Contents**

**TABLE OF CONTENTS**

<b>PART I FINANCIAL INFORMATION</b>	
<b><u>Item 1. Financial Statements (unaudited)</u></b>	4
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	12
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	17
<b><u>Item 4. Controls and Procedures</u></b>	17
<b>PART II OTHER INFORMATION</b>	
<b><u>Item 1. Legal Proceedings</u></b>	19
<b><u>Item 1A. Risk Factors</u></b>	19
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	19
<b><u>Item 3. Defaults Upon Senior Securities</u></b>	19
<b><u>Item 4. Removed and Reserved</u></b>	19
<b><u>Item 5. Other Information</u></b>	19
<b><u>Item 6. Exhibits</u></b>	20
<b><u>SIGNATURES</u></b>	

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

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

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

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****NEOGENOMICS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except share data)**

	<b>March 31, 2011</b> (unaudited)	<b>December 31, 2010</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,533	\$ 1,097
Restricted cash	500	500
Accounts receivable (net of allowance for doubtful accounts of \$1,799 and \$1,459, respectively)	6,191	5,236
Inventories	911	887
Other current assets	619	1,018
Total current assets	10,754	8,738
<b>PROPERTY AND EQUIPMENT</b> (net of accumulated depreciation of \$5,056 and \$4,568 respectively)	4,553	4,839
<b>OTHER ASSETS</b>	93	74
<b>TOTAL ASSETS</b>	<b>\$ 15,400</b>	<b>\$ 13,651</b>
<b><u>LIABILITIES AND STOCKHOLDERS EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,722	\$ 1,933
Accrued compensation	907	1,338
Accrued expenses and other liabilities	426	460
Short-term portion of equipment capital leases	1,881	1,995
Revolving credit line	3,863	3,442
Total current liabilities	8,799	9,168
<b>LONG TERM LIABILITIES</b>		
Long-term portion of equipment capital leases	1,215	1,348
<b>TOTAL LIABILITIES</b>	<b>10,014</b>	<b>10,516</b>
<b>Commitments and contingencies</b>		
<b>STOCKHOLDERS EQUITY</b>		
Common stock, \$.001 par value, (100,000,000 shares authorized; 42,817,352 and 37,424,423 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively)	43	37
Additional paid-in capital	27,696	24,557
Accumulated deficit	(22,353)	(21,459)

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Total stockholders' equity	5,386	3,135
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 15,400</b>	<b>\$ 13,651</b>

See notes to unaudited condensed consolidated financial statements.

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

	<b>For the Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>NET REVENUE</b>	\$ 8,805	\$ 8,418
<b>COST OF REVENUE</b>	4,940	4,344
<b>GROSS MARGIN</b>	3,865	4,074
<b>OPERATING EXPENSES</b>		
General and administrative	2,823	2,902
Sales and marketing	1,753	1,763
Total operating expenses	4,576	4,665
<b>INCOME / (LOSS) FROM OPERATIONS</b>	(711)	(591)
<b>INTEREST INCOME (EXPENSE) - NET</b>	(182)	(159)
<b>NET INCOME (LOSS)</b>	\$ (893)	\$ (750)
<b>NET INCOME (LOSS) PER SHARE</b>		
- Basic and diluted	\$ (0.02)	\$ (0.02)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>		
- Basic and diluted	41,734	37,220

See notes to unaudited condensed consolidated financial statements.

**Table of Contents****NEOGENOMICS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	<b>For the Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (893)	\$ (750)
Adjustments to reconcile net income (loss) to net cash used in provided by operating activities:		
Provision for bad debts	594	540
Depreciation	488	415
Amortization of debt issue costs	11	18
Stock-based compensation	93	109
Non-cash consulting expenses	33	19
Changes in assets and liabilities, net:		
(Increase) decrease in accounts receivable, net of write-offs	(1,550)	(1,401)
(Increase) decrease in inventories	(24)	20
(Increase) decrease in prepaid expenses	389	122
(Increase) decrease in deposits	(19)	
Increase (decrease) in accounts payable and other liabilities	(666)	(656)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,544)</b>	<b>(1,564)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(71)	(114)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(71)</b>	<b>(114)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from capital lease obligations		25
Advances on credit facility	410	1,901
Repayment of capital leases	(377)	(300)
Issuance of common stock and warrants for cash, net of transaction expenses	3,018	82
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>3,051</b>	<b>1,708</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,436</b>	<b>30</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>1,097</b>	<b>1,631</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 2,533</b>	<b>\$ 1,661</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 174	\$ 144
Income taxes paid	\$	\$



**NON-CASH INVESTING AND FINANCING ACTIVITIES**

Equipment leased under capital leases	\$	141	\$	746
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See notes to unaudited condensed consolidated financial statements.

**Table of Contents**

**NEOGENOMICS, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2011**

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

**Nature of Business**

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

**Basis of Presentation**

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

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

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

**Use of Estimates**

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

**Revenue Recognition**

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

The Company's specialized diagnostic services are performed based on a written test requisition form and revenues are recognized once the diagnostic services have been performed, the results have been delivered to the ordering physician, the payor has been identified and eligibility and insurance have been verified. These diagnostic services are billed to various payors, including Medicare, commercial insurance companies, other directly billed healthcare institutions such as hospitals and clinics, and individuals. The Company reports revenues from contracted payors, including Medicare, certain insurance companies and certain healthcare institutions, based on the contractual rate, or in the case of Medicare, published fee schedules. The Company reports revenues from



## Table of Contents

non-contracted payors, including certain insurance companies and individuals, based on the amount expected to be collected. The difference between the amount billed and the amount expected to be collected from non-contracted payors is recorded as a contractual allowance to arrive at the reported revenues. The expected revenues from non-contracted payors are based on the historical collection experience of each payor or payor group, as appropriate. In each reporting period, the Company reviews its historical collection experience for non-contracted payors and adjusts its expected revenues for current and subsequent periods accordingly.

### Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported at realizable value, net of allowance for doubtful accounts (the Allowance), we evaluate the level of our contractual adjustments and allowances on a regular basis and adjust them as appropriate based upon the collectability of the receivables in light of historical experience, adverse situations that may affect our customers' ability to repay, and prevailing economic conditions in order to identify issues which may impact the collectability of receivables or reserve 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.

### Stock-Based Compensation

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

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

### Net Income (Loss) Per Common Share

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

There were no common equivalent shares included in the calculation of diluted earnings per share for the three month periods ended March 31, 2011 and March 31, 2010 because the Company had a net loss for such periods and therefore such common equivalent shares were anti-dilutive.

**Table of Contents****NOTE B REVOLVING CREDIT AND SECURITY AGREEMENT**

On March 26, 2010, the Parent Company, NeoGenomics Laboratories, Inc. (the Borrower) and CapitalSource Finance (CapitalSource) (as agent for CapitalSource Bank) entered into a Third Amendment to Revolving Credit and Security Agreement (the Third Loan Amendment). The Third Loan Amendment, among other things provided a waiver for the events of default due to the failure of the Borrower to comply with the Fixed Charge Coverage Ratio covenant for the test periods ended January 31, 2010 and February 28, 2010. It also amended Annex I of the Revolving Credit and Security Agreement among the Parent Company, Borrower and CapitalSource (the Credit Agreement or the Credit Facility) by deleting the definition of Fixed Charge Coverage Ratio in its entirety and replacing it with a new definition. The Fixed Charge Coverage Ratio shall mean for Borrower collectively on a consolidated basis (a) as of any date of determination occurring during the period from the Closing Date through and including April 14, 2009 (the Second Amendment Date) the ratio of (i) Adjusted EBITDA for the Test Period ended as of such date to (ii) Fixed charges for the Test Period ended on such date; provided, that, solely for purposes of calculating the Fixed Charge Coverage Ratio for the Test Periods ending January 31, 2010 and February 28, 2010, the amount of Adjusted EBITDA for such Test Periods shall be increased by an amount equal to the sum of (A) \$90,000 with respect to recruiting expenses, plus (B) \$309,400 with respect to write-offs of bad debt, plus (C) \$56,000 with respect to bonus accrual, (b) as of any date of determination occurring during the period after the Second Amendment Date to and including December 31, 2010 and for the Test Period ending March 31, 2010 the ratio of (i) the sum of Adjusted EBITDA for the Test Period ended as of such date plus an amount equal to the sum of unrestricted cash on hand, unrestricted Cash Equivalents and unused Availability as of the last day of the Test Period ended as of such date, to (ii) Fixed Charges for the Test Period ended as of such date; and (c) as of any date of determination occurring after December 31, 2010, except for the Test Period ending March 31, 2010 which shall be as specified above in (b), the ratio of (i) Adjusted EBITDA for the Test Period ended as of such date to (ii) Fixed Charges for the Test Period ended as of such date. The Company paid CapitalSource Bank a \$25,000 amendment fee in connection with the Third Loan Amendment.

On April 26, 2010, the Parent Company, Borrower, and CapitalSource entered into an Amended and Restated Revolving Credit and Security Agreement (the Amended and Restated Credit Agreement). The Amended and Restated Credit Agreement amended and restated the Original Credit Agreement. The terms of the Amended and Restated Credit Agreement and the Original Credit Agreement are substantially similar except that the Amended and Restated Credit Agreement, among other things, (i) increases the maximum principal amount of the revolving credit facility from \$3,000,000 to \$5,000,000, (ii) provides that the term of the Amended and Restated Credit Agreement shall end on February 1, 2013, (iii) increases the amount of the collateral management fee and unused line fees paid by Borrower to CapitalSource, (iv) modifies the definitions of Minimum Termination Fee and Permitted Indebtedness, (v) provides that the Borrower must maintain a minimum outstanding principal balance under the revolving facility of at least \$2,000,000, (vi) decreases the interest rate to LIBOR plus 4.25% (provided that LIBOR shall not be less than 2.0%) and (vii) revises certain covenants and representations and warranties. The Amended and Restated Credit Agreement also made permanent a previously enacted temporary change to the methodology for calculating the Fixed Charge Coverage Ratio covenant, which permits us to add amounts of unrestricted cash and cash equivalents and unused availability under the Credit Facility to Adjusted EBITDA for the purposes of calculating this covenant. Borrower paid CapitalSource a commitment fee of \$33,500 in connection with the execution of the Amended and Restated Credit Agreement (CapitalSource credited \$25,000 of an amendment fee previously paid by the Borrower towards the commitment fee).

Interest on outstanding advances under the Credit Facility are payable monthly in arrears on the first day of each calendar month. At March 31, 2011, the effective rate of interest was 6.25%. On March 31, 2011, the available credit under the Credit Facility was approximately \$171,062 and the outstanding borrowing was \$3,851,803 after netting compensating cash on hand.

**NOTE C COMMON STOCK PURCHASE AGREEMENT**

On November 5, 2008, we entered into a common stock purchase agreement (the Stock Agreement) with Fusion Capital Fund II, LLC (Fusion). The Stock Agreement provides for the future funding of up to \$8.0 million from sales of our common stock to Fusion on a when and if needed basis as determined by us in our sole discretion. The Stock Agreement will automatically terminate on July 27, 2011 without any notice or action by any party pursuant to its terms. In consideration for entering into this Stock Agreement, on October 10, 2008, we issued to Fusion 17,500 shares of our common stock (valued at \$14,700 on the date of issuance) and \$17,500 as a due diligence expense reimbursement. In addition, on November 5, 2008, we issued to Fusion 400,000 shares of our common stock (valued at \$288,000 on the date of issuance) as a commitment fee. Concurrently with entering into the Stock Agreement, we entered into a registration rights agreement with Fusion. Under the registration rights agreement, we agreed to file a registration statement with the SEC covering the 417,500 shares that have already been issued to Fusion and at least 3.0 million shares that may be issued to Fusion under the Stock Agreement. Presently, we expect to sell no more than the initial 3.0 million shares to Fusion during the term of this Stock Agreement. The Company filed a registration statement on Form S-1 dated November 28, 2008, and on February 5, 2009 the filing became effective.

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**Table of Contents**

Under the Stock Agreement, after the SEC declared effective the registration statement related to the transaction, we have the right to sell to Fusion shares of our common stock from time to time in amounts between \$50,000 and \$1.0 million, depending on the market price of our common stock. The purchase price of the shares related to any future funding under the Stock Agreement will be based on the prevailing market prices of our stock at the time of such sales without any fixed discount, and the Company will control the timing and amount of any sales of shares to Fusion. Fusion shall not have the right or the obligation to purchase any shares of our common stock on any business day that the price of our common stock is below \$0.45 per share. The Stock Agreement may be terminated by us at any time at our discretion without any cost to us. There are no negative covenants, restrictions on future funding from other sources, penalties, further fees or liquidated damages in the agreement.

Given our current liquidity position from cash on hand and our availability under our Credit Facility with CapitalSource (see Note B), we have no immediate plans to issue common stock under the Stock Agreement. If and when we do elect to sell shares to Fusion under this agreement, we expect to do so opportunistically and only under conditions deemed favorable by the Company. Any proceeds received by the Company from sales under the Stock Agreement will be used for general corporate purposes, working capital, and/or for expansion activities.

**NOTE D CAPITAL LEASE TRANSACTIONS**

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

On January 3, 2011, we entered into an additional schedule under our lease facility with LTI of approximately \$14,000. On January 25, 2011 we entered into another schedule with LTI under our lease facility of approximately \$39,000. On February 11, 2011 we entered into another schedule with LTI under our lease facility for approximately \$72,000.

On March 31, 2011 we had approximately \$505,000 of availability on the line.

**NOTE E EQUITY**

**Warrant Exercises**

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

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

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

## **Table of Contents**

### **January 2011 Private Equity Offering**

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

In addition to two unaffiliated entities, the participating investors also included either officers or directors of the Company or affiliate entities of an officer or director of the Company.

### **NOTE F OTHER RELATED PARTY TRANSACTIONS**

#### **Consulting Agreements**

During the three months ended March 31, 2011 and 2010, Steven C. Jones, a director of the Company, earned approximately \$51,000 and \$67,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance.

During May 2010 Mr. Jones received 450,000 warrants as described in more detail in Note L of our Annual Report on Form 10K as filed with the Securities and Exchange Commission on February 23, 2011 and as such we recorded \$12,600 in stock compensation expense for these warrants for the three months ended March 31, 2011.

#### **Laboratory Information System**

On March 11, 2005, we entered into an agreement with HCSS, LLC and eTelenext, Inc. to enable NeoGenomics to use eTelenext, Inc.'s Accessioning Application, AP Anywhere Application and CMQ Application. HCSS, LLC is a holding company created to build a small laboratory network for the 50 small commercial genetics laboratories in the United States. HCSS, LLC was owned 66.7% by Dr. Michael T. Dent, a member of our Board of Directors.

On June 18, 2009, we entered into a Software Development, License and Support Agreement with HCSS, LLC and eTelenext, Inc. to upgrade the Company's laboratory information system to APvX. This agreement has an initial term of 5 years from the date of acceptance and calls for monthly fees of \$8,000-\$12,000 during the term. In June 2010, HCSS and eTelenext were merged into eTelenext's parent company, PathCentral, Inc. Dr. Dent currently owns approximately 3% of PathCentral, Inc.

For the three months ended March 31, 2011 and 2010, PathCentral, Inc. earned approximately \$43,000 and \$69,000 respectively.

### **NOTE G SUBSEQUENT EVENT**

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

END OF FINANCIAL STATEMENTS.

## **Table of Contents**

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

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

#### **Introduction**

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

#### **Overview**

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

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

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

#### **Our Focus**

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

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



country.

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

**Table of Contents**

larger oncology practices that prefer to have a direct relationship with a laboratory for cancer genetic testing services. Our regionalized approach allows us strong interactions with clients and our innovative Genetic Pathology Solutions ( GPS ) report summarizes all relevant case data on one summary report.

**Seasonality**

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

**Critical Accounting Policies**

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

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

**Results of Operations for the Three Months Ended March 31, 2011 as Compared to the Three Months Ended March 31, 2010**

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

	<b>For the three months ended March 31.</b>	
	<b>2011</b>	<b>2010</b>
<b>NET REVENUE</b>	100%	100%
<b>COST OF REVENUE</b>	56%	52%
<b>GROSS PROFIT</b>	44%	48%
<b>OPERATING EXPENSES:</b>		
General and administrative	32%	34%
Sales and marketing	20%	21%
<b>TOTAL OPERATING EXPENSES</b>	52%	55%
Interest (income) expense, net	2%	2%
<b>NET LOSS</b>	(10)%	(9)%

**Revenue**

The Company's specialized testing services are performed based on a written test requisition form and revenues are recognized once the testing services have been performed, the results have been delivered to the ordering physician, the payor has been identified and eligibility and

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insurance have been verified. Our testing services are billed to various payors, including Medicare, commercial insurance companies, other directly billed healthcare institutions such as hospitals and clinics, and individuals. We report revenues from contracted payors, including Medicare, certain insurance companies and certain healthcare institutions, based on the contractual rate, or in the case of Medicare, published fee schedules. We report revenues from non-contracted payors, including certain insurance companies and individuals, based on the amount expected to be collected. The difference between the amount billed and the amount

**Table of Contents**

expected to be collected from non-contracted payors is recorded as a contractual allowance to arrive at the reported revenues. The expected revenues from non-contracted payors are based on the historical collection experience of each payor or payor group, as appropriate. In each reporting period, we review our historical collection experience for non-contracted payors and adjust our expected revenues for current and subsequent periods accordingly.

Our revenue, requisition and test metrics for the three months ended March 31, 2011 and 2010 are as follows:

	For the Three-Months Ended March 31, 2011	For the Three-Months Ended March 31, 2010	% Inc (Dec)
Requisitions Received	10,214	9,580	6.6%
Number of Tests Performed	15,396	14,042	9.6%
Avg. # of Tests / Case	1.51	1.47	2.7%
Total Testing Revenue	\$ 8,804,000	\$ 8,418,000	4.6%
Avg Revenue/Req	\$ 862	\$ 879	(1.9)%
Avg Revenue/Test	\$ 572	\$ 600	(4.6)%

Revenues per test are a function of both the type of the test (e.g. FISH, cytogenetics, flow cytometry, etc.) and the payer (e.g., Medicare, Medicaid, third party insurer, institutional client etc.). Average revenue per test is primarily driven by our test type mix and our payer mix. The decrease in average revenue per test for the three months ended March 31, 2011 is the result of a 50% decrease in the average reimbursement for bladder cancer FISH testing as a result of Medicare and several insurance carriers reducing reimbursement beginning in January 2011, and there was also a 1.75% decrease in reimbursement with all Medicare tests covered under the clinical lab fee schedule which affected our Cytogenetics and Molecular tests. In addition, one of the Company's larger Medicare carriers reduced the maximum allowable number of markers reimbursable for flow cytometry testing in late 2010.

We have established a reserve for uncollectible amounts based on estimates of what we will collect from: a) third-party payers with whom we do not have a contractual arrangement or sufficient experience to accurately estimate the amount of reimbursement we will receive, b) payments directly from patients, and c) those procedures that are not covered by insurance or other third party payers.

	March 31,		%
	2011	2010	Change
<b>Allowance for doubtful accounts</b>	\$ 1,799,000	\$ 695,000	159%
<b>As a % of gross accounts receivable</b>	23%	11%	

The increase in allowance for doubtful accounts is the result of a decision to leave claims open for a longer period of time to pursue payment on claims before writing those claims off. Bad debt expense as a percentage of revenue was 6.8% for the three month period ended March 31, 2011 and was 6.4% of revenue for the three month period ended March 31, 2010.

**Cost of Revenue**

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

For the three months ended March 31,	
2011	2010

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			<b>% Change</b>
<b>Cost of revenue</b>	\$ 4,940,000	\$ 4,344,000	14%
<b>As a % of revenue</b>	56%	52%	

**Table of Contents**

The increase was primarily attributable to increases in all areas of costs of revenue as the Company scaled its operations in order to meet increasing demand.

Accordingly, gross margin was approximately 44% for the three months ended March 31, 2011 as compared to 48% for the three months ended March 31, 2010. This decline in gross margin is primarily the result of a greater mix of lower priced and lower margin tests during 2011.

**Sales and Marketing**

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

	For the three months ended March 31,		
	2011	2010	% Change
<b>Sales and marketing</b>	\$ 1,753,000	\$ 1,763,000	(1%)
<b>As a % of revenue</b>	20%	21%	

We expect our sales and marketing expenses to increase modestly as we hire additional sales management, sales representatives, and marketing personnel as part of our growth strategy. However, we expect these expenses to decline as a percentage of revenue as our case volumes increase and we develop more economies of scale in our sales and marketing activities.

**General and Administrative Expenses**

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

	For the three months ended March 31,		
	2011	2010	% Change
<b>General and administrative</b>	\$ 2,823,000	\$ 2,902,000	(3)%
<b>As a % of revenue</b>	32%	34%	

The decrease in general and administrative expenses is primarily a result of spending less in research and development than last year when we launched our melanoma test in quarter one of 2010.

Bad debt expense increased by approximately 7%, or \$54,000, to \$594,000 for the three months ended March 31, 2011 as compared to \$540,000 for the three months ended March 31, 2010. Bad debt expense as a percentage of revenue for the three months ended March 31, 2011 was 6.75% as compared to 6.4% for the three months ended March 31, 2010.

We expect our general and administrative expenses to increase as we add personnel; increase our billing and collections activities; incur additional expenses associated with the expansion of our facilities and backup systems; and continue to build our physical infrastructure to support our anticipated growth. However, we expect general and administrative expenses to decline as a percentage of our revenue as our case volumes increase and we develop more operating leverage in our business.

**Interest Expense, net**

Interest expense, net, which represents the interest expense we incur on our borrowing arrangements offset by the interest income we earn on cash deposits. Interest expense, net increased approximately 14%, or \$23,000 to \$182,000 for the three months ended March 31, 2011 as compared to \$159,000 for the three months ended March 31, 2010. Interest expense is primarily related to the amount of our capital leases outstanding and to a lesser extent to the borrowing under our credit facility with CapitalSource Finance, LLC ( CapitalSource ). Interest expense

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increased over the same period in the prior year primarily as a result of the higher capital lease and working capital facility balances as of March 31, 2011 as compared to March 31, 2010.

**Table of Contents****Net Income (Loss)**

As a result of the foregoing, we reported a net loss of \$893,000, or \$0.02/share, for the three months ended March 31, 2011 as compared to a net loss of \$750,000 or \$0.02/share, for the three months ended March 31, 2010.

**Liquidity and Capital Resources**

The following table presents a summary of our cash flows provided by (used in) operating, investing and finance activities for the three months ended March 31, 2011 and 2010 as well as the period ending cash and cash equivalents and working capital.

	<b>For the three months ended March 31.</b>	
	<b>2011</b>	<b>2010</b>
<b>Net cash provided by (used in):</b>		
Operating activities	\$ (1,544,000)	\$ (1,564,000)
Investing activities	(71,000)	(114,000)
Financing activities	3,051,000	1,708,000
<b>Net increase in cash and cash equivalents</b>	<b>1,436,000</b>	<b>30,000</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,097,000</b>	<b>1,631,000</b>
<b>Cash and cash equivalents, end of period (1)</b>	<b>\$ 2,533,000</b>	<b>\$ 1,661,000</b>
<b>Working Capital (2), end of period</b>	<b>\$ 1,954,000</b>	<b>\$ 1,766,000</b>

(1) Excludes restricted cash of \$0.5M

(2) Defined as current assets - current liabilities.

The increase in net cash flow provided by financing activities was primarily the result of the Company's \$3.0 million private equity transaction in January 2011 (as described below) partially offset by the increased borrowings done in 2010 on the working capital line.

On November 5, 2008, we entered into a common stock purchase agreement (the "Stock Agreement") with Fusion Capital Fund II, LLC an Illinois limited liability company ("Fusion"). The Stock Agreement provides for the future funding of up to \$8.0 million from sales of our common stock to Fusion on a when and if needed basis as determined by us in our sole discretion, depending on, among other things, the market price of our common stock. As of March 31, 2011, we had not drawn on any amounts under the Fusion Stock Agreement. The Stock Agreement will automatically terminate on July 27, 2011 without any notice or action by any party pursuant to its terms.

On April 26, 2010 we entered into an amended and restated credit agreement with CapitalSource which increased our borrowing amount to \$5,000,000 as described in more detail in Note B to our unaudited financial statements contained in this Quarterly Report on Form 10-Q. As of March 31, 2011, we had approximately \$171,000 of availability under our credit facility.

Between January 10, 2011 and January 12, 2011 the Company entered into subscription agreements with certain investors (the "Investors") pursuant to which the Company has sold 2,001,667 shares of common stock at a price of \$1.50 per share. This enabled the Company to raise approximately \$3.0 million in the transaction. In connection with this Common Stock Financing, the Company entered in registration rights agreements with the Investors.

In addition to two unaffiliated entities, the participating investors also included either officers or directors of the Company or affiliate entities of an officer or director of the Company.

As of March 31, 2011, we had approximately \$2,533,000 in cash on hand, \$171,000 of availability under our credit facility with CapitalSource, and up to \$8.0 million under the Fusion Stock Agreement, which will automatically terminate on July 27, 2011 without any notice or action by any party pursuant to its terms. As such, we believe we have adequate resources to meet our operating commitments for the next twelve months,



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and accordingly our consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

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## **Table of Contents**

### **Capital Expenditures**

We currently forecast capital expenditures in order to execute on our business plan. The amount and timing of such capital expenditures will be determined by the volume of business, but we currently anticipate that we will need to purchase approximately \$3.0 million to \$4.0 million of additional capital equipment during the next twelve months. We plan to fund these expenditures with cash, through our lease line with Leasing Technologies Incorporated, and through other capital lease financing arrangements. If we are unable to obtain such funding, we will need to pay cash for these items or we will be required to curtail our equipment purchases, which may have an impact on our ability to continue to grow our revenues.

### **Related Party Transactions**

#### **Consulting Agreements**

During the three months ended March 31, 2011 and 2010, Steven C. Jones, a director of the Company, earned approximately \$51,000 and \$67,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance.

During May 2010 Mr. Jones received 450,000 warrants as described in more detail in Note L of our Annual Report on Form 10K as filed with the Securities and Exchange Commission on February 23, 2011 and as such we recorded \$12,600 in stock compensation expense for these warrants for the three months ended March 31, 2011.

#### **Laboratory Information System**

On March 11, 2005, we entered into an agreement with HCSS, LLC and eTelenext, Inc. to enable NeoGenomics to use eTelenext, Inc.'s Accessioning Application, AP Anywhere Application and CMQ Application. HCSS, LLC is a holding company created to build a small laboratory network for the 50 small commercial genetics laboratories in the United States. HCSS, LLC was owned 66.7% by Dr. Michael T. Dent, a member of our Board of Directors.

On June 18, 2009, we entered into a Software Development, License and Support Agreement with HCSS, LLC and eTelenext, Inc. to upgrade the Company's laboratory information system to APvX. This agreement has an initial term of 5 years from the date of acceptance and calls for monthly fees of \$8,000-\$12,000 during the term. In June 2010, HCSS and eTelenext were merged into eTelenext's parent company, PathCentral, Inc. Dr. Dent currently owns approximately 3% of PathCentral, Inc.

For the three months ended March 31, 2011 and 2010, PathCentral, Inc. earned approximately \$43,000 and \$69,000 respectively.

### **Subsequent Event**

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

### **ITEM 3 Quantitative and Qualitative Disclosures About Market Risk**

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

### **ITEM 4 Controls and Procedures**

#### **Disclosure Controls and Procedures**

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal



**Table of Contents**

executive officer, principal financial officer, and principal accounting officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

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

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents**

**PART II OTHER INFORMATION**

**ITEM 1 LEGAL PROCEEDINGS**

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

**ITEM 1A RISK FACTORS**

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

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

See Note E to the Company's unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q with respect to the Company's January 2011 private equity offering. Exemption from registration under the Securities Act of 1933, as amended (the Securities Act), for the issuance of the shares described in Note E with respect to the January 2011 private equity offering was based on Section 4(2) of the Securities Act.

**ITEM 3 DEFAULTS UPON SENIOR SECURITIES**

Not Applicable

**ITEM 4 REMOVED AND RESERVED**

None

**ITEM 5 OTHER INFORMATION**

Effective April 27, 2011, Robert Gasparini assumed the position of full time Chief Scientific Officer and Mark Smits assumed the position of Chief Commercial Officer. As part of these moves, Mr. Gasparini relinquished the title of President so that he could devote more time on the scientific aspects of our business.

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**Table of Contents**

**ITEM 6 EXHIBITS**

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
<b>10.49</b>	Form of Registration Rights Agreement used with Affiliates of the Company in the January 2011 Private Placement as incorporated by reference to the Form 8-A as filed by the Company on May 2, 2011
<b>10.50</b>	Form of Registration Rights Agreement used with Non-Affiliates in the January 2011 Private Placement as incorporated by reference to the Form 8-A as filed by the Company on May 2, 2011
<b>31.1</b>	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
<b>31.2</b>	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
<b>31.3</b>	Certification by Principal Accounting Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<b>32.1</b>	Certification by Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**Table of Contents**

**SIGNATURES**

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

**Date: May 2, 2011**

**NEOGENOMICS, INC.**

By: */s/ Douglas M. VanOort*

Name: Douglas M. VanOort

Title: Chairman and Chief Executive Officer

By: */s/ George Cardoza*

Name: George Cardoza

Title: Chief Financial Officer

By: */s/ Jerome J. Dvonch*

Name: Jerome J. Dvonch

Title: Director of Finance and Principal Accounting Officer