NEOGENOMICS INC
Form 424B3
May 13, 2010
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Registration No. 333-166526

PROSPECTUS
NEOGENOMICS, INC.
8,302,342 Shares of Common Stock

This prospectus relates to the sale of up to 8,302,342 shares of the common stock, par value $0.001 per share, of NeoGenomics, Inc. (referred to individually as the "Parent Company" or, collectively with all of its subsidiaries, as the "Company", "NeoGenomics", or "we", "us", or "our") by the selling stockholders named in this prospectus in the section entitl "Selling Stockholders". Please refer to "Selling Stockholders" beginning on page 25.
The Company is not selling any shares of common stock in this offering and therefore will not receive any proceeds from this offering. All costs associated with this registration will be borne by the Company.

Shares of common stock are being offered for sale by the selling stockholders at prices established on the Over-the-Counter Bulletin Board (the "OTCBB") during the term of this offering. On April 27, 2010, the last reported sale price of our common stock was $1.42 per share. Our common stock is quoted on the OTCBB under the symbol "NGMN.OB". These prices will fluctuate based on the demand for the shares of our common stock and other factors.

Brokers or dealers effecting transactions in these shares should confirm that the shares are registered under the applicable state law or that an exemption from registration is available.

These securities are speculative and involve a high degree of risk. Please refer to "Risk Factors" beginning on page 11 for a discussion of these risks.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

No underwriters or persons have been engaged to facilitate the sale of shares of our common stock in this offering. None of the proceeds from the sale of stock by the selling stockholders will be placed in escrow, trust or any similar account.

The date of this prospectus is May 13, 2010.

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PROSPECTUS SUMMARY

The following is only a summary of the information, financial statements and the notes thereto included in this prospectus. You should read the entire prospectus carefully, including "Risk Factors" and our consolidated financial statements and the notes thereto before making any investment decision. NeoGenomics, Inc. is referred to herein individually as the "Parent Company" or, collectively with all of its subsidiaries, as the "Company", "NeoGenomics", or "we" "us", or "our".

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;

b) Fluorescence In-Situ Hybridization ("FISH") testing, which analyzes abnormalities at the chromosomal and gene levels;

c) flow cytometry testing, which analyzes gene expression of specific markers inside cells and on cell surfaces;

d) immunohistochemistry testing, which analyzes the distribution of tumor antigens in specific cell and tissue types, and

e) 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.

Market Opportunity

The medical testing laboratory market can be broken down into three primary segments:

- clinical lab testing,
- anatomic pathology testing, and
- genetic and molecular testing.

Clinical laboratories are typically engaged in high volume, highly automated, lower complexity tests on easily procured specimens such as blood and urine. Clinical lab tests often involve testing of a less urgent nature, for example, cholesterol testing and testing associated with routine physical exams.

Anatomic pathology ("AP") testing involves evaluation of tissue, as in surgical pathology, or cells as in cytopathology. The most widely performed AP procedures include the preparation and interpretation of pap smears, skin biopsies, and tissue biopsies.

Genetic and molecular testing typically involves analyzing chromosomes, genes or DNA/RNA sequences for abnormalities. New tests are being developed at an accelerated pace, thus this market niche continues to expand rapidly. Genetic and molecular testing requires highly specialized equipment and credentialed individuals (typically

MD or PhD level) to certify results and typically yields the highest reimbursement levels of the three market segments.

The market for cancer testing is growing rapidly. Key factors influencing this growth are: (i) cancer is primarily a disease of the elderly and now that the baby boomer generation has started to turn sixty, the U.S. is experiencing a significant increase in the number of senior citizens, (ii) the American Cancer Society estimates that one in four senior citizens will develop some form of cancer during the rest of their lifetime, and (iii) every year more and more genes are discovered to have a specific link to cancer, which then enables a genetic or molecular test to be developed. We estimate that the Company addresses a $5-6 billion total United States market opportunity, about half of which is derived from genetic and molecular testing with the other half derived from more traditional anatomic pathology testing services that are complementary to and often ordered with the genetic testing services we offer.

Our Focus

NeoGenomics' primary focus is to provide high complexity laboratory testing for community-based pathology, oncology, dermatology and urology markets in the United States and the Caribbean. We focus on community-based practitioners for two reasons: First, academic pathologists and associated clinicians tend to have their testing needs met within the confines of their university affiliation. Secondly, most of the cancer care in the United States is administered by community based practitioners due to ease of local access. We currently provide our services to pathologists and oncologists that perform bone marrow and/or peripheral blood sampling for the diagnosis of blood and lymphoid tumors (leukemias and lymphomas) and archival tissue referred for analysis of solid tumors such as breast cancer. We also serve community-based urologists by providing a FISH-based genetic test for the diagnosis of bladder cancer and early detection of recurrent disease.

The high complexity cancer testing services we offer to community-based pathologists are designed to be a natural extension of and complementary to the services that our pathologist clients perform within their own practices. Because fee-for-service pathologists derive a significant portion of their annual revenue from the interpretation of cancer biopsy specimens, they represent an important market segment to us. We believe our relationship as a non-competitive partner to the community-based pathologist empowers these pathologists to expand their testing breadth and provide a menu of services that matches or exceeds the level of service found in academic centers of excellence around the country.

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

Competitive Strengths

Turnaround Times

At NeoGenomics, we strive to provide industry leading turnaround times to our clients nationwide and to provide information so that physicians can provide their patients with the correct treatment as soon as possible.

We believe our average 4-5 day turn-around time for our cytogenetics testing services and our average 3-4 day turn-around time for FISH testing services continue to be industry-leading benchmarks for national laboratories. The consistent timeliness of results is a competitive strength in cytogenetics and FISH testing and a driver of additional testing requests by our referring physicians. Quick turn-around times for cytogenetics and FISH tests allow for the performance of other tests to augment or confirm results and improve patient care. Without rapid turnaround times, there is an increased chance that the test results will not be returned within an acceptable diagnostic window when other adjunctive diagnostic test results are required. We believe our turn-around times result in our referring physicians requesting more of our testing services and give us a significant competitive advantage in marketing our services against those of other competing laboratories.

National Direct Sales Force

NeoGenomics has assembled a strong direct sales force. Our sales representatives ("Territory Business Managers") are organized into four regions (Northeast, Southeast, Central and West). These sales representatives are trained extensively in cancer genetic testing and consultative selling skills. As of April 27, 2010, we had 23 Territory Business Managers and four Regional Managers.

Strategic Supply Agreement with Abbott Molecular

In July 2009, we entered into a Strategic Supply Agreement with Abbott Molecular, Inc, a wholly-owned subsidiary of Abbott Laboratories. Under the terms of this agreement, NeoGenomics has the rights to develop and exclusively launch three laboratory developed tests (LDTs) based on intellectual property developed and/or licensed by Abbott. We launched the first of these tests in February 2010, a FISH test for the diagnosis of melanoma, and expect to launch the second test in early 2011 and the third in 2012. In conjunction with the Strategic Supply Agreement, Abbott Laboratories purchased a 9.6% stake in NeoGenomics.

New FISH Test for Melanoma

In February 2010, we launched the first of the three tests developed pursuant to the Strategic Supply Agreement with Abbott under the trade name MelanoSITE™. MelanoSITE™ is a four probe FISH test that can be used as a diagnostic aid to traditional histopathologic evaluation in diagnosing melanoma. In conjunction with histopathology, the MelanoSITE™ test can help improve classification of melanocytic neoplasms with conflicting morphologic criteria and help insure proper follow-up. Differential diagnosis of moderate to severely atypical nevi versus true melanoma is one of the most challenging areas in dermatopathology. While most melanomas can be readily distinguished from nevi on histopathologic examination, we estimate there are about 5% of cases that are ambiguous and show conflicting morphologic criteria. Diagnostic ambiguity has significant adverse consequences for patients and the healthcare system at large. Failure to recognize melanoma is potentially fatal, but labeling a benign lesion as malignant can lead to unwarranted wide re-excisions, sentinel lymph node biopsies, adjuvant toxic therapeutic interventions and the emotional strain of facing a diagnosis of cancer. Considering the large number of biopsies done in the U.S. to either confirm or rule out melanoma, diagnostic uncertainty of this scale represents a significant challenge to the U.S. healthcare system. We believe the MelanoSITE™ test will help address this diagnostic uncertainty and help to reduce the medical costs associated with melanoma by providing a more accurate diagnosis.

The performance characteristics of the MelanoSITE™ test were established in a multicenter validation study involving over 500 cases, which resulted in a sensitivity (a measure of true positives and false negatives) of 77% and a specificity (a measure of true negatives and false positives) of 97%. Importantly, based on our study, the MelanoSITE™ test has a negative predictive value (NPV) of over 98%. This means that dermatopathologists and dermatologists can be confident that a patient with a negative test result has a very low likelihood of having melanoma. Therefore, the clinician may not need to perform a wide re-excision of the lesion, potentially scarring a patient for life, and may not need to perform a sentinel lymph node biopsy which can potentially lead to further complications such as lymphedema. We expect the marketing and selling of the MelanoSITE™ test to be a major focus of the Company during 2010.

Client Care

NeoGenomics Customer Care Specialists (“CCS”) are organized by region into territories that service not only our external clients, but also work very closely with and support our sales team. A client receives personalized assistance when dealing with their dedicated CCS because each CCS understands their clients’ specific needs. CCS’s handle everything from arranging specimen pickup to delivering the results to fulfill NeoGenomics’ objective of delivering exceptional services to our clients.

Geographic Locations

In 2009, we continued an aggressive campaign to regionalize our laboratory operations around the country to be closer to our clients. Many high complexity laboratories within the cancer testing niche have frequently operated a core facility on one or both coasts to service the needs of their customers around the country. We believe that our clients and prospects desire to do business with a laboratory with national breadth and a local presence. NeoGenomics’ has four facilities. The Chatsworth California location is a small office laboratory for our pathologists. and we have three main laboratory locations in Fort Myers, Florida; Irvine California; and Nashville Tennessee and all facilities have the appropriate state licenses and Clinical Laboratory Improvement Act, as amended (“CLIA”), and College of American Pathologists (“CAP”) accreditations and are currently receiving specimens. As situations dictate and opportunities arise, we will continue to develop and open new laboratories, linked together by our optimized Laboratory Information System (“LIS”), to better meet the regionalized needs of our clients.

Laboratory Information System

NeoGenomics has what we believe is a state of the art LIS that interconnects our locations and provides flexible reporting options to clients. This system allows us to deliver uniform test results throughout our network, regardless of where the lab that performs any specific test is located. This allows us to move specimens between locations to better balance our workload. Our LIS also allows us to offer highly specialized services to certain sub-segments of our client base. For instance, our tech-only NeoFISHTM and NeoFLOWTM applications allow our community-based pathologist clients to tailor individual reports to their own customizable report templates. This feature has been well-received by our tech-only clients.

Scientific Pipeline

The field of cancer genetics is rapidly evolving, and we are committed to developing and offering new tests to meet the needs of the market place based on the latest scientific discoveries. During 2009, in addition to the validation work performed for our exclusive Melanoma FISH test, the Company made significant strides in developing the capability to perform molecular diagnostic testing in-house. We believe that by adding additional types of tests to our product offering, we will be able to increase our testing volumes through our existing client base as well as more easily attract new clients via the ability to package our testing services more appropriately to the needs of the market. We expect to launch at least five new molecular tests in fiscal year 2010.

Competition

We operate in segments of the medical testing laboratory industry that are highly competitive. Competitive factors in the genetic and molecular testing business generally include the reputation of the laboratory, range of services offered, pricing, convenience of sample collection and pick-up, quality of analysis and reporting, medical staff, timeliness of delivery of completed reports (i.e. turnaround times) and post-reporting follow-up for clients.

Our competitors in the United States are numerous and include major medical testing laboratories. Many of these competitors have greater financial resources and production capabilities. These companies may succeed in developing service offerings that are more effective than any that we have or may develop, and may also prove to be more successful than we are in marketing such services. In addition, technological advances or different approaches developed by one or more of our competitors may render our products obsolete, less effective or uneconomical.

We estimate that the United States market for genetic and molecular testing is divided among approximately 300 laboratories. Approximately 80% of these laboratories are attached to academic institutions and primarily provide clinical services to their affiliate university hospitals. We believe that the remaining 20% is quite fragmented and that less than 20 laboratories market their services nationally. We estimate that the top 20 laboratories account for approximately 50% of market revenues for genetic and molecular testing.

We intend to continue to gain market share by offering industry-leading turnaround times, a broad service menu, high-quality test reports, bringing new tests to market, and enhanced post-test consultation services through our direct sales force. In addition, we have a fully integrated and interactive internet-enabled LIS that enables us to report real time results to clients in a secure environment.

Global Products

We offer a full set of global services to meet the needs of our clients to improve patient care. In our global service offerings, our lab performs the technical component of tests, and our M.D.s and Ph.D.'s interpret the test results for our clients (known as the professional component). This product line provides a comprehensive testing service to those clients who are not credentialed and trained in interpreting genetic and molecular tests. Global products also allow NeoGenomics to derive a higher level of reimbursement than would otherwise be possible with a tech-only test. This product also services the needs of physicians who are looking for ways to save their time.

We increased our professional level staffing for global requisitions requiring interpretation in 2008 and 2009. Importantly, in April 2008 we recruited two well-known hematopathologists to NeoGenomics at our Irvine, California laboratory location, enabling this west coast facility to become the mirror image of our main facility in Fort Myers, Florida. We currently employ four full-time MDs as our medical directors and pathologists, two PhDs as our scientific directors and cytogeneticists, and one part-time MD acting as a consultant and backup pathologist for case sign out purposes. We have plans to hire several more pathologists in 2010 as our product mix continues to expand beyond tech-only services and more sales emphasis is focused on our ability to issue consolidated reporting with case interpretation under our Genetic Pathology Solutions ("GPS") product line.

Tech-Only Products

In 2006, NeoGenomics launched what we believe was the first technical component only ("tech-only") FISH product offering in the United States. Tech-only products allow our community-based pathology clients that are properly trained and credentialed to provide services to clinicians based on established and trusted relationships. These pathologist clients perform the professional interpretation of results themselves and bill for such work under the physician fee schedule. For tech-only FISH, NeoGenomics performs the technical component of the test (specimen set-up, staining, sorting and categorization of cells, chromosomes, genes or DNA, etc) and the pathology client

performs the professional component. This allows NeoGenomics to partner with its pathology clients and provides for close collaboration in meeting market needs. Prior to the advent of tech-only products, pathologists who did not have a genetic lab would have had to send all of the work out to a reference lab. Utilizing NeoFISHTM, pathologist clients are empowered to extend the outreach efforts of their practices and exert a high level of involvement in the delivery of high quality patient care.

NeoFLOWTM tech-only flow cytometry was launched as a companion service to NeoFISHTM in late 2007. We believe the NeoFLOWTM service offering will continue to be a key growth driver for the Company in 2010. Moreover, the combination of NeoFLOWTM and NeoFISHTM strengthens and differentiates NeoGenomics and allows us to compete more favorably against larger, more entrenched competitors in our testing niche.

Sales and Marketing

We continue to grow our testing volumes and revenue due to our expanding field sales footprint. As of April 27, 2010, NeoGenomics' sales and marketing team totaled 34 individuals, including 23 Territory Business Managers (sales representatives), four Regional Managers and six marketing and management professionals. During 2009, we made significant investments in sales and marketing personnel and we expect to realize the positive effects of those investments in 2010.

As a result of our expanding sales force, we experienced 47% year-over-year revenue growth to $29.5 million in 2009 from $20.0 million in 2008. Our average revenue/requisition increased 15% to $931 in 2009 from $808 in 2008 due to a higher mix on global products with interpretation and an increase of higher revenue flow cytometry testing as a percentage of our total revenue.

	FY 2009	FY 2008	% Increase
Client Requisitions Received (Cases)	31,638	24,780	28%
Number of Tests Performed	45,675	32,539	40%
Average Number of Tests/Requisition	1.44	1.31	10%
Total Testing Revenue	$ 29,469,000	$ 20,015,000	47%
Average Revenue/Requisition	$ 931	$ 808	15%
Average Revenue/Test	$ 645	$ 615	5%

Within the subspecialty field of hematopathology, our scientific expertise and product offering allows us to be able to perform multiple tests on each specimen received. Many physicians believe that a comprehensive approach to the diagnosis and prognosis of blood and lymph node disease to be the standard of care throughout the country. As the average number of tests performed per requisition increases, we believe this will help to generate significant synergies and efficiencies in our operations and our sales and marketing activities.

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 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 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.

Distribution Methods

The Company currently performs the vast majority of its testing services at each of its three main clinical laboratory locations: Fort Myers, Florida, Nashville, Tennessee and Irvine, California, and then produces a report for the requesting physician. We also have a facility for our California medical staff in Chatsworth, California. Services performed in-house include cytogenetics, FISH, flow cytometry, morphology, immunohistochemistry, and some molecular testing. The Company currently outsources approximately half of its molecular testing to third parties, but expects to validate and perform the majority of this testing in-house during 2010 to better meet client demand and quality requirements.

Suppliers

The Company orders its laboratory and research supplies from large national laboratory supply companies such as Abbott Laboratories, Fisher Scientific, Invitrogen, Cardinal Health, Ventana and Beckman Coulter. Other than as discussed below, we do not believe any disruption from any one of these suppliers would have a material effect on our business. The Company orders the majority of its FISH probes from Abbott Laboratories and as a result of their dominance of that marketplace and the absence of any competitive alternatives, if there was a disruption in the supply of these probes, and we did not have inventory available, it could have a material effect on our business. This risk cannot be completely offset due to the fact that Abbott Laboratories has patent protection which limits other vendors from supplying these probes.

Dependence on Major Clients

We currently market our services to pathologists, oncologists, urologists, hospitals and other clinical laboratories. During 2009, we performed 45,675 individual tests. Ongoing sales efforts have decreased dependence on any given source of revenue. Notwithstanding this fact, one key client accounts for a disproportionately large case volume and revenue total. For the years ended December 31, 2009 and 2008, one client with multiple locations accounted for 10% and 22% respectively, of total revenue. As a result of this one customer bringing certain tests in-house, this client represented less than 5% of our fourth quarter 2009 revenue. All others were less than 5% of total revenue individually.

Payor Mix

In 2009, approximately 49% of our revenue was derived from Medicare claims, 26% from commercial insurance companies, 24% from clients such as hospitals and other reference laboratories, and 1% from all others including patients. As of December 31, 2009, Medicare and one commercial insurance provider accounted for 28% and 9% of the Company's total accounts receivable balance, respectively. There is no other significant concentration in our payor mix.

Trademarks

The "NeoGenomics" name and logo has been trademarked with the United States Patent and Trademark Office. We have also trademarked the brand names MelanoSITE and DermFISH related to our melanoma FISH test.

About Us

Our principal executive offices are located at 12701 Commonwealth Drive, Suite 5, Fort Myers, Florida 33913. Our telephone number is (239) 768-0600. Our website can be accessed at www.neogenomics.org.

THE OFFERING

This prospectus relates to the sale of up to 8,302,342 shares of the common stock, par value $0.001 per share, of the Parent Company by certain persons who are stockholders of the Parent Company. The selling stockholders consist of:

- The investors set forth in the section herein entitled "Selling Stockholders" who intend to sell up to 857,416 shares of common stock from the exercise of warrants previously issued by the Company to such investors in August 2007 pursuant to a private equity transaction (the "2007 Private Placement"), all of which were exercised in August 2009, and certain other shares issued to such investors in September 2008 in connection with penalties incurred under the registration rights agreement executed in conjunction with the 2007 Private Placement. The investors received registration rights with respect to the warrant and penalty shares and therefore, such shares are being registered hereunder;

- Certain members of the Company's board of directors as set forth in the section herein entitled "Selling Stockholders" who intend to sell up to 550,000 shares of common stock upon the future exercise of warrants held by them. Such warrants were issued by the Company to such directors on June 6, 2007. The shares underlying these warrants are being registered hereunder;

- Aspen Select Healthcare, LP ("Aspen") intends to sell up to 2,007,991 shares of common stock previously issued and sold by the Company to Aspen on April 15, 2003 and up to 3,050,000 shares of common stock upon the future exercise of warrants held by Aspen. Such warrants were issued by the Company to Aspen in January and March 2006 in connection with various financings and expire by March 31, 2011. Aspen received registration rights with respect to the private placement shares and the shares underlying the warrants and therefore, such shares are being registered hereunder;

- Mary S. Dent and the Mary S. Dent Gifting Trust, intend to sell up to 333,312 and 555,921 shares of common stock, respectively, previously issued and sold by the Company to Dr. Michael Dent, our founder and member of the Board of Directors, as founder shares. Such shares were subsequently transferred to Mary Dent and Mary S. Dent Gifting Trust in February 2007. Dr. Dent received registration rights with respect to these shares and therefore, such shares are being registered hereunder;

- Aspen Capital Advisors, LLC intends to sell up to 250,000 shares of common stock upon the future exercise of a warrant granted to it for consulting services related to our June 2007 private placement. Aspen Capital Advisors received registration rights with respect to the shares underlying this warrant and therefore, such shares are being registered hereunder;

- Dr. Michael Dent and Steven Jones intend to sell up to 72,992 and 27,298 shares of common stock, respectively, upon the future exercise of warrants previously granted to Dr. Dent and Mr. Jones in January 2006. Dr. Dent and Mr. Jones received registration rights with respect to the shares underlying these warrants and therefore, such shares are being registered hereunder;

- Gulfpointe Capital, LLC intends to sell up to 83,333 shares of common stock upon the future exercise of a warrant granted to it as part of a lease facility in February 2009. Gulf Pointe Capital received registration rights with respect to the shares underlying this warrant and therefore, such shares are being registered hereunder; and

- George O'Leary intends to sell up to 100,000 shares of common stock upon the future exercise of a warrant granted to Mr. O'Leary in March 2007 for consulting services performed for the benefit of NeoGenomics. The shares underlying this warrant are being registered hereunder.

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Hawk Associates, Inc. intends to sell up to 70,000 shares of common stock upon future exercise of warrants granted to it in February and May 2006 in connection with providing investor relations services to the Company. The shares underlying these warrants are being registered hereunder.

Please refer to “Selling Stockholders” beginning on page 25.

The Company is not selling any shares of common stock in this offering and therefore will not receive any proceeds from this offering. All costs associated with this registration will be borne by the Company.

Shares of common stock are being offered for sale by the selling stockholders at prices established on the Over-the-Counter Bulletin Board (the "OTCBB") during the term of this offering. On April 27, 2010, the last reported sale price of our common stock was $1.42 per share. Our common stock is quoted on the OTCBB under the symbol "NGMN.OB". These prices will fluctuate based on the demand for the shares of our common stock.

Common Stock Offered	8,302,342 shares by selling stockholders
Offering Price	Market price
Common Stock Currently Outstanding	37,278,667 shares as of April 27, 2010.
Use of Proceeds	We will not receive any proceeds of the shares offered by the selling stockholders. See "Use of Proceeds".
Risk Factors	The securities offered hereby involve a high degree of risk. See "Risk Factors".
Over-the-Counter Bulletin Board Symbol	NGNM.OB

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The Summary Consolidated Financial Information set forth below was excerpted from the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2010 as filed with the SEC.

Statement of Operations Data (unaudited, in thousands except per share amounts)

	For the three months ended March 31,	
	2010	2009
NET REVENUE	$ 8,418	$ 6,914
COST OF REVENUE	4,344	3,091
GROSS MARGIN	4,074	3,823
OPERATING EXPENSES		
General and administrative	2,902	2,341
Sales and marketing	1,763	1,334
Total operating expenses	4,665	3,675
INCOME/ (LOSS) FROM OPERATIONS	(591)	148
Other income / (expense) – net	(159)	(115)
NET INCOME / (LOSS)	$ (750)	$ 33
NET (LOSS) PER SHARE		
— Basic	$ (0.02)	$ 0.00
— Diluted	$ (0.02)	$ 0.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
— Basic	37,220	32,173
— Diluted	37,220	35,630

Balance Sheet Data (in thousands except share data)

	As of March 31, 2010 (unaudited)	December 31, 2009
Assets:		
Cash and cash equivalents	$ 1,661	$ 1,631
Restricted cash	1,000	1,000
Accounts receivable (net of allowance for doubtful accounts of $695 and $589, respectively)	5,492	4,632
Inventories	582	602
Other current assets	515	655
Total current assets	9,250	8,520
Property and equipment (net of accumulated depreciation of $3,202 and $2,787 respectively)	4,882	4,340
Other assets	86	85
Total Assets	$ 14,218	$ 12,945
Liabilities & Stockholders' Equity:		
Current Liabilities		
Account payable	$ 1,762	$ 1,969
Accrued compensation	1,007	1,308
Accrued expenses and other liabilities	439	465
Short-term portion of equipment capital leases	1,823	1,482
Revolving credit line	2,453	552
Total current liabilities	7,484	5,776
Long-Term Liabilities		
Long-term portion of equipment capital leases	1,631	1,526
Total Liabilities	9,115	7,302
Commitments and contingencies		
Stockholders' Equity:		
Common Stock, $0.001 par value, (100,000,000 shares authorized; 37,270,055 and 37,185,078 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively)	37	37
Additional paid-in capital	23,972	23,762
Accumulated deficit	(18,906)	(18,156)
Total stockholders' equity	5,103	5,643
Total Liabilities and Stockholders' Equity	$ 14,218	$ 12,945

The Summary Consolidated Financial Information set forth below was excerpted from the Company's Annual Report on Form 10-K for the year ended December 31, 2009 as filed with the SEC.

Statement of Operations Data (in thousands except per share data)

	For the year months ended December 31,	
	2009	2008
NET REVENUE	$ 29,469	$ 20,015
COST OF REVENUE	14,254	9,354
GROSS MARGIN	15,215	10,661
OPERATING EXPENSES		
General and administrative	10,057	8,179
Sales and marketing	6,886	3,366
Total operating expenses	16,943	11,545
INCOME/ (LOSS) FROM OPERATIONS	(1,728)	(884)
Other income / (expense) – net	(515)	(499)
NET (LOSS)	$ (2,243)	$ (1,383)
NET (LOSS) PER SHARE		
— Basic	$ (0.06)	$ (0.04)
— Diluted	$ (0.06)	$ (0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
— Basic	34,639	31,507
— Diluted	34,639	31,507

Balance Sheet Data (in thousands except share data)

	As of December 31, 2009	As of December 31, 2008
Assets:		
Cash and cash equivalents	$ 1,631	$ 468
Restricted cash	1,000	-
Accounts receivable (net of allowance for doubtful accounts of $589 and $359, respectively)	4,632	2,914
Inventories	602	491
Other current assets	655	483
Total current assets	8,520	4,356
Property and equipment (net of accumulated depreciation of $2,787 and $1,603 respectively)	4,340	2,875
Other assets	85	64
Total Assets	$ 12,945	$ 7,295
Liabilities & Stockholders' Equity:		
Current Liabilities		
Account payable	$ 1,969	$ 1,512
Accrued compensation	1,308	737
Accrued expenses and other liabilities	465	358
Short-term portion of equipment capital leases	1,482	637
Revolving credit line	552	1,147
Total current liabilities	5,776	4,391
Long-Term Liabilities		
Long-term portion of equipment capital leases	1,526	1,403
Total Liabilities	7,302	5,794
Commitments and contingencies		
Stockholders' Equity:		
Common Stock, $0.001 par value, (100,000,000 shares authorized; 37,185,078 and 32,117,008 shares issued and outstanding at December 31, 2009 and 2008, respectively)	37	32
Additional paid-in capital	23,762	17,382
Accumulated deficit	(18,156)	(15,913)
Total stockholders' equity	5,643	1,501
Total Liabilities and Stockholders' Equity	$ 12,945	$ 7,295

RISK FACTORS

We are subject to various risks that may materially harm our business, financial condition and results of operations. An investor should carefully consider the risks and uncertainties described below and the other information in this filing before deciding to purchase our common stock. If any of these risks or uncertainties actually occurs, our business, financial condition or operating results could be materially harmed. In that case, the trading price of our common stock could decline or we may be forced to cease operations.

Risks Related To Our Business

We May Not Be Able To Implement Our Business Strategies Which Could Impair Our Ability To Continue Operations

Implementation of our business strategies will depend in large part on our ability to (i) attract and maintain a significant number of clients; (ii) effectively provide acceptable products and services to our clients; (iii) obtain adequate financing on favorable terms to fund our business strategies; (iv) maintain appropriate procedures, policies, and systems; (v) hire, train, and retain skilled employees and management; (vi) continue to operate with increasing competition in the medical laboratory industry; (vii) establish, develop and maintain name recognition; and (viii) establish and maintain beneficial relationships with third-party insurance providers and other third party payors. Our inability to obtain or maintain any or all these factors could impair our ability to implement our business strategies successfully, which could have material adverse effects on our results of operations and financial condition.

We May Be Unsuccessful In Managing Our Growth Which Could Prevent The Company From Becoming Profitable

Our recent growth has placed, and is expected to continue to place, a significant strain on our managerial, operational and financial resources. To manage our potential growth, we must continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. We may not be able to effectively manage the expansion of our operations and our systems and our procedures or controls may not be adequate to support our operations. Our management may not be able to achieve the rapid execution necessary to fully exploit the market opportunity for our products and services. Any inability to manage growth could have a material adverse effect on our business, results of operations, potential profitability and financial condition. Part of our business strategy may be to acquire assets or other companies that will complement our existing business. At this time, we are unable to predict whether or when any material transaction will be completed should negotiations commence. If we proceed with any such transaction, we may not be able to effectively integrate the acquired operations with our own operations. We may also seek to finance any such acquisition by debt financings or issuances of equity securities and such financing may not be available on acceptable terms or at all.

We May Incur Greater Costs Than Anticipated, Which Could Result In Sustained Losses

We used reasonable efforts to assess and predict the expenses necessary to pursue our business plan. However, implementing our business plan may require more employees, capital equipment, supplies or other expenditure items than management has predicted. Similarly, the cost of compensating additional management, employees and consultants or other operating costs may be more than we estimate, which could result in ongoing and sustained losses.

We Rely On A Limited Number Of Third Parties For Manufacture And Supply Of Certain Of Our Critical Laboratory Instruments And Materials, And We May Not Be Able To Find Replacement Suppliers Or Manufacturers In A Timely Manner In The Event Of Any Disruption, Which Could Adversely Affect Our Business

We rely on third parties for the manufacture and supply of some of our critical laboratory instruments, equipment and materials that we need to perform our specialized diagnostic services, and rely on a limited number of suppliers for certain laboratory materials and some of the laboratory equipment with which we perform our diagnostic services. Generally, we do not have long-term contracts with our suppliers and manufacturers that commit them to supply equipment and materials to us. Because we cannot ensure the actual production or manufacture of such critical equipment and materials, or the ability of our suppliers to comply with applicable legal and regulatory requirements, we may be subject to significant delays caused by interruption in production or manufacturing. If any of our third party suppliers or manufacturers were to become unwilling or unable to provide this equipment or these materials in required quantities or on our required timelines, we would need to identify and acquire acceptable replacement sources on a timely basis. While we have developed alternate sourcing strategies for most of the equipment and materials we use, we cannot be certain that these strategies will be effective and even if we were to identify other suppliers and manufacturers for the equipment and materials we need to perform our specialized diagnostic services, there can be no assurance that we will be able to enter into agreements with such suppliers and manufacturers or otherwise obtain such items on a timely basis or on acceptable terms, if at all. In addition, some of the reagents we use to perform certain FISH tests are covered by a patent and thus are only available from one supplier. If we encounter delays or difficulties in securing necessary laboratory equipment or materials, including consumables, we would face an interruption in our ability to perform our specialized diagnostic services and experience other disruptions that would adversely affect our business, results of operations and financial condition.

We May Face Fluctuations In Results Of Operations Which Could Negatively Affect Our Business Operations And We Are Subject To Seasonality In Our Business

As a result of our limited operating history and the relatively limited information available on our competitors, we may not have sufficient internal or industry-based historical financial data upon which to calculate anticipated operating expenses. Management expects that our results of operations may also fluctuate significantly in the future as a result of a variety of factors, including, but not limited to: (i) the continued rate of growth, usage and acceptance of our products and services; (ii) demand for our products and services; (iii) the introduction and acceptance of new or enhanced products or services by us or by competitors; (iv) our ability to anticipate and effectively adapt to developing markets and to rapidly changing technologies; (v) our ability to attract, retain and motivate qualified personnel; (vi) the initiation, renewal or expiration of significant contracts with our major clients; (vii) pricing changes by us, our suppliers or our competitors; (viii) seasonality; and (ix) general economic conditions and other factors. Accordingly, future sales and operating results are difficult to forecast. Our expenses are based in part on our expectations as to future revenues and to a significant extent are relatively fixed, at least in the short-term. We may not be able to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in relation to our expectations would have an immediate adverse impact on our business, results of operations and financial condition. In addition, we may determine from time to time to make certain pricing or marketing decisions or acquisitions that could have a short-term material adverse affect on our business, results of operations and financial condition and may not result in the long-term benefits intended. Furthermore, in Florida, currently our primary referral market for lab testing services, a meaningful percentage of the population, returns to homes in the Northern U.S. to avoid the hot summer months. This combined with the usual summer vacation schedules of our clients usually results in seasonality in our business. Because of all of the foregoing factors, our operating results could be less than the expectations of investors in future periods.

We Substantially Depend Upon Third Parties For Payment Of Services, Which Could Have A Material Adverse Affect On Our Cash Flows And Results Of Operations

The Company is a clinical medical laboratory that provides medical testing services to doctors, hospitals, and other laboratories on patient specimens that are sent to the Company. In the case of most specimen referrals that are received for patients that are not in-patients at a hospital or institution or otherwise sent by another reference laboratory, the Company generally has to bill the patient's insurance company or a government program for its services. As such it relies on the cooperation of numerous third party payors, including but not limited to Medicare, Medicaid and various insurance companies, in order to get paid for performing services on behalf of the Company's clients. Wherever possible, the amount of such third party payments is governed by contractual relationships in cases where the Company is a participating provider for a specified insurance company or by established government reimbursement rates in cases where the Company is an approved provider for a government program such as Medicare. However, the Company does not have a contractual relationship with many of the insurance companies with whom it deals, nor is it necessarily able to become an approved provider for all government programs. In such cases, the Company is deemed to be a non-participating provider and there is no contractual assurance that the Company is able to collect the amounts billed to such insurance companies or government programs. Currently, the Company is not a participating provider with the majority of the insurance companies it bills for its services. Until such time as the Company becomes a participating provider with such insurance companies, there can be no contractual assurance that the Company will be paid for the services it bills to such insurance companies, and such third parties may change their reimbursement policies for non-participating providers in a manner that may have a material adverse effect on the Company's cash flow or results of operations.

Our Business Is Subject To Rapid Scientific Change, Which Could Have A Material Adverse Affect On Our Business, Results of Operations And Financial Condition

The market for genetic and molecular testing services is characterized by rapid scientific developments, evolving industry standards and customer demands, and frequent new product introductions and enhancements. Our future success will depend in significant part on our ability to continually improve our offerings in response to both evolving demands of the marketplace and competitive service offerings, and we may be unsuccessful in doing so.

The Market For Our Services Is Highly Competitive, Which Could Have A Material Adverse Affect On Our Business, Results Of Operations And Financial Condition

The market for genetic and molecular testing services is highly competitive and competition is expected to continue to increase. We compete with other commercial medical laboratories in addition to the in-house laboratories of many major hospitals. Many of our existing competitors have significantly greater financial, human, technical and marketing resources than we do. Our competitors may develop products and services that are superior to ours or that achieve greater market acceptance than our offerings. We may not be able to compete successfully against current and future sources of competition and in such case, this may have a material adverse effect on our business, results of operations and financial condition.

We Face The Risk of Capacity Constraints, Which Could Have A Material Adverse Affect On Our Business, Results Of Operations And Financial Condition

We compete in the market place primarily on three factors: a) the quality and accuracy of our test results; b) the speed or turn-around times of our testing services; and c) our ability to provide after-test support to those physicians requesting consultation. Any unforeseen increase in the volume of clients could strain the capacity of our personnel and systems, which could lead to inaccurate test results, unacceptable turn-around times, or customer service failures. In addition, as the number of clients and cases increases, our products, services, and infrastructure may not be able to scale accordingly. Any failure to handle higher volume of requests for our products and services could lead to the loss of established clients and have a material adverse effect on our business, results of operations and financial condition. If we produce inaccurate test results, our clients may choose not to use us in the future. This could severely harm our business, results of operations and financial condition. In addition, based on the importance of the subject matter of our tests, inaccurate results could result in improper treatment of patients, and potential liability for us.

We May Fail to Protect Our Facilities, Which Could Have A Material Adverse Affect On Our Business, Results Of Operations And Financial Condition

The Company’s operations are dependent in part upon its ability to protect its laboratory operations against physical damage from fire, floods, hurricanes, earthquakes, power loss, telecommunications failures, break-ins and similar events. The Company does not presently have an emergency back-up generator in place at its Nashville, Tennessee or Irvine and Chatsworth, California laboratory locations that can mitigate to some extent the effects of a prolonged power outage. The occurrence of any of these events could result in interruptions, delays or cessations in service to clients, which could have a material adverse effect on our business, results of operations and financial condition.

The Steps Taken By The Company To Protect Its Proprietary Rights May Not Be Adequate, Which Could Result In Infringement Or Misappropriation By Third-Parties

We regard our copyrights, trademarks, trade secrets and similar intellectual property as critical to our success, and we rely upon trademark and copyright law, trade secret protection and confidentiality and/or license agreements with our employees, clients, partners and others to protect our proprietary rights. The steps taken by us to protect our proprietary rights may not be adequate or third parties may infringe or misappropriate our copyrights, trademarks, trade secrets and similar proprietary rights. In addition, other parties may assert infringement claims against us.

We Are Dependent On Key Personnel And Need To Hire Additional Qualified Personnel In Order For Our Business To Succeed

Our performance is substantially dependent on the performance of our senior management and key technical personnel. In particular, our success depends substantially on the continued efforts of our senior management team,

which currently is composed of a small number of individuals. The loss of the services of any of our executive officers, our laboratory directors or other key employees could have a material adverse effect on our business, results of operations and our financial condition. Our future success also depends on our continuing ability to attract and retain highly qualified technical and managerial personnel. Competition for such personnel is intense and we may not be able to retain our key managerial and technical employees or may not be able to attract and retain additional highly qualified technical and managerial personnel in the future. The inability to attract and retain the necessary technical and managerial personnel could have a material adverse effect upon our business, results of operations and financial condition.

The Failure to Obtain Necessary Additional Capital To Finance Growth And Capital Requirements, Could Adversely Affect Our Business, Financial Condition And Results of Operations

We may seek to exploit business opportunities that require more capital than we have currently available. We may not be able to raise such capital on favorable terms or at all. If we are unable to obtain such additional capital, we may be required to reduce the scope of our anticipated expansion, which could adversely affect our business, financial condition and results of operations.

On February 1, 2008, we entered into a revolving credit facility with CapitalSource Finance, LLC ("CapitalSource"), which allows us to borrow up to $3,000,000 based on a formula which is tied to our eligible accounts receivable that are aged less than 150 days. On April 26, 2010, the CapitalSource facility was amended and restated to allow us to borrow up to $5,000,000 against eligible accounts receivable. As of March 31, 2010, we had cash and cash equivalents of approximately $1,661,000, restricted cash of $1,000,000 and we had approximately $552,000 of availability under this credit facility. If we were unable to obtain sufficient working capital financing from CapitalSource or sell enough of our products, we would need to secure other sources of funding, including possibly equity financing, in order to satisfy our working capital needs. This line expires on January 31, 2013, and we have the risk that it may not be renewed or a suitable replacement found. The CapitalSource credit facility line has financial covenants which are measured on a monthly basis and which must continue to be met by the Company. We failed to meet our fixed charge coverage ratio for the test periods ended January 31, 2010 and February 28, 2010 and received a waiver on March 26, 2010. In the event that we do not continue to meet the requirements of such financial covenants or we otherwise default on the terms of the CapitalSource credit facility and we are unable to obtain a waiver of such default or obtain Capital Source's agreement to amend the facility, there is a risk that Capital Source could stop lending under the facility and demand that all amounts outstanding under the facility be paid immediately by the Company.

On November 5, 2008, the Company and Fusion Capital Fund II, LLC, an Illinois limited liability company ("Fusion Capital"), entered into a Common Stock Purchase Agreement (the "Purchase Agreement"). We only have the right to receive $50,000 every four business days under the Purchase Agreement unless our stock price equals or exceeds $0.75, in which case we can sell greater amounts to Fusion Capital as the price of our common stock increases. Fusion Capital shall not have the right nor the obligation to purchase any shares of our common stock on any business day that the market price of our common stock is less than $0.45. Since we registered 3,000,000 shares for sale under the Purchase Agreement by Fusion Capital pursuant to a registration statement on Form S-1 filed on November 28, 2008, the selling price of our common stock to Fusion Capital will have to average at least $2.67 per share for us to receive the maximum proceeds of $8.0 million. Assuming a purchase price of $1.42 per share (the closing sale price of the common stock on April 27, 2010) and the purchase by Fusion Capital of the full 3,000,000 shares under the Purchase Agreement, proceeds to us would only be $4,260,000 unless we choose to register more than 3,000,000 shares, which we have the right, but not the obligation, to do. Subject to approval by our board of directors, we have the right but not the obligation to sell more than 3,000,000 shares to Fusion Capital. In the event we elect to sell more than 3,000,000 shares to Fusion Capital, we will be required to file a new registration statement and have it declared effective by the U.S. Securities and Exchange Commission. The extent we rely on Fusion Capital as a source of funding will depend on a number of factors, including the prevailing market price of our common stock and the extent to which we are able to secure working capital from other sources. Specifically, Fusion Capital shall not have the right nor the obligation to purchase any shares of our common stock on any business days that the market price of our common stock is less than $0.45. If obtaining sufficient financing from Fusion Capital were to prove unavailable or prohibitively dilutive and if we are unable to sell enough of our products, we will need to secure another source of funding in order to satisfy our working capital needs.

Even if we are able to access the full $5.0 million from CapitalSource and the full $8.0 million under the Purchase Agreement with Fusion Capital, we may still need additional capital to fully implement our business, operating and development plans. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, there could be a material adverse effect on our business, operating results,

financial condition and prospects.

Proposed Government Regulation Of Laboratory Developed Tests ("LDT's") May Result In Delays To Certain Laboratory Tests and Increase Our Costs To Implement New Tests

We frequently develop testing procedures to provide diagnostic results to tests that are not available using Federal Drug Administration ("FDA") approved methods. The FDA has been considering changes to the way that laboratories are allowed to offer these LDT's. Currently all such tests are conducted and offered under approval by CLIA and individual state licensing procedures: the FDA is considering requiring FDA approval on a portion of those currently offered non-FDA approved tests. There are currently no formal definitions, procedures or FDA processes on how such approvals would be handled but there is a risk that this could delay the offering of certain tests and result in additional validation costs to us.

Steps Taken By Government Payors, Such As Medicare And Medicaid To Control The Utilization and Reimbursement Of Healthcare Services, Including Esoteric Testing May Diminish Our Net Revenue

We face efforts by government payers to reduce utilization as well as reimbursement for laboratory testing services.

From time to time, Congress has legislated formulas adverse to sustainable payment rates, and has reduced, delayed, or modified updates to the Medicare Physician Fee Schedule. The Physician Fee Schedule assigns relative value units to each procedure or service, and a conversion factor is applied to calculate the reimbursement. The Physician Fee Schedule is subject to adjustment on an annual basis. The formula used to calculate the fee schedule conversion factor, known as the Sustainable Growth Rate, would have resulted in significant decreases in payment for most physician services for each year since 2003. However, since that time Congress has intervened repeatedly to prevent these payment reductions, and the conversion factor has been increased or frozen for the subsequent year. Decreases in payment will occur in future years unless Congress acts to change the formula used to calculate the fee schedule or continues to legislate modifications to the Sustainable Growth Rate each year. In late 2008, Congress acted to provide a 1.1% increase in physician fee schedule payments in 2009. The calendar year 2010 update to the conversion factor for the physician fee schedule, based on the statutory formula, is a payment reduction of 21.2 %. To temporarily prevent this reduction to the physician fee schedule, an extension of the 2009 conversion factor through February 28, 2010 was included in legislation enacted on December 19, 2009. However, legislation was enacted in early March 2010 to delay the implementation of the reduction until September 30, 2010. In the event that the reduction in the Medicare physician fee schedule is not further modified prospectively, either by statutory intervention or by modifying the formula to determine the physician fee schedule, the Company could face a material reduction in the Medicare reimbursements it receives for certain of its laboratory tests. Reductions in the Medicare physician fee schedule could have a material adverse effect on our business, operating results, financial condition and prospects.

In addition, certain other legislation expired on December 31, 2009 which grandfathered the implementation of new reimbursement procedures for the technical component of Medicare tests performed for certain hospital clients (known as the "TC Grandfather" legislation). As a result of the expiration of the TC Grandfather legislation, reference labs like the Company could no longer bill Medicare directly for the technical component of laboratory tests for grandfathered hospitals. However the recently enacted Patient Protection and Affordable Care Act, HR 3590, extended the TC Grandfather provision through December 31, 2010. In the event that the TC Grandfather legislation is not further extended, the Company would be required to bill the hospitals ordering such services for the technical component of those tests the Company previously billed to Medicare. In such case, there can be no assurance that the hospital clients of the Company will contract to pay for such tests or will continue to order such tests from the Company in the same volumes as they have been historically, which could have a material adverse effect on our business, operating results, financial condition and prospects.

CMS adopts policies, from time to time, limiting or excluding coverage for certain of the tests that we perform. Many state governments are under budget pressures and are also considering reductions to their Medicaid fees. Further, Medicare can perform audits for overutilization of billed services. Even though all tests performed by us are ordered

by our clients, who establish the medical necessity for the tests, we may be subject to recoupment of payments, as the recipient of Medicare payments for such tests, in the event that CMS determines that the tests failed to meet all applicable criteria for payment. When CMS revises its coverage policies, our costs increase due to the complexity and additional administrative requirements. Furthermore, Medicaid reimbursement and regulations vary by state, and we are subject to varying administrative and billing regulations, which affect the complexity of servicing such programs and our administrative costs.

During the last several years, the federal government has sponsored programs to expand the number of Medicare beneficiaries participating in managed care programs, called "Medicare Advantage" programs, and has encouraged such beneficiaries to switch from the traditional fee for service Medicare program to Medicare Advantage programs. There has been rapid growth of health insurance and managed care plans offering Medicare Advantage programs and growth in beneficiary enrollment in these programs. Also in recent years, many states have increasingly mandated that Medicaid beneficiaries enroll in managed care arrangements. If these efforts continue to be successful, we may experience a further shift of traditional Medicare and Medicaid beneficiaries to managed care programs. As a result, the Company would be required to contract with those managed care programs. There can be no assurance that the managed care programs and the Company will enter into agreements at rates of payment similar to those the Company realizes from its non-managed care lines of business. Recently, state budget pressures have encouraged states to consider several courses that may impact our business, such as delaying payments, restricting coverage eligibility, service coverage restrictions and imposing taxes on our services.

We expect these initiatives to continue and, if they do, to reduce reimbursements, to impose more stringent cost controls and to reduce utilization of clinical test services. These efforts, including changes in law or regulations that may occur in the future, may have a material adverse impact on our business, operating results, financial condition and prospects.

Our Net Revenue Will Be Diminished If Payors Do Not Adequately Cover Or Reimburse Our Services

There has been and will continue to be significant efforts by both federal and state agencies to reduce costs in government healthcare programs and otherwise implement government control of healthcare costs. In addition, increasing emphasis on managed care in the U.S. may continue to put pressure on the pricing of healthcare services. Uncertainty exists as to the coverage and reimbursement status of new applications or services. Third party payors, including governmental payors such as Medicare and private payors, are scrutinizing new medical products and services and may not cover or may limit coverage and the level of reimbursement for our services. Third party insurance coverage may not be available to patients for any of our existing tests or for tests we discover and develop. In addition, a substantial portion of the testing for which we bill our hospital and laboratory clients is ultimately paid by third party payors. Any pricing pressure exerted by these third party payors on our clients may, in turn, be exerted by our clients on us. If government and other third party payors do not provide adequate coverage and reimbursement for our tests, our operating results, cash flows or financial condition may decline.

Third Party Billing Is Extremely Complicated And Will Result In Significant Additional Costs To Us

Billing for laboratory services is extremely complicated. The customer refers the tests; the payor is the party that pays for the tests, and the two are not usually the same. Depending on the billing arrangement and applicable law, we need to bill various payors, such as patients, insurance companies, Medicare, Medicaid, doctors and employer groups, hospitals and other laboratories, all of which have different billing requirements. Additionally, our billing relationships require us to undertake internal audits to evaluate compliance with applicable laws and regulations as well as internal compliance policies and procedures. Insurance companies also impose routine external audits to evaluate payments made, which adds further complexity to the billing process.

Among others, the primary factors which complicate our billing practices are:

- pricing differences between our fee schedules and the reimbursement rates of the payors;
- disputes with payors as to which party is responsible for payment; and
- disparity in coverage and information requirements among various carriers.

We incur significant additional costs as a result of our participation in the Medicare and Medicaid programs, as billing and reimbursement for clinical laboratory testing are subject to considerable and complex federal and state regulations. The additional costs we expect to incur include those related to: (1) complexity added to our billing processes; (2) training and education of our employees and clients; (3) implementing compliance procedures and oversight; (4) collections and legal costs; and (5) costs associated with, among other factors, challenging coverage and payment denials and providing patients with information regarding claims processing and services, such as advanced beneficiary notices.

Our Operations Are Subject To Strict Laws Prohibiting Fraudulent Billing And Other Abuse, And Our Failure To Comply With Such Laws Could Result In Substantial Penalties

Of particular importance to our operations are federal and state laws prohibiting fraudulent billing and providing for the recovery of non-fraudulent overpayments. A large number of laboratories have been forced by the federal and state governments, as well as by private payors, to enter into substantial settlements under these laws. In particular, if an entity is determined to have violated the federal False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties of between $5,500 to $11,000 for each separate false claim. There are many potential bases for liability under the federal False Claims Act. Liability arises, primarily, when an entity knowingly submits, or causes another to submit, a false claim for reimbursement to the federal government. Submitting a claim with reckless disregard or deliberate ignorance of its truth or falsity could also result in substantial civil liability. A trend affecting the healthcare industry is the increased use of the federal False Claims Act and, in particular, actions under the False Claims Act's "whistleblower" or "qui tam" provisions to challenge the reimbursement practices of providers and suppliers. Those provisions allow a private individual to bring an action on behalf of the government alleging that the defendant has submitted a fraudulent claim for payment to the federal government. The government must decide whether to intervene in the lawsuit and whether to prosecute the case. If it declines to do so, the individual may pursue the case alone, although the government must be kept apprised of the progress of the lawsuit. Whether or not the federal government intervenes in the case, it will receive the majority of any recovery. In addition, various states have enacted laws modeled after the federal False Claims Act. Government investigations of clinical laboratories have been ongoing for a number of years and are expected to continue in the future.

On November 9, 2009, the Company was notified by the Civil Division of the U.S. Department of Justice ("DOJ") that a "qui tam" complaint ("Complaint") had been filed under seal by a private individual against a number of health care companies, including the Company. The Complaint is an action to recover damages and civil penalties arising from alleged false or fraudulent claims and statements submitted or caused to be submitted by the defendants to Medicare. As of the date of the registration statement of which this prospectus is a part, the DOJ had not made any decision whether to join the action. The Company believes the allegations in the Complaint are without merit and intends to vigorously defend itself if required to do so, however there can be no assurance that if we are required to defend ourselves in this action, our operating results, cash flows or financial condition will not be impacted.

The Failure To Comply With Significant Government Regulation And Laboratory Operations May Subject The Company To Liability, Penalties Or Limitation Of Operations

As discussed in the Government Regulation section of our business description, we are subject to extensive state and federal regulatory oversight. Our laboratory locations may not pass inspections conducted to ensure compliance with CLIA or with any other applicable licensure or certification laws. The sanctions for failure to comply with CLIA or state licensure requirements might include the inability to perform services for compensation or the suspension, revocation or limitation of the laboratory location's CLIA certificate or state license, as well as civil and/or criminal penalties. In addition, any new legislation or regulation or the application of existing laws and regulations in ways that we have not anticipated could have a material adverse effect on the Company's business, results of operations and financial condition. Existing federal laws governing Medicare and Medicaid, as well as some other state and federal laws, also regulate certain aspects of the relationship between healthcare providers, including clinical and anatomic laboratories, and their referral sources, including physicians, hospitals and other laboratories. Certain provisions of these laws, known as the "anti-kickback law" and the "Stark Laws", contain extremely broad proscriptions. Violation of these laws may result in criminal penalties, exclusion from Medicare and Medicaid, and significant civil monetary penalties. We seek to structure our arrangements with physicians and other clients to be in compliance with the anti-kickback, Stark and state laws, and to keep up-to-date on developments concerning their application by various means, including consultation with legal counsel. However, we are unable to predict how these laws will be applied in the future and the arrangements into which we enter may become subject to scrutiny thereunder. Furthermore, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), and other state laws contain provisions that

affect the handling of claims and other patient information that are, or have been, transmitted electronically and regulate the general disclosure of patient records and patient health information. These provisions, which address security and confidentiality of patient information as well as the administrative aspects of claims handling, have very broad applicability and they specifically apply to healthcare providers, which include physicians and clinical laboratories. Although we believe we have complied with the Standards, Security and Privacy rules under HIPAA and state laws, an audit of our procedures and systems could find deficiencies. Such deficiencies, if found, could have a material adverse effect on the Company's business, results of operations and financial condition and subject us to liability.

Our Failure To Comply With Governmental Payor Regulations Could Result In Our Being Excluded From Participation In Medicare, Medicaid Or Other Governmental Payor Programs, Which Would Decrease Our Revenues And Adversely Affect Our Results Of Operations And Financial Condition

Billable tests which are reimbursable from Medicare and Medicaid accounted for approximately 49% and 47% of our revenues for the years ended December 31, 2009 and 2008, respectively. The Medicare program imposes extensive and detailed requirements on diagnostic services providers, including, but not limited to, rules that govern how we structure our relationships with physicians, how and when we submit reimbursement claims and how we provide our specialized diagnostic services. Our failure to comply with applicable Medicare, Medicaid and other governmental payor rules could result in our inability to participate in a governmental payor program, our returning funds already paid to us for services performed, civil monetary penalties, criminal penalties and/or limitations on the operational function of our laboratory. If we were unable to receive reimbursement under a governmental payor program, a substantial portion of our revenues would be lost, which would adversely affect our results of operations and financial condition.

Our Business Could Be Harmed By Future Interpretations Of Clinical Laboratory Mark-Up Prohibitions

Our laboratory currently uses the services of outside reference laboratories to provide certain complementary laboratory services to those services provided directly by our laboratory. Although Medicare policies do not prohibit certain independent-laboratory-to-independent-laboratory referrals and subsequent mark-up for services, California and other states have rules and regulations that prohibit or limit the mark-up of these laboratory-to-laboratory services. A challenge to our charge-setting procedures under these rules and regulations could have a material adverse effect on our business, results of operations and financial condition.

Failure To Comply With The HIPAA Security And Privacy Regulations May Increase Our Operational Costs

The HIPAA privacy and security regulations establish comprehensive federal standards with respect to the uses and disclosures of Protected Health Information, (“PHI”), by health plans and healthcare providers, in addition to setting standards to protect the confidentiality, integrity and availability of electronic PHI. The regulations establish a complex regulatory framework on a variety of subjects, including the circumstances under which uses and disclosures of PHI are permitted or required without a specific authorization by the patient, including but not limited to treatment purposes, activities to obtain payments for services and health care operations activities; a patient's rights to access, amend and receive an accounting of certain disclosures of PHI; the content of notices of privacy practices for PHI; and administrative, technical and physical safeguards required of entities that use or receive PHI electronically. We have implemented policies and procedures related to compliance with the HIPAA privacy and security regulations, as required by law. The privacy regulations establish a uniform federal "floor" and do not supersede state laws that may be more stringent. Therefore, we are required to comply with both federal privacy regulations and varying state privacy laws. The federal privacy regulations restrict our ability to use or disclose patient identifiable laboratory data, without patient authorization, for purposes other than payment, treatment or healthcare operations (as defined by HIPAA), except for disclosures for various public policy purposes and other permitted purposes outlined in the privacy regulations. The privacy and security regulations provide for significant fines and other penalties for wrongful use or disclosure of PHI, including potential civil and criminal fines and penalties. Although the HIPAA statute and regulations do not expressly provide for a private right of damages, we also could incur damages under state laws to private parties for the wrongful use or disclosure of confidential health information or other private personal information.

Changes In Regulations, Payor Policies Or Contracting Arrangements With Payors Or Changes In Other Laws, Regulations Or Policies May Adversely Affect Coverage Or Reimbursement For Our Specialized Diagnostic Services, Which May Decrease Our Revenues And Adversely Affect Our Results Of Operations And Financial Condition

Governmental payors, as well as private insurers and private payors, have implemented and will continue to implement measures to control the cost, utilization and delivery of healthcare services, including clinical laboratory and pathology services. Congress has considered, from time to time and has implemented changes to laws and regulations governing healthcare service providers, including specialized diagnostic service providers. These changes have adversely affected and may in the future adversely affect coverage for our services. We also believe that healthcare professionals will not use our services if third party payors do not provide adequate coverage and reimbursement for them. These changes in federal, state, local and third party payor regulations or policies may decrease our revenues and adversely affect our results of operations and financial condition. We will continue to be a non-contracting provider until such time as we enter into contracts with third party payors with whom we are not currently contracted. Because a portion of our revenues is from third-party payors with whom we are not currently contracted, it is likely that we will be required to make positive or negative adjustments to accounting estimates with respect to contractual allowances in the future, which may adversely affect our results of operations, our credibility with financial analysts and investors, and our stock price.

We Are Subject To Security Risks Which Could Harm Our Operations

Despite the implementation of various security measures by us, our infrastructure is vulnerable to computer viruses, break-ins and similar disruptive problems caused by our clients or others. Computer viruses, break-ins or other security problems could lead to interruption, delays or cessation in service to our clients. Further, such break-ins whether electronic or physical could also potentially jeopardize the security of confidential information stored in our computer systems as it relates to clients and other parties connected through us, which may deter potential clients and give rise to uncertain liability to parties whose security or privacy has been infringed. A significant security breach could result in loss of clients, damage to our reputation, direct damages, costs of repair and detection, and other expenses. The occurrence of any of the foregoing events could have a material adverse effect on our business, results of operations and financial condition.

We Must Hire And Retain Qualified Sales Representatives To Grow Our Sales

Our ability to retain existing clients for our specialized diagnostic services and attract new clients is dependent upon retaining existing sales representatives and hiring new sales representatives, which is an expensive and time-consuming process. We face intense competition for qualified sales personnel and our inability to hire or retain an adequate number of sales representatives could limit our ability to maintain or expand our business and increase sales. Even if we are able to increase our sales force, our new sales personnel may not commit the necessary resources or provide sufficient high quality service and attention to effectively market and sell our services. If we are unable to maintain and expand our marketing and sales networks or if our sales personnel do not perform to our high standards, we may be unable to maintain or grow our existing business and our results of operations and financial condition will likely suffer accordingly. If a sales representative ceases employment, we risk the loss of client goodwill based on the impairment of relationships developed between the sales representative and the healthcare professionals for whom the sales representative was responsible. This is particularly a risk if the representative goes to work for a competitor, as the healthcare professionals that are our clients may choose to use a competitor's services based on their relationship with the departed sales representative.

Performance Issues, Service Interruptions Or Price Increases By Our Shipping Carrier Could Adversely Affect Our Business, Results Of Operations And Financial Condition, And Harm Our Reputation And Ability To Provide Our Specialized Diagnostic Services On A Timely Basis

Expedited, reliable shipping is essential to our operations. One of our marketing strategies entails highlighting the reliability of our point-to-point transport of patient samples. We rely heavily on a single carrier, FedEx Corporation, and also our local courier, for reliable and secure point-to-point transport of patient samples to our laboratory and enhanced tracking of these patient samples. Should FedEx encounter delivery performance issues such as loss, damage or destruction of a sample, it may be difficult to replace our patient samples in a timely manner and such occurrences may damage our reputation and lead to decreased demand for our services and increased cost and expense to our business. In addition, any significant increase in shipping rates could adversely affect our operating margins and results of operations. Similarly, strikes, severe weather, natural disasters or other service interruptions by delivery services we use would adversely affect our ability to receive and process patient samples on a timely basis. If FedEx or we were to terminate our relationship, we would be required to find another party to provide expedited, reliable point-to-point transport of our patient samples. There are only a few other providers of such nationwide transport services, and there can be no assurance that we will be able to enter into arrangements with such other providers on acceptable terms, if at all. Finding a new provider of transport services would be time-consuming and costly and result in delays in our ability to provide our specialized diagnostic services. Even if we were to enter into an arrangement with such provider, there can be no assurance that they will provide the same level of quality in transport services currently provided to us by FedEx. If the new provider does not provide the required quality and reliable transport services, it could adversely affect our business, reputation, results of operations and financial condition.

We Use Biological And Hazardous Materials That Require Considerable Expertise And Expense For Handling, Storage Or Disposal And May Result In Claims Against Us

We work with hazardous materials, including chemicals, biological agents and compounds, blood samples and other human tissue that could be dangerous to human health and safety or the environment. Our operations also produce hazardous and biohazardous waste products. Federal, state and local laws and regulations govern the use, generation, manufacture, storage, handling and disposal of these materials and wastes. Compliance with applicable environmental laws and regulations may be expensive, and current or future environmental laws and regulations may impair business efforts. If we do not comply with applicable regulations, we may be subject to fines and penalties. In addition, we cannot entirely eliminate the risk of accidental injury or contamination from these materials or wastes. Our general liability insurance and/or workers' compensation insurance policy may not cover damages and fines arising from biological or hazardous waste exposure or contamination. Accordingly, in the event of contamination or injury, we could be held liable for damages or penalized with fines in an amount exceeding our resources, and our operations could be suspended or otherwise adversely affected.

Our Ability To Comply With The Financial Covenants In Our Credit Agreements Depends Primarily On Our Ability To Generate Substantial Operating Cash Flow

Our ability to comply with the financial covenants under our credit agreement with CapitalSource will depend primarily on our success in generating substantial operating cash flow. Our credit agreement contains numerous financial and other restrictive covenants, including restrictions on purchasing and selling assets, paying dividends to our shareholders, and incurring additional indebtedness. Our failure to meet these covenants could result in a default and acceleration of repayment of the indebtedness under our credit facility. If the maturity of our indebtedness were accelerated, we may not have sufficient funds to pay such indebtedness. In such event, our lenders would be entitled to proceed against the collateral securing the indebtedness, which includes substantially our entire accounts receivable, to the extent permitted by our credit agreements and applicable law.

We Have Potential Conflicts Of Interest Relating To Our Related Party Transactions Which Could Harm Our Business

We have potential conflicts of interest relating to existing agreements we have with certain of our directors, officers, principal shareholders, shareholders and employees. Potential conflicts of interest can exist if a related party director or officer has to make a decision that has different implications for us and the related party. If a dispute arises in connection with any of these agreements, if not resolved satisfactorily to us, our business could be harmed. There can be no assurance that the above or any future conflicts of interest will be resolved in our favor. If not resolved, such conflicts could harm our business.

We Are Effectively Controlled By Existing Stockholders And Therefore Other Stockholders Will Not Be Able To Direct The Company

Effective voting control of the Company is held by a relatively small group of stockholders. These stockholders effectively retain control of our Board of Directors and determine all of our corporate actions. In addition, the Company and stockholders owning and/or having the right to vote 11,197,901 shares, or approximately 30.4% of the Company's voting shares outstanding as of April 27, 2010, have executed a Shareholders' Agreement that, among other provisions, gives Aspen Select Healthcare, LP ("Aspen"), our largest stockholder, the right to elect three out of the eight directors authorized for our Board and nominate one mutually acceptable independent director and Dr. Michael T. Dent, our founder, the right to nominate one director. Accordingly, it is anticipated that Aspen and other parties to the Shareholders' Agreement will continue to have the ability to effectively elect a controlling number of the members of our Board of Directors. Such concentration of ownership may also have the effect of delaying or preventing a change in control of the Company.

No Foreseeable Dividends

We do not anticipate paying dividends on our common stock in the foreseeable future. Rather, we plan to retain earnings, if any, for the operation and expansion of our business.

There May Not Be A Viable Public Market For Our Common Stock

We cannot predict the extent to which investor interest in our Company will sustain an active trading market for our common stock on the OTC Bulletin Board or any other stock market on which we may be listed or how liquid any such market might remain. If an active public market is not sustained, it may be difficult for our stockholders to sell their shares of common stock at a price that is attractive to them, or at all.

We May Become Involved In Securities Class Action Litigation That Could Divert Management's Attention And Harm Our Business

The stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for the common stock of diagnostic companies. These broad market fluctuations may cause the market price of our common stock to decline. In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because clinical laboratory service companies have experienced significant stock price volatility in recent years. We may become involved in this type of litigation in the future. Litigation often is expensive and diverts management's attention and resources, which could adversely affect our business.

If We Are Not The Subject Of Securities Analyst Reports Or If Any Securities Analyst Downgrades Our Common Stock Or Our Sector, The Price Of Our Common Stock Could Be Negatively Affected

Securities analysts may publish reports about us or our industry containing information about us that may affect the trading price of our common stock. There are many publicly traded companies active in the healthcare industry, which may mean it will be less likely that we receive analysts' coverage, which in turn could affect the price of our common stock. In addition, if a securities or industry analyst downgrades the outlook for our common stock or one of our competitors' stocks or chooses to terminate coverage of our common stock, the trading price of our common stock may also be negatively affected.

Risks Related To This Offering

Future Sales By Our Stockholders May Adversely Affect Our Stock Price And Our Ability To Raise Funds In New Stock Offerings

Sales of our common stock in the public market following this offering could lower the market price of our common stock. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable or at all. Of the 37,278,768 shares of common stock outstanding as of April 27, 2010 26,842,462 shares are freely tradable without restriction, unless held by our "affiliates". The remaining 10,436,205 shares of our common stock which are held by existing stockholders, including the officers and directors, are "restricted securities" and may be resold in the public market only if registered or pursuant to an exemption from registration. Some of these shares may be resold under Rule 144.

The Selling Stockholders May Sell Their Shares Of Common Stock In The Market, Which Sales May Cause Our Stock Price To Decline

The selling stockholders may sell in the public market 8,302,342 shares of our common stock being registered in this offering. That means that up to 8,302,342 shares may be sold pursuant to this prospectus. Such sales may cause our stock price to decline.

The Price You Pay In This Offering Will Fluctuate And May Be Higher Or Lower Than The Prices Paid By Other People Participating In This Offering

The price in this offering will fluctuate based on the prevailing market price of our common stock on the OTCBB. Accordingly, the price you pay in this offering may be higher or lower than the prices paid by other people participating in this offering.

The Market Price Of Our Common Stock Is Highly Volatile

The market price of our common stock has been and is expected to continue to be highly volatile. Factors, including announcements of technological innovations by us or other companies, regulatory matters, new or existing products or procedures, concerns about our financial position, operating results, litigation, government regulation, developments or disputes relating to agreements, patents or proprietary rights, may have a significant impact on the market price of our common stock. In addition, potential dilutive effects of future sales of shares of common stock by stockholders and by the Company, including selling stockholders pursuant to this prospectus, and subsequent sale of common stock by the holders of warrants and options could have an adverse effect on the market price of our shares.

If Penny Stock Regulations Impose Restrictions On The Marketability Of Our Common Stock, The Ability Of Our Stockholders To Sell Shares Of Our Stock Could Be Impaired

The SEC has adopted regulations that generally define a "penny stock" to be an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share subject to certain exceptions. Exceptions include equity securities issued by an issuer that has (i) net tangible assets of at least $2,000,000, if such issuer has been in continuous operation for more than three years, or (ii) net tangible assets of at least $5,000,000, if such issuer has been in continuous operation for less than three years, or (iii) average revenue of at least $6,000,000 for the preceding three years. Our common stock is currently trading at under $5.00 per share. Although we currently fall under one of the exceptions, if at a later time we fail to meet one of the exceptions, our common stock will be considered a penny stock. Broker/dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker/dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. These requirements, among others, may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to resell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

FORWARD-LOOKING STATEMENTS

Information included or incorporated by reference in this prospectus may contain forward-looking statements. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words “may”, “should”, “expect”, “anticipate”, “estimate”, “believe”, “intend” or “project” or the negative of these words or other variations on these w or comparable terminology.

This prospectus contains forward-looking statements, including statements regarding, among other things, (a) our projected sales and profitability, (b) our growth strategies, (c) anticipated trends in our industry, (d) our future financing plans and (e) our anticipated needs for working capital. These statements may be found under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Description of Business”, as well as in this prospectus generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under “Risk Factors” and matters described in this prospectus generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this prospectus will in fact occur.

SELLING STOCKHOLDERS

The following table presents information regarding our selling stockholders who intend to sell up to 8,302,342 shares of our common stock.

Selling Stockholders	Shares Beneficially Owned Before The Offering(1)	Percentage of Outstanding Shares Beneficially Owned Before The Offering(1)	Shares To Be Sold In The Offering	Percentage of Outstanding Shares Beneficially Owned After The Offering
A. Scott Logan Revocable Living Trust (3)	3,533,750	9.3	133,750	8.9
1837 Partners, LP	1,668,051	4.5	264,015	3.8
1837 Partners, QP, LP	1,075,805	2.9	69,324	2.7
1837 Partners, Ltd.	737,319	2.0	71,606	1.8
Blair Haarlow Trust	446,410	1.2	3,000	1.0
Francis Tuite IRA	43,000	*	3,000	*
Galt Asset Management, LLC	509,666	1.4	259,666	*
Leonard Samuels IRA	116,767	*	29,425	*
James R. Rehak, MD & Joann M. Rehak,	13,817	*	8,917	*
William Robison (4)	144,713	*	89,713	*
Michael T. Dent (5)	2,489,162	6.6	172,992	2.9
Mary Dent (5)	1,016,170	2.7	333,312	1.8
Mary S. Dent Gifting Trust (5)	900,000		900,000	*
George O'Leary (6)	200,000	*	200,000	*
Steven Jones (7)	12,786,362	31.4	127,298	17.9
Marvin Jaffe, M.D. (8)	96,429	*	75,000	*
Peter Petersen (9)	11,978,900	29.6	100,000	16.7
Aspen Select Healthcare, LP (10)	11,666,155	28.9	5,057,991	17.7
Aspen Capital Advisors, LLC	250,000	*	250,000	*
Gulf Pointe Capital, LLC	83,333	*	83,333	*
Hawk Associates, LLC	70,000	*	70,000	*
Total (2)	24,160,663		8,302,342	

* Less than one percent (1%).

(1) Applicable percentage of ownership is based on 37,278,667 shares of our common stock outstanding as of April 27, 2010 together with securities exercisable or convertible into shares of common stock within sixty (60) days of April 27, 2010, for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Note that affiliates are subject to Rule 144 and insider trading regulations - percentage computation is for form purposes only.

(2) The total number of shares listed does not double count the shares that may be beneficially attributable to more than one person.

(3) A Scott Logan Revocable Living Trust's beneficial ownership includes (i) 500,000 shares purchased in the June 2007 Private Placement, (ii) 33,750 shares issued pursuant to a registration rights agreement in connection with the June 2007 Private Placement, and (iii) 100,000 shares which were issued upon the exercise of certain warrants granted in conjunction with the June 2007 Private Placement. In addition, since Mr. A. Scott Logan, a Trustee of the A. Scott Logan Revocable Living Trust, serves as the Manager to the SKL Family Limited Partnership, which has direct ownership of 2,000,000 shares and warrants exercisable within 60 days of April 27, 2010 to purchase 900,000 shares, the shares and warrants owned by SKL Family Limited Partnership are also included in this total.

(4) William J. Robison is a director of the Company. Mr. Robison's beneficial ownership includes (i) 55,000 shares purchased in the June 2007 Private Placement, (ii) 3,713 shares issued pursuant to a registration rights agreement in connection with the June 2007 Private Placement, (iii) 11,000 shares which were issued upon the exercise of certain warrants granted in conjunction with the June 2007 Private Placement, and (iv) warrants exercisable within 60 days of April 27, 2010 to purchase 75,000 shares.

(5) Michael T. Dent, M.D. is a director of the Company. Dr. Dent's beneficial ownership includes (i) 900,000 shares held in the Mary S. Dent Gifting Trust (of which Dr. Dent and his attorney are the sole trustees), (ii) warrants and options exercisable within sixty days of April 27, 2010 to purchase 572,992 shares, and (iii) 1,016,170 shares owned directly by Dr. Dent's spouse, Mary S. Dent.

(6) George O'Leary is a director of the Company. Mr. O'Leary has direct ownership of warrants exercisable within 60 days of April 27, 2010 to purchase 200,000 shares.

(7) Steven C. Jones, Executive Vice President - Finance and director of the Company, has direct ownership of 391,164 shares and warrants exercisable within 60 days of April 27, 2010 to purchase an additional 127,298 shares. Totals for Mr. Jones also include (i) 129,412 shares owned by Aspen Opportunity Fund, LP, an investment partnership that Mr. Jones and Mr. Peterson control, (ii) 107,143 shares owned by Jones Network, LP, a family limited partnership that Mr. Jones controls, (iii) warrants exercisable within 60 days of April 27, 2010 to purchase 250,000 shares, that are owned by Aspen Capital Advisors, LLC, a company that Mr. Jones controls, (iv) warrants exercisable within 60 days of April 27, 2010 to purchase 83,333 shares that are owned by Gulf Pointe Capital, LLC, a company that Mr. Jones and Mr. Peterson control, and (v) 31,857 shares held in certain individual retirement and custodial accounts. In addition, as a managing member of the general partner of Aspen, he has the right to vote all shares controlled by Aspen, thus all shares and currently exercisable warrants owned by Aspen have been added to his total (see Note 8).

(8) Marvin Jaffe, M.D. is a director of the Company. Dr. Jaffe's beneficial ownership includes 21,429 shares and 75,000 warrants which are currently exercisable within 60 days of April 27, 2010.

(9) Peter M. Peterson, a director of the Company, has direct ownership of warrants exercisable within 60 days of April 27, 2010 to purchase 100,000 shares. In addition, as a managing member of the general partner of Aspen, he has the right to vote all shares controlled by Aspen, thus all Aspen shares and currently exercisable warrants have been added to his total (see Note 8). Mr. Peterson's beneficial ownership also includes (i) warrants exercisable within 60 days of April 27, 2010 to purchase an additional 83,333 shares that are owned by Gulf Pointe Capital, LLC, a company that Mr. Jones and Mr. Peterson control, and (ii) 129,412 shares owned by Aspen Opportunity Fund, LP, an investment partnership that Mr. Jones and Mr. Peterson control.

(10) Aspen Select Healthcare, LP (Aspen) has direct ownership of 5,905,279 shares and has certain warrants to purchase 3,050,000 shares, all of which are exercisable within 60 days of April 27, 2010. Aspen's beneficial ownership also includes 2,710,876 shares to which Aspen has received a voting proxy. The general partner of Aspen is Medical Venture Partners, LLC, an entity controlled by Steven C. Jones and Peter M. Peterson.

The following information contains a description of each selling stockholder's relationship to us and how each selling stockholder acquired or will acquire shares to be sold in this offering is detailed below. None of the selling stockholders have held a position or office, or had any other material relationship, with us, except as follows:

Shares acquired in Connection with warrants related to 2007 Private Placement

- James R. Rehak & Joann M. Rehak JTWROS (Rehaks). In connection with the 2007 Private Placement, the Rehaks received (i) a warrant to purchase 6,667 shares of our common stock at an exercise price of $1.50 per share, which

was exercised in August 2009, and (ii) 2,250 shares issued pursuant to a registration rights agreement. The Rehaks received registration rights for these shares and therefore, we are registering 8,917 shares in this offering. All investment decisions of the Rehaks are made by James R. Rehak and Joann M. Rehak.

- Leonard Samuels IRA (LSI). In connection with the 2007 Private Placement, LSI received (i) a warrant to purchase 22,000 shares of our common stock at an exercise price of $1.50 per share, which was exercised in August 2009, and (ii) 7,425 shares issued pursuant to a registration rights agreement. LSI received registration rights for these shares and therefore, we are registering 29,425 shares in this offering. All investment decisions of LSI are made by Mr. Leonard Samuels and Charles Schwab & Co. Inc., as Custodian for the Leonard Samuels IRA.

- A. Scott Logan Revocable Living Trust (SL Trust). In connection with the 2007 Private Placement, SL Trust received (i) a warrant to purchase 100,000 shares of our common stock at an exercise price of $1.50 per share, which was exercised in August 2009, and (ii) 33,750 shares issued pursuant to a registration rights agreement. SL Trust received registration rights for these shares and therefore, we are registering 133,750 shares in this offering. All investment decisions of SL Trust are made by A. Scott Logan, Trustee.

- William J. Robison (Mr. Robison). In connection with the 2007 Private Placement, Mr. Robison, who serves as a member of the Board of Directors of the Company, received (i) a warrant to purchase 11,000 shares of our common stock at an exercise price of $1.50 per share, which was exercised in August 2009, and (ii) 3,713 shares issued pursuant to a registration rights agreement. Mr. Robison received registration rights for these shares and therefore, we are registering 14,713 shares in this offering.

- 1837 Partners, L.P. (1837P1). In connection with the 2007 Private Placement, 1837P1 received (i) a warrant to purchase 204,210 shares of our common stock at an exercise price of $1.50 per share, which was exercised in August 2009, and (ii) 59,805 shares issued pursuant to a registration rights agreement. 1837P1 received registration rights for these shares and therefore, we are registering 264,015 shares in this offering. All investment decisions of 1837P1 are made by Frances Tuite and Blair Haarlow.

- 1837 Partners QP, L.P. (1837P2). In connection with the 2007 Private Placement, 1837P2 received (i) a warrant to purchase 53,900 shares of our common stock at an exercise price of $1.50 per share, which was exercised in August 2009, and (ii) 15,424 shares issued pursuant to a registration rights agreement. 1837P2 received registration rights for these shares and therefore, we are registering 69,324 shares in this offering.

- 1837 Partners, Ltd. (1837P3). In connection with the 2007 Private Placement, 1837P3 received (i) a warrant to purchase 55,710 shares of our common stock at an exercise price of $1.50 per share, which was exercised in August 2009, and (ii) 15,424 shares issued pursuant to a registration rights agreement. 1837P3 received registration rights for these shares and therefore, we are registering 71,706 shares in this offering. All investment decisions of 1837P3 are made by Frances Tuite.

- Aspen Capital Advisors, LLP (ACA). In connection with the 2007 Private Placement, ACA received a warrant to purchase 250,000 shares of our common stock at an exercise price of $1.50 per share, which had not yet been exercised as of the date of the registration statement of which this prospectus is a part. ACA received registration rights with respect to the shares underlying this warrant and therefore, we are registering 250,000 shares in this offering. All investment decisions of ACA are made by Steven Jones a member of our Board of Directors and our Executive Vice President of Finance.

- Galt Asset Management (GALT). Galt purchased certain warrants to purchase 259,666 shares of our common stock at an exercise price of $1.50 per share from Lewis Opportunity Fund L.P (LOF) and Lam Opportunity Fund L.P. (LAM) which were issued to LOF and LAM in connection with the 2007 Private Placement. GALT exercised these warrants into shares of our common stock in August 2009. These warrants contained registration rights for the shares underlying them and therefore, we are registering 259,666 shares in this offering. All investment decisions of GALT are made by Brian Vitale.

Shares acquired in Connection with board warrants

In June 2007 each of our non-employee directors received warrants to purchase common stock. Mr. Jones, Mr. Dent, Mr. O'Leary and Mr. Petersen each received warrants to purchase 100,000 shares of our common stock at $1.50 per share. Mr. Robison and Mr. Jaffe each received warrants to purchase 75,000 shares of our common stock at $1.50 per share. Each board member received registration rights with respect to the shares underlying these warrants and therefore, we are registering 550,000 shares in this offering. None of these warrants had been exercised as of the date

of the registration statement of which this prospectus is a part.

Other Selling Stockholders

- Steven Jones. In January 2006, we consummated an equity offering of common stock and we needed to get a waiver from Steven Jones to be in compliance with our shareholder's agreement. As an inducement to sign that waiver we issued a warrant to purchase 27,298 shares of our common stock to Mr. Jones, which had not been exercised as of the date of the registration statement of which this prospectus is a part. Mr. Jones received registration rights with respect to the shares underlying this warrant and therefore, we are registering 27,298 shares in this offering.

- Michael T. Dent, M.D.. In January 2006, we consummated an equity offering of common stock and we needed to get a waiver from Dr. Dent to be in compliance with our shareholder's agreement. As an inducement to sign that waiver we issued a warrant to purchase 72,992 shares of our common stock to Dr. Dent, which had not been exercised as of the date of the registration statement of which this prospectus is a part. We are registering the 72,992 shares underlying this warrant in this offering.

- Aspen Select Healthcare, L.P. (Aspen). In April 2003, we issued 13,927,062 shares of Common Stock to Aspen and certain affiliates of Aspen in connection with an equity financing transaction and entered into a $1.5 million credit facility with Aspen (the "Initial Transactions"). In March 2005, we extended the terms of the credit facility and issued to Aspen 2,500,000 warrants to purchase common stock (the "Original Warrant"). In January 2006, we amended the terms of the Original Warrant in connection with curing certain defaults which had occurred under the credit facility and we issued 150,000 additional warrants (the "Waiver Warrants") in connection with obtaining a waiver for certain terms of our shareholders' agreement. In March 2006, we issued an additional 900,000 warrants to Aspen in connection with certain debt and equity financings (the "New Financing Warrants"). Aspen received registration rights with respect to the Initial Transactions, the Original Warrants, the Waiver Warrants, and the New Financing Warrants and therefore, we are registering 2,007,991 of the shares issued in the Initial Transactions and 3,050,000 of the warrants issued in conjunction with the various other warrant transactions in this offering. All investment decisions of Aspen are made by Mr. Steven C. Jones, a member of our Board of Directors and our Executive Vice President of Finance.

- Mary S. Dent and Mary S. Dent Gifting Trust (DENT). On February 8, 2007 Michael T. Dent, M.D., our founder, transferred 1,016,171 founder shares to his spouse Mary Dent and transferred 900,000 founder shares to the Mary S. Dent Gifting Trust for the benefit of his children. Dr. Dent received registration rights in connection with these shares and therefore, we are registering 333,312 shares held in the name of Mary Dent and the 900,000 shares held by the Mary S. Dent Gifting Trust in this offering.

- George O'Leary. On March 15, 2007, George O'Leary, a director, received a warrant to purchase 100,000 shares of our common stock at an exercise price of $1.49 per share as a result of consulting services performed on behalf of the Company, which had not been exercised as of the date of the registration statement of which this prospectus is a part. We are registering the 100,000 shares underlying this warrant in this offering.

- Gulfpointe Capital. In February 2009 as part of a master lease agreement we issued a warrant to purchase 83,333 shares of our common stock at an exercise price of $0.75 per share to Gulfpointe Capital, LLC, which had not been exercised as of the date of the registration statement of which this prospectus is a part. Gulfpointe Capital received registration rights with respect to the shares underlying this warrant and therefore, we are registering 83,333 shares in this offering.

- Hawk Associates, Inc. In February and May 2006, we issued warrants to purchase an aggregate of 70,000 shares of our common stock to Hawk Associates, Inc. in connection with the provision of certain investor relations services to the Company, which had not yet been exercised as of the date of the registration statement of which this prospectus is a part. We are registering the 70,000 shares underlying these warrants in this offering.

USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by certain selling stockholders. There will be no proceeds to us from the sale of shares of common stock in this offering.

PLAN OF DISTRIBUTION

The common stock offered by this prospectus is being offered by the selling stockholders. The common stock may be sold or distributed from time to time by the selling stockholders directly to one or more purchasers or through brokers, dealers, or underwriters who may act solely as agents at market prices prevailing at the time of sale, at prices related to the prevailing market prices, at negotiated prices, or at fixed prices, which may be changed. The sale of the common stock offered by this prospectus may be effected in one or more of the following methods:

- ordinary brokers' transactions;
- transactions involving cross or block trades;
- through brokers, dealers, or underwriters who may act solely as agents
- "at the market" into an existing market for the common stock;
- in other ways not involving market makers or established business markets, including direct sales to purchasers or sales effected through agents;
- in privately negotiated transactions; or
- any combination of the foregoing.

In order to comply with the securities laws of certain states, if applicable, the shares may be sold only through registered or licensed brokers or dealers. In addition, in certain states, the shares may not be sold unless they have been registered or qualified for sale in the state or an exemption from the registration or qualification requirement is available and complied with.

Brokers, dealers, underwriters, or agents participating in the distribution of the shares as agents may receive compensation in the form of commissions, discounts, or concessions from the selling stockholders and/or purchasers of the common stock for whom the broker-dealers may act as agent. The compensation paid to a particular broker-dealer may be less than or in excess of customary commissions.

Neither we nor the selling stockholders can presently estimate the amount of compensation that any agent will receive. We know of no existing arrangements between the selling stockholders, any other stockholder, broker, dealer, underwriter, or agent relating to the sale or distribution of the shares offered by this prospectus. At the time a particular offer of shares is made, a prospectus supplement, if required, will be distributed that will set forth the names of any agents, underwriters, or dealers and any compensation from the selling stockholders, and any other required information.

We will pay all expenses incident to the registration, offering, and sale of the shares to the public other than commissions or discounts of underwriters, broker-dealers, or agents. We have also agreed to indemnify certain selling stockholders and related persons against specified liabilities, including liabilities under the Securities Act.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons, we have been advised that in the opinion of the SEC this indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

We have advised the selling stockholders that while they are engaged in a distribution of the shares included in this prospectus they are required to comply with Regulation M promulgated under the Securities Exchange Act of 1934, as amended. With certain exceptions, Regulation M precludes the selling stockholders, any affiliated purchasers, and any broker-dealer or other person who participates in the distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of the distribution until the entire distribution is complete. Regulation M also prohibits any bids or purchases made in order to stabilize the price of a security in connection with the distribution of that security. All of the foregoing may affect the marketability of the shares offered by this prospectus.

This offering will terminate on the date that all shares offered by this prospectus have been sold by the selling stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements, and the Notes thereto included herein. The information contained below includes statements of 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. See "Forward-Looking Statements." Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under the heading "Risk Factors.".

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;

b) Fluorescence In-Situ Hybridization ("FISH") testing, which analyzes abnormalities at the chromosomal and gene levels;

c) flow cytometry testing, which analyzes gene expression of specific markers inside cells and on cell surfaces;

d) immunohistochemistry testing, which analyzes the distribution of tumor antigens in specific cell and tissue types, and

e) 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.

Market Opportunity

The medical testing laboratory market can be broken down into three primary segments:

- clinical lab testing,
- anatomic pathology testing, and
- genetic and molecular testing.

Clinical laboratories are typically engaged in high volume, highly automated, lower complexity tests on easily procured specimens such as blood and urine. Clinical lab tests often involve testing of a less urgent nature, for example, cholesterol testing and testing associated with routine physical exams.

Anatomic pathology ("AP") testing involves evaluation of tissue, as in surgical pathology, or cells as in cytopathology. The most widely performed AP procedures include the preparation and interpretation of pap smears,

skin biopsies, and tissue biopsies.

Genetic and molecular testing typically involves analyzing chromosomes, genes or DNA/RNA sequences for abnormalities. New tests are being developed at an accelerated pace, thus this market niche continues to expand rapidly. Genetic and molecular testing requires highly specialized equipment and credentialed individuals (typically MD or PhD level) to certify results and typically yields the highest reimbursement levels of the three market segments.

The market for cancer testing is growing rapidly. Key factors influencing this growth are: (i) cancer is primarily a disease of the elderly and now that the baby boomer generation has started to turn sixty, the U.S. is experiencing a significant increase in the number of senior citizens, (ii) the American Cancer Society estimates that one in four senior citizens will develop some form of cancer during the rest of their lifetime, and (iii) every year more and more genes are discovered to have a specific link to cancer, which then enables a genetic or molecular test to be developed. We estimate that the Company addresses a $5-6 billion total United States market opportunity, about half of which is derived from genetic and molecular testing with the other half derived from more traditional anatomic pathology testing services that are complementary to and often ordered with the genetic testing services we offer.

Our Focus

NeoGenomics' primary focus is to provide high complexity laboratory testing for community-based pathology, oncology, dermatology and urology markets in the United States and the Caribbean. We focus on community-based practitioners for two reasons: First, academic pathologists and associated clinicians tend to have their testing needs met within the confines of their university affiliation. Secondly, most of the cancer care in the United States is administered by community based practitioners due to ease of local access. We currently provide our services to pathologists and oncologists that perform bone marrow and/or peripheral blood sampling for the diagnosis of blood and lymphoid tumors (leukemias and lymphomas) and archival tissue referred for analysis of solid tumors such as breast cancer. We also serve community-based urologists by providing a FISH-based genetic test for the diagnosis of bladder cancer and early detection of recurrent disease.

The high complexity cancer testing services we offer to community-based pathologists are designed to be a natural extension of and complementary to the services that our pathologist clients perform within their own practices. Because fee-for-service pathologists derive a significant portion of their annual revenue from the interpretation of cancer biopsy specimens, they represent an important market segment to us. We believe our relationship as a non-competitive partner to the community-based pathologist empowers these pathologists to expand their testing breadth and provide a menu of services that matches or exceeds the level of service found in academic centers of excellence around the country.

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

Competitive Strengths

Turnaround Times

At NeoGenomics, we strive to provide industry leading turnaround times to our clients nationwide and to provide information so that physicians can provide their patients with the correct treatment as soon as possible.

We believe our average 4-5 day turn-around time for our cytogenetics testing services and our average 3-4 day turn-around time for FISH testing services continue to be industry-leading benchmarks for national laboratories. The consistent timeliness of results is a competitive strength in cytogenetics and FISH testing and a driver of additional testing requests by our referring physicians. Quick turn-around times for cytogenetics and FISH tests allow for the performance of other tests to augment or confirm results and improve patient care. Without rapid turnaround times, there is an increased chance that the test results will not be returned within an acceptable diagnostic window when other adjunctive diagnostic test results are required. We believe our turn-around times result in our referring physicians requesting more of our testing services and give us a significant competitive advantage in marketing our services against those of other competing laboratories.

National Direct Sales Force

NeoGenomics has assembled a strong direct sales force. Our sales representatives ("Territory Business Managers") are organized into four regions (Northeast, Southeast, Central and West). These sales representatives are trained extensively in cancer genetic testing and consultative selling skills. As of April 27, 2010, we had 23 Territory Business Managers and four Regional Managers.

Strategic Supply Agreement with Abbott Molecular

In July 2009, we entered into a Strategic Supply Agreement with Abbott Molecular, Inc, a wholly-owned subsidiary of Abbott Laboratories. Under the terms of this agreement, NeoGenomics has the rights to develop and exclusively launch three laboratory developed tests (LDTs) based on intellectual property developed and/or licensed by Abbott. We launched the first of these tests in February 2010, a FISH test for the diagnosis of melanoma, and expect to launch the second test in early 2011 and the third in 2012. In conjunction with the Strategic Supply Agreement, Abbott Laboratories purchased a 9.6% stake in NeoGenomics.

New FISH Test for Melanoma

In February 2010 we launched the first of the three tests developed pursuant to the Strategic Supply Agreement with Abbott under the trade name MelanoSITE™. MelanoSITE™ is a four probe FISH test that can be used as a diagnostic aid to traditional histopathologic evaluation in diagnosing melanoma. In conjunction with histopathology, the MelanoSITE™ test can help improve classification of melanocytic neoplasms with conflicting morphologic criteria and help insure proper follow-up. Differential diagnosis of moderate to severely atypical nevi versus true melanoma is one of the most challenging areas in dermatopathology. While most melanomas can be readily distinguished from nevi on histopathologic examination, we estimate there are about 5% of cases that are ambiguous and show conflicting morphologic criteria. Diagnostic ambiguity has significant adverse consequences for patients and the healthcare system at large. Failure to recognize melanoma is potentially fatal, but labeling a benign lesion as malignant can lead to unwarranted wide re-excisions, sentinel lymph node biopsies, adjuvant toxic therapeutic interventions and the emotional strain of facing a diagnosis of cancer. Considering the large number of biopsies done in the U.S. to either confirm or rule out melanoma, diagnostic uncertainty of this scale represents a significant challenge to the U.S. healthcare system. We believe the MelanoSITE™ test will help address this diagnostic uncertainty and help to reduce the medical costs associated with melanoma by providing a more accurate diagnosis.

The performance characteristics of the MelanoSITE™ test were established in a multicenter validation study involving over 500 cases, which resulted in a sensitivity (a measure of true positives and false negatives) of 77% and a specificity (a measure of true negatives and false positives) of 97%. Importantly, based on our study, the MelanoSITE™ test has a negative predictive value (NPV) of over 98%. This means that dermatopathologists and dermatologists can be confident that a patient with a negative test result has a very low likelihood of having melanoma. Therefore, the clinician may not need to perform a wide re-excision of the lesion, potentially scarring a patient for life, and may not need to perform a sentinel lymph node biopsy which can potentially lead to further complications such as lymphedema. We expect the marketing and selling of the MelanoSITE™ test to be a major focus of the Company during 2010.

Client Care

NeoGenomics Customer Care Specialists (“CCS”) are organized by region into territories that service not only our external clients, but also work very closely with and support our sales team. A client receives personalized assistance when dealing with their dedicated CCS because each CCS understands their clients’ specific needs. CCS’s handle everything from arranging specimen pickup to delivering the results to fulfill NeoGenomics’ objective of delivering exceptional services to our clients.

Geographic Locations

In 2009, we continued an aggressive campaign to regionalize our laboratory operations around the country to be closer to our clients. Many high complexity laboratories within the cancer testing niche have frequently operated a core facility on one or both coasts to service the needs of their customers around the country. We believe that our clients and prospects desire to do business with a laboratory with national breadth and a local presence. NeoGenomics’ has

four facilities. The Chatsworth California location is a small office laboratory for our pathologists. and we have three main laboratory locations in Fort Myers, Florida; Irvine California; and Nashville Tennessee and all facilities have the appropriate state licenses and Clinical Laboratory Improvement Act, as amended ("CLIA"), and College of American Pathologists ("CAP") accreditations and are currently receiving specimens. As situations dictate and opportunities arise, we will continue to develop and open new laboratories, linked together by our optimized Laboratory Information System ("LIS"), to better meet the regionalized needs of our clients.

Laboratory Information System

NeoGenomics has what we believe is a state of the art LIS that interconnects our locations and provides flexible reporting options to clients. This system allows us to deliver uniform test results throughout our network, regardless of where the lab that performs any specific test is located. This allows us to move specimens between locations to better balance our workload. Our LIS also allows us to offer highly specialized services to certain sub-segments of our client base. For instance, our tech-only NeoFISHTM and NeoFLOWTM applications allow our community-based pathologist clients to tailor individual reports to their own customizable report templates. This feature has been well-received by our tech-only clients.

Scientific Pipeline

The field of cancer genetics is rapidly evolving, and we are committed to developing and offering new tests to meet the needs of the market place based on the latest scientific discoveries. During 2009, in addition to the validation work performed for our exclusive Melanoma FISH test, the Company made significant strides in developing the capability to perform molecular diagnostic testing in-house. We believe that by adding additional types of tests to our product offering, we will be able to increase our testing volumes through our existing client base as well as more easily attract new clients via the ability to package our testing services more appropriately to the needs of the market. We expect to launch at least five new molecular tests in 2010.

Critical Accounting Policies

The preparation of financial statements in conformity with United States generally accepted accounting principles requires our management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. For a complete description of our significant accounting policies, see Note B to our Consolidated Financial Statements for the years ended December 31, 2009 and 2008 included herein.

Our critical accounting policies are those where we have made difficult, subjective or complex judgments in making estimates, and/or where these estimates can significantly impact our financial results under different assumptions and conditions. Our critical accounting policies are:

- Revenue Recognition
- Accounts Receivable
- Stock Based Compensation

Revenue Recognition

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

The Company’s specialized diagnostic services are performed based on a written test requisition form and revenues are recognized once the diagnostic services have been performed, the results have been delivered to the ordering physician, the payor has been identified and eligibility and insurance have been verified. These diagnostic services are billed to various payors, including Medicare, commercial insurance companies, other directly billed healthcare institutions such as hospitals and clinics, and individuals. The Company reports revenues from contracted payors, including Medicare, certain insurance companies and certain healthcare institutions, based on the contractual rate, or in the case of Medicare, published fee schedules. The Company reports revenues from non-contracted payors, including certain insurance companies and individuals, based on the amount expected to be collected. The difference between the amount billed and the amount expected to be collected from non-contracted payors is recorded as a contractual allowance to arrive at the reported 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. As a result of the economic climate in the United States, we have used shorter and more current time horizons in analyzing historical experience.

Trade Accounts Receivable and Allowance For Doubtful Accounts

We record accounts receivable net of estimated discounts, contractual allowances and allowances for bad debts. We provide for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. We estimate this allowance based on the aging of our accounts receivable and our historical collection experience for each type of payer. Receivables are charged off to the allowance account at the time they are deemed uncollectible. In the event that the actual amount of payment received differs from the previously recorded estimate of an account receivable, an adjustment to revenue is made in the current period at the time of final collection and settlement. During 2009, we recorded approximately $279,000 of net total incremental revenue from tests in which we underestimated the revenue in 2008 relative to the amounts that we ultimately received in 2009. This was approximately 0.9% of our total 2009 fiscal year revenue and 1.4% of our 2008 fiscal year revenue. During 2008, we recorded approximately $259,000 of net total incremental revenue from tests in which we underestimated the revenue in 2007 relative to the amounts that we ultimately received in 2008. This was approximately 1.3% of our total 2008 fiscal year revenue and 2.3% of our 2007 fiscal year revenue. These adjustments are not material to the Company's results of operations in any period presented. Our estimates of net revenue are subject to change based on the contractual status and payment policies of the third party payers with whom we deal. We regularly refine our estimates in order to make our estimated revenue as accurate as possible based on our most recent collection experience with each third party payer.

The following tables present the dollars and percentage of the Company's net accounts receivable from customers outstanding by aging category at December 31, 2009 and 2008. All of our receivables were pending approval by third-party payers as of the date that the receivables were recorded:

NEOGENOMICS AGING OF RECEIVABLES BY PAYOR GROUP

December 31, 2009

Payor Group	0-30	%	30-60	%	60-90	%	90-120	%	120-150	%	>150	%	To
Client	$ 210,672	4%	$ 425,731	8%	$ 437,552	8%	$ 216,692	4%	$ 52,257	1%	$ 75,884	1%	$
Commercial Insurance	581,824	11%	428,340	8%	255,488	5%	152,239	3%	96,916	2%	370,977	7%	
Medicaid	18,227	0%	13,312	0%	13,552	1%	11,423	0%	5,544	0%	26,049	0%	
Medicare	895,518	17%	107,357	2%	103,804	2%	41,780	1%	36,293	1%	256,861	5%	
Private Pay	78,842	2%	71,059	1%	39,912	1%	12,866	0%	20,809	0%	36,866	1%	
Unbilled Revenue	126,564	2%	-	0%	-	0%	-	0%	-	0%		0%	
Total	$ 1,911,647	36%	$ 1,045,799	19%	$ 850,308	17%	$ 435,000	8%	$ 211,819	4%	$ 766,637	14%	$

December 31, 2008

Payor Group	0-30	%	30-60	%	60-90	%	90-120	%	120-150	%	>150	%	Tota
Client	$ 280,002	9%	$ 189,811	6%	$ 285,126	9%	$ 176,406	5%	$ 144,897	4%	$ 26,762	1%	$ 1,
Commercial Insurance	350,009	11%	217,741	7%	137,210	4%	104,836	3%	70,959	2%	287,272	9%	1,
Medicaid	434	0%	7,312	0%	14,861	1%	12,124	0%	8,078	0%	42,145	1%	
Medicare	530,833	16%	56,334	2%	33,149	1%	12,054	0%	23,378	1%	53,993	2%	
Private Pay	25,341	1%	35,004	1%	29,354	1%	15,969	0%	13,114	0%	27,142	1%	
Unbilled Revenue	60,523	2%	-	-	-	-	-	-	-	-		-	
Total	$ 1,247,142	39%	$ 506,202	16%	$ 499,700	16%	$ 321,389	8%	$ 260,426	7%	$ 437,314	14%	$ 3,

During 2009, we decreased our accounts receivable greater than 120 days as a percentage of total accounts receivable by 3%. This decrease could have been larger but an increase in Medicare receivables greater than 150 days resulted because of delays in receiving our Medicare provider number for our Chatsworth facility from California Medicare. The licensing and inspections of this facility were completed and valid but significant delays in the processing of our application by California Medicare caused the application to become stale resulting in us having to resubmit the application several times. In January 2010 we received our provider number and we expect to be able to resubmit all previous claims and receive payment on them during the year ending December 31, 2010.

Based on a detailed analysis, we believe that our $589,000 allowance for doubtful accounts, which represents approximately 11% of our receivables balance, is adequate as of December 31, 2009. At December 31, 2008, our allowance for doubtful accounts was $359,000 or 11% of accounts receivable.

Stock Based Compensation.

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

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' requisite service periods. The Company estimates an expected forfeiture rate, which is factored into the determination of the Company's quarterly expense.

See Note B – Summary of Significant Accounting Policies - Stock-Based Compensation and Note F – Stock Based Compensation in the Notes to Consolidated Financial Statements for more information regarding the valuation of stock-based compensation.

Results of Operations for the Three Months Ended March 31, 2010 as Compared to the Three Months Ended March 31, 2009

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

	For the three months ended March 31.	
	2010	2009
NET REVENUE	100%	100%
COST OF REVENUE	52%	45%
GROSS PROFIT	48%	55%
OPERATING EXPENSES:		
General and administrative	34%	34%
Sales and marketing	21%	19%
TOTAL OPERATING EXPENSES	55%	53%
Interest (income) expense, net	2%	2%
NET INCOME (LOSS)	(9)%	0%

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

Revenues increased approximately 22%, or $1.5 million, to $8.4 million for the three months ended March 31, 2010 as compared to $6.9 million for the three months ended March 31, 2009. The revenue increase for the three months ended March 31, 2010, as compared to the comparable period in 2009, was primarily driven by increases in the number of tests performed partially offset by a decline in average revenue per test.

Test volume increased approximately 34% for the three months ended March 31, 2010. Increases in test volumes were primarily driven by the substantial increases in sales and marketing activities by the Company over the past twelve months.

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, 2010 is primarily the result of decreases in our managed care reimbursements and to a lesser extent from lower priced tests in our test type mix.

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. The Company's allowance for doubtful accounts increased 18%, or approximately $106,000 to $695,000, as compared to $589,000 at December 31, 2009. The allowance for doubtful accounts was approximately 11% of accounts receivable on March 31, 2010 and December 31, 2009.

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.

Cost of revenue increased approximately 41%, or $1.2 million, to $4.3 million for the three months ended March 31, 2010 as compared to $3.1 million for the three months ended March 31, 2009. 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. Cost of revenue as a percentage of revenue was approximately 52% for the three months ended March 31, 2010 as compared to 45% for the three months ended March 31, 2009.

Accordingly, gross margin was approximately 48% for the three months ended March 31, 2010 as compared to 55% for the three months ended March 31, 2009. This decline in gross margin is primarily the result of our largest customer at March 31, 2009 bringing in-house certain high margin tests in the second quarter of 2009 and replacing a portion of that volume with additional low margin testing. This customer represented 6% of total revenue for the three months ended March 31, 2010 compared to 18% for the comparable period in 2009.

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,		
	2010	2009	% Change
Sales and marketing	$ 1,763,000	$ 1,334,000	32%
As a % of revenue	21%	19%	

The increase in sales and marketing expenses is primarily a result of adding substantial numbers of sales and marketing personnel in 2009 to generate additional revenue growth as well as marketing costs related to our Melanoma FISH test.

We expect our sales and marketing expenses to increase 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. In addition, the provision for doubtful accounts is included in general and administrative expenses.

	For the three months ended March 31,		
	2010	2009	% Change
General and administrative	$ 2,902,000	$ 2,341,000	24%
As a % of revenue	34%	34%	

The increase in general and administrative expenses is primarily a result of adding additional management and information technology personnel and due to approximately $200,000 of additional R&D expenses incurred to develop the Melanoma FISH test.

Bad debt expense increased by approximately 7%, or $33,000, to $540,000 for the three months ended March 31, 2010 as compared to $508,000 for the three months ended March 31, 2009. Bad debt expense as a percentage of revenue for the three months ended March 31, 2010 was 6.5% as compared to 7.3% for the three months ended March 31, 2009.

The decrease in bad debt expense as a percentage of revenue is the result of improvements in our billing practices.

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 39%, or $44,000 to $159,000 for the three months ended March 31, 2010 as compared to $115,000 for the three months ended March 31, 2009. 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 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, 2010 as compared to March 31, 2009.

Net Income (Loss)

As a result of the foregoing, we reported a net loss of $750,000, or $(0.02)/share, for the three months ended March 31, 2010 as compared to a net income of $33,000, or $0.00/share, for the three months ended March 31, 2009.

Results of Operations for the year ended December 31, 2009 as compared with the year ended December 31, 2008

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

	For the year ended December 31.	
	2009	2008
NET REVENUE	100%	100%
COST OF REVENUE	48%	47%
GROSS PROFIT	52%	53%
OPERATING EXPENSES:		

General and administrative	34%	41%
Sales and marketing	24%	17%
TOTAL OPERATING EXPENSES	58%	58%
Interest (income) expense, net	2%	2%
NET INCOME (LOSS)	(8)%	(7)%

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

During the year ended December 31, 2009, our revenues increased approximately 47% to $29,469,000 from $20,015,000 during the year ended December 31, 2008. .

Test volume increased approximately 40% for the year ended December 31, 2009. Increases in test volumes were primarily driven by the substantial increases in sales and marketing activities by the Company over the past year.

For the year ended December 31, 2009, our average revenue per client requisition increased by approximately 15% to $931 from $808 in 2008. Our average revenue per test increased by approximately 5% to $645 in 2009 from $615 in 2008. Revenues per test are a function of both the type of the test and the payer.

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.

Our cost of revenue, as a percentage of gross revenue, increased from 47% for the year ended December 31, 2008 to 48% for the year ended December 31, 2009. This increase was primarily the result of the restructuring of our relationship with our largest customer and the resulting change in mix from a higher margin test to a lower margin test.

Gross Profit

As a result of the 47% increase in revenue and our 48% cost of revenue, our gross profit increased 43% to $15,215,000 for the year ended December 31, 2009, from a gross profit of $10,661,000 for the year ended December 31, 2008. When expressed as a percentage of revenue, our gross margins decreased from 53.3% for the year ended December 31, 2008 to 51.6% for the year ended December 31, 2009.

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 year ended December 31.

	2009	2008	% Change
Sales and marketing	$ 6,885,000	$ 3,367,000	105%
As a % of revenue	23%	17%	

Sales and marketing expenses increased approximately 105%, or $3,519,000 to $6,885,000 for the year ended December 31, 2009 as compared to $3,367,000 for the year ended December 31, 2008, primarily as a result of adding substantial numbers of sales and marketing personnel in 2009 to generate additional revenue growth. At December 31, 2009, we had 43 sales and marketing and customer care personnel compared with 33 sales and marketing and customer care personnel at December 31, 2008.

We expect our sales and marketing expenses to increase 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, 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. In addition, the provision for doubtful accounts is included in general and administrative expenses.

	For the year ended December 31.		
	2009	2008	% Change
General and administrative	$ 10,057,000	$ 8,179,000	23%
As a % of revenue	34%	41%	

General and administrative expenses increased approximately 23%, or $1,878,000 to $10,057,000 for the year ended December 31, 2009 as compared to $8,179,000 for the year ended December 31, 2008. The increase in general and administrative expenses is primarily a result of adding additional management, information technology, and billing personnel to support the increase in our revenue.

Bad debt expense increased by approximately 20%, or $365,000 to $2,155,000 for the year ended December 31, 2009 as compared to $1,790,000 for the year ended December 31, 2008. This increase was primarily a result of the significant increases in revenue partially offset by a decrease in bad debt as percentage of revenue. Bad debt as a percentage of revenue decreased 1.6% to 7.3% for the year ended December 31, 2009 from 8.9% of revenue for the year ended December 31, 2008. This decline was the result of managed care contracts we entered into during the year and improved performance by our billing department.

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 continue to decline as a percentage of our revenue as our case volumes increase and as we continue to develop more operating leverage in our business.

Other (Income) Expense

Other income and expense primarily represents the interest expense we incur on our borrowing arrangements (primarily comprised of interest payable on advances under our revolving credit facility with Capital Source and interest paid on capital lease obligations) offset by the interest income we earn on cash deposits. Interest expense increased from $309,000 in 2008 to $532,000 in 2009, reflecting higher borrowings, particularly related to our capital lease obligations as we acquired additional equipment to support our increasing volume of business. This increase was largely offset in 2009 because in 2008 we incurred a one-time $200,000 write down of our investment associated with a potential joint venture, as discussed in Note M to our consolidated financial statements.

Net Loss

As a result of the foregoing, our net loss increased approximately 62% from approximately ($1,383,000) or $(0.04) per share for the year ended December 31, 2008 to approximately ($2,243,000) or $(0.06) per share for the year ended December 31, 2009.

Commitments

Employment Contracts with named Executive Officers

The Company is a party to employment contracts with several of its officer's that contain commitments as described in Note G to our consolidated financial statements and detailed below is a list of all such contracts signed during 2009.

On March 16, 2009, the Company entered into an employment agreement with Douglas M. VanOort (the "Employment Agreement") to employ Mr. VanOort in the capacity of Executive Chairman and interim Chief Executive Officer. The Employment Agreement has an initial term from March 16, 2009 through March 16, 2013, which initial term automatically renews for one year periods. Mr. VanOort will receive a salary of $225,000 per year for so long as he spends not less than 2.5 days per week on the affairs of the Company. He will receive an additional $50,000 per year while serving as the Company's interim Chief Executive Officer; provided that he spends not less than 3.5 days per week on average on the affairs of the Company. Mr. VanOort is also eligible to receive an annual cash bonus based on the achievement of certain performance metrics of at least 30% of his base salary (which includes amounts payable with respect to serving as Executive Chairman and interim Chief Executive Officer). Mr. VanOort is also entitled to participate in all of the Company's employee benefit plans and any other benefit programs established for officers of the Company.

The Employment Agreement also provides that Mr. VanOort will be granted an option to purchase 1,000,000 shares of the Company's common stock under the Company's Amended and Restated Equity Incentive Plan (the "Amended Plan"). The exercise price of such option is $0.80 per share. 500,000 shares of common stock subject to the option will vest according to the following schedule (i) 200,000 shares will vest on March 16, 2010 (provided that if Mr. VanOort's employment is terminated by the Company without "cause" then the pro rata portion of such 200,000 shares up until the date of termination shall vest); (ii) 12,500 shares will vest each month beginning on April 16, 2010 until March 16, 2011; (iii) 8,000 shares will vest each month beginning on April 16, 2011 until March 16, 2012 and (iv) 4,500 shares will vest each month beginning on April 16, 2012 until March 16, 2013. 500,000 shares of common stock subject to the option will vest based on the achievement of certain performance metrics by the Company. Any unvested portion of the option described above shall vest in the event of a change of control of the Company.

Either party may terminate Mr. VanOort's employment with the Company at any time upon giving sixty days advance written notice to the other party. The Company and Mr. VanOort also entered into a Confidentiality, Non-Solicitation and Non-Compete Agreement in connection with the Employment Agreement.

On March 16, 2009, the Company and the Douglas M. VanOort Living Trust entered into a Subscription Agreement (the "Subscription Agreement") pursuant to which the Douglas M. VanOort Living Trust purchased 625,000 shares of the Company's common stock at a purchase price of $0.80 per share (the "Subscription Shares"). The Subscription Shares are subject to a two year lock-up that restricts the transfer of the Subscription Shares; provided, however, that such lock-up shall expire in the event that the Company terminates Mr. VanOort's employment. The Subscription Agreement also provides for certain piggyback registration rights with respect to the Subscription Shares.

On March 16, 2009, the Company and Mr. VanOort entered into a Warrant Agreement (the "Warrant Agreement") pursuant to which Mr. VanOort, subject to the vesting schedule described below, may purchase up to 625,000 shares of the Company's common stock at an exercise price of $1.05 per share (the "Warrant Shares"). The Warrant Shares vest based on the following vesting schedule:

(i) 20% of the Warrant Shares vest immediately,

(ii) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company's common stock has reached or exceeded $3.00 per share for 20 consecutive trading days,

(iii)

20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company's common stock has reached or exceeded $4.00 per share for 20 consecutive trading days,

(iv) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company's common stock has reached or exceeded $5.00 per share for 20 consecutive trading days and

(v) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company's common stock has reached or exceeded $6.00 per share for 20 consecutive trading days.

In the event of a change of control of the Company in which the consideration payable to each common stockholder of the Company in connection with such change of control has a deemed value of at least $4.00 per share then the Warrant Shares shall immediately vest in full. In the event that Mr. VanOort resigns his employment with the Company or the Company terminates Mr. VanOort's employment for "cause" at any time prior to the time when all Warrant Shares have vested, then the rights under the Warrant Agreement with respect to the unvested portion of the Warrant Shares as of the date of termination will immediately terminate.

On October 28, 2009, the Company appointed Mr. VanOort, to the position of Chief Executive Officer and amended and restated his employment agreement, as previously disclosed, pursuant to a Current Report on Form 8-K filed with the Securities and Exchange Commission on November 3, 2009. Mr. VanOort previously held the position of Executive Chairman and Interim Chief Executive Officer of the Company from March 16, 2009 until October 28, 2009. Mr. VanOort also serves as the Chairman of the Company's Board of Directors.

On July 22, 2009, the Company entered into an employment agreement with Grant Carlson (to employ Mr. Carlson in the capacity of Vice President Sales.. The Offer Letter provides for a four (4) year term, which is terminable upon written notice by either party. The Offer Letter also provides for an initial base salary of $200,000 per year and provides that Mr. Carlson is eligible to receive an incentive bonus targeted at 30% of his base salary based on the achievement of certain goals. Mr. Carlson is entitled to participate in all medical and other benefits that the Company has established for its employees. Mr. Carlson also is entitled to an automobile allowance of $700 per month (plus reimbursement for work-related gas expenses) and reimbursement for personal telephone and cell phone use at a rate of $250 per month. Mr. Carlson is also eligible for four (4) weeks of paid time off per year. Mr. Carlson is also eligible for up to $20,000 of relocation assistance. Mr. Carlson was granted 150,000 stock options at an exercise price of $1.34 and with a five year term so long as Mr. Carlson remains an employee of the Company. These options are scheduled to vest according to the passage of time. So long as Mr. Carlson remains employed by the Company, such option will have a five-year term and will be subject to time and performance based vesting. If Mr. Carlson resigns prior to July 6, 2010, he will forfeit the option. If the Company terminates Mr. Carlson without cause then the Company will continue to pay Mr. Carlson's base salary and maintain his employee benefits for a period of six (6) months.

On November 30, 2009, we entered into an employment agreement with George Cardoza, our Chief Financial Officer. The Employment Agreement has an initial term from November 30, 2009 through November 29, 2013, which initial term automatically renews for one year periods. The employment agreement specifies an initial base salary of $190,000/year. Mr. Cardoza is also entitled beginning with the year ended December 31, 2010 to receive cash bonuses for any given fiscal year in an amount equal to 30% of his base salary if he meets certain goals established by the CEO and approved by the board of directors. In addition, Mr. Cardoza was granted 150,000 stock options at an exercise price of $1.55 and with a five year term so long as Mr. Cardoza remains an employee of the Company. These options are scheduled to vest according to the passage of time. Mr. Cardoza's employment agreement also specifies that he is entitled to four weeks of paid vacation per year and other insurance benefits. Mr. Cardoza is also eligible for up to $20,000 of relocation assistance. In the event that Mr. Cardoza is terminated without cause by the Company, the Company has agreed to pay Mr. Cardoza's base salary and maintain his benefits for a period of six months.

On December 7, 2009, we entered into an employment agreement with Jack G. Spitz, our Vice President of Laboratory Operations. The Employment Agreement has an initial term from December 7, 2009 through December 6, 2013, which initial term automatically renews for one year periods. The employment agreement specifies an initial base salary of $210,000/year. Mr. Spitz is also entitled beginning with the year ended December 31, 2010 to receive cash bonuses for any given fiscal year in an amount equal to 30% of his base salary if he meets certain goals established by the President or CEO and approved by the board of directors. In addition, Mr. Spitz was granted 150,000 stock options at an exercise price of $1.52 and with a five year term so long as Mr. Spitz remains an employee of the Company. These options are scheduled to vest according to the passage of time. Mr. Spitz's employment agreement also specifies that he is entitled to four weeks of paid vacation per year and other insurance benefits. Mr. Spitz is also eligible for up to $35,000 of relocation assistance. In the event that Mr. Spitz is terminated without cause by the Company, the Company has agreed to pay Mr. Spitz's base salary and maintain his benefits for a period of six months.

Purchase Commitments

The Company had open purchase commitments with two vendors of laboratory equipment for approximately $500,000 of equipment at December 31, 2009. This equipment was delivered in January 2010.

Operating Commitments

The Company leases its laboratory and office facilities under non-cancelable operating leases. Please refer to Note G of the consolidated financial statements for a schedule of commitments for operating leases.

Capital Lease Obligations

The Company leases certain property and equipment under various agreements accounted for as capital lease obligations. Please refer to Note K of the consolidated financial statements for a schedule of capital lease commitments. Two lease lines were established during the fourth quarter of 2010 as below.

Wells Fargo Lease Agreement

On October 2, 2009, we and Wells Fargo Equipment Finance, Inc. ("Wells Fargo"), entered into a Master Lease Agreement (the "Wells Fargo Lease"). The Wells Fargo Lease establishes the general terms and conditions pursuant to which NeoGenomics Laboratories, Inc. may lease $750,000 in equipment. Advances under the lease line may be made for 180 days by executing supplemental schedules for each advance, which would have a 60 month term.

On October 2, 2009, we entered into Lease Supplement No. 1 of the Wells Fargo Lease for $265,200 which was funded to one vendor for lab equipment. Supplement No. 1 has a term of 60 months with monthly payments of $5,396 and a $1.00 final purchase payment at termination. Supplement No. 1 is being accounted for as a capital lease.

At December 31, 2009 there was $484,800 remaining on this capital lease line.

SunTrust Lease Agreement

On October 28, 2009, we and SunTrust Equipment Finance & Leasing Corp. ("SunTrust"), entered into an equipment lease agreement (the "SunTrust Lease"). The SunTrust Lease establishes the general terms and conditions pursuant to which the Subsidiary may lease up to $1.5 million in equipment and other property.

On November 12, 2009, we entered into Lease Schedule No. 1 of the SunTrust lease for $428,465 which was funded to several vendors for lab equipment, computer hardware and furniture and fixtures. Schedule 1 has a term of 60 months with monthly payments of $8,433 and a $1.00 final purchase payment at termination. Schedule No. 1 is being accounted for as a capital lease. As part of this schedule, we agreed to keep at least $1,000,000 in compensating cash balances with SunTrust as long as we owed any monies under the schedule. This balance is accounted for as current restricted cash as we have the ability to pay-off the schedule at any time and as a result of that we have shown the principal owed on the arrangement as a current liability.

At December 31, 2009 there was $1,071,535 available to borrow on this facility.

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, 2010 and 2009 as well as the period ending cash and cash equivalents and working capital.

	For the three months ended March 31.	
	2010	2009
Net cash provided by (used in):		
Operating activities	$ (1,564,000)	$ (331,000)
Investing activities	(114,000)	(6,000)
Financing activities	1,708,000	726,000
Net increase in cash and cash equivalents	30,000	389,000
Cash and cash equivalents, beginning of period	1,631,000	468,000

Cash and cash equivalents, end of period (1)	$ 1,661,000	$ 857,000
Working Capital (2), end of period	$ 1,766,000	$ 2,744,000

(1) This excludes restricted cash of $1.0M
(2) Defined as current assets - current liabilities.

The large increase in cash used in operations for the three months ended March 31, 2010 as compared to the comparable period in 2009 is primarily the result of loss from operations, increases in our Accounts Receivable from increased revenues, as well as the result of legislation that expired on December 31, 2009 which grandfathered the implementation of new reimbursement procedures for the technical component of Medicare tests performed for certain hospital clients (known as the "TC Grandfather" legislation). The extension of this legislation was part of the Patient Protection and Affordable Care Act, HR 3590 which was delayed and not signed by the President until late March 2010. As a result of this the Centers for Medicare and Medicaid Services ("CMS"), had asked reference laboratories to hold off on submission of the grandfather related claims and therefore we did not submit claims for approximately $750,000 until the last week of March 2010. We expect to be paid on these claims in the second quarter of 2010 and have seen significant cash collections in April related to these claims.

The increase in cash used in investing activities relates to paying more cash for capital expenditures than in the prior year.

The increase in net cash flow provided by financing activities was primarily the result of increases in funding on our Capital Source working capital facility related to the increase in Accounts Receivable as well as our operating losses. This funding was partially offset by payments on our capital lease facilities.

The following table presents a summary of our cash flows provided by (used in) operating, investing and financing activities for the year ended December 31, 2009 and 2008 as well as the period ending cash and cash equivalents and working capital.

	For the year ended December 31.	
	2009	2008
Net cash provided by (used in):		
Operating activities	$ (1,500,417)	$ (138,306)
Investing activities	(963,740)	(501,781)
Financing activities	3,627,055	897,685
Net increase in cash and cash equivalents	1,162,898	257,598
Cash and cash equivalents, beginning of period	468,171	210,573
Cash and cash equivalents, end of period	$ 1,631,069	$ 468,171
Working Capital (1), end of period	$ 2,743,903	$ (35,425)

(1) Defined as current assets less current liabilities.

During the year ended December 31, 2009, our operating activities used approximately $1,500,000 of cash compared with $138,000 of cash used in the comparable period in 2008. This increase was primarily as a result of the increase in accounts receivable in 2009 as compared with 2008. Cash used in investing activities was approximately $964,000 in 2009 compared with $502,000 in 2008, reflecting increased purchases of equipment to support our increased volume of business. In 2009, our net cash flow provided by financing activities was approximately $3,627,000 which was primarily derived from sales of our common stock and the exercise of common stock warrants. At December 31, 2009 and 2008, we had unrestricted cash and cash equivalents of approximately $1,630,000 and $468,000 respectively. We also had $1,000,000 of restricted cash at December 31, 2009.

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, which has a term of 30 months, 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, 2010, we had not drawn on any amounts under the Fusion Stock Agreement.

On February 1, 2008, we entered into a revolving credit facility with CapitalSource, which allows us to borrow up to $3,000,000 based on a formula which is tied to our eligible accounts receivable that are aged less than 150 days.

As of March 31, 2010, we had approximately $1,661,000 in cash on hand, $547,000 of availability under our credit facility, and up to $8.0 million under the Fusion Stock Agreement. As such, we believe we have adequate resources to meet our operating commitments for the next twelve months, 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.

On April 26, 2010 as described more fully in subsequent events we increased our Credit Facility to $5.0 million and we had an outstanding amount due on the Credit Facility of approximately $2.3 million and the available credit under the Credit Facility was approximately $1.7 million.

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 year. We plan to fund these expenditures with cash, through bank loan facilities, and through 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. Please see Note K to the consolidated financial statements for further detail with respect to lease financing facilities.

Subsequent Events

SunTrust Lease Agreement

On April 13, 2010, the Company entered into Lease Schedule No. 3 of the SunTrust lease for approximately $249,000 which was funded to several vendors for lab equipment and computer hardware. Schedule 3 has a term of 60 months with monthly payments of approximately $4,900 and a $1.00 final purchase payment at termination. Schedule No. 3 is being accounted for as a capital lease.

After entering into Lease Schedule No. 3 on January 19, 2010, we have approximately $533,000 available for further advances under the SunTrust Lease.

Amended and Restated Revolving Credit and Security Agreement with Capital Source Bank

On April 26, 2010, the Parent Company, NeoGenomics Laboratories, Inc., the wholly-owned subsidiary of the Parent Company ("Borrower"), and CapitalSource entered into an Amended and Restated Revolving Credit and Security Agreement (the "Amended and Restated Credit Agreement"). The Amended and Restated Credit Agreement amended and restated the Revolving Credit and Security Agreement dated February 1, 2008, as amended, among the Parent Company, Borrower and CapitalSource (the "Original Credit Agreement"). The terms of the Amended and Restated Credit Agreement and the Original Credit Agreement are substantially similar except that the Amended and Restated Credit Agreement, among other things, (i) 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) increases 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. 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 the amendment fee previously paid by the Borrower in connection with the March 26, 2010 amendment of the Original Credit Agreement towards the commitment fee).

Recent Accounting Pronouncements

The following accounting pronouncements were adopted by the Company during 2009:

On July 1, 2009, the Company adopted the provisions of ASU 2009-05, Fair Value Measurements and Disclosures (Topic 820)—Measuring Liabilities at Fair Value. It had no impact on the Company's financial condition or results of operations. Under this standard, companies determining the fair value of a liability may use the perspective of an investor that holds the related obligation as an asset. This topic addresses practice difficulties caused by the tension between fair-value measurements based on the price that would be paid to transfer a liability to a new obligor and

contractual or legal requirements that prevent such transfers from taking place. No new fair-value measurements are required by the standard.

In May 2009, the Financial Accounting Standards Board issued Topic 855, Subsequent Events. This topic addresses accounting and disclosure requirements related to subsequent events. It requires management to evaluate subsequent events through the date the financial statements are either issued or available to be issued, depending on the company's expectation of whether it will widely distribute its financial statements to its shareholders and other financial statement users. Companies are required to disclose the date through which subsequent events have been evaluated – see Note B to our consolidated financial statements.

The Company has determined that all other recently issued accounting standards will not have a material impact on its consolidated financial statements, or do not apply to its operations.

Related Party Transactions

Consulting Agreements

During 2009 and 2008, Steven C. Jones, a director of the Company, earned $199,600 and $176,300, respectively, for various consulting work performed in connection with his duties as Acting Principal Financial Officer.

During the three months ended March 31, 2010 and 2009, Steven C. Jones, a director of the Company, earned approximately $67,000 and $56,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance or Acting Principal Financial Officer.

During 2009 and 2008, George O'Leary, a director of the Company, earned $60,200 and $22,200, respectively, in cash for various consulting work performed for the Company. On January 18, 2006, Mr. O'Leary received 50,000 stock options for work performed for the benefit of the Company. The stock options had an exercise price of $0.26 per/share. On March, 15, 2007, Mr. O'Leary received 100,000 warrants for certain consulting services performed for the Company. The stock options had an exercise price of $0.26 per/share. These warrants had an exercise price of $1.49 per/share and a five year term. Half of the warrants were deemed vested on issuance and the other half vested ratably over a 24 month period. During 2009, Mr. O'Leary exercised the 100,000 warrants and the 50,000 stock options in a cash-less exercise per the terms of the agreements. The Company issued 85,030 and 42,215 shares to settle these exercises.

During the three months ended March 31, 2010 and 2009, George O'Leary, a director of the Company, earned approximately $0 and $9,500, respectively, for various consulting work performed for the Company.

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 is owned 66.7% by Dr. Michael T. Dent, a member of our Board of Directors. George O'Leary, a member of our board of directors is Chief Financial Officer of HCSS, LLC.

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. . The estimated costs for the development and migration phase are anticipated to be approximately $75,000 and are expected to be completed in April 2010. 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. During the years ended December 31, 2009 and 2008, HCSS earned approximately $87,675 and approximately $99,900, respectively, for transaction fees related to completed tests.

During 2009 eTelenext and HCSS were merged to form PathCenter, Inc. Dr. Michael T. Dent and Mr. George O'Leary have beneficial ownership of 12.2% and 4.6%, respectively of PathCenter, Inc.

For the three months ended March 31, 2010 and 2009, Path Center Inc. (eTelenext/HCSS) earned approximately $69,000 and $38,000 respectively.

Gulf Pointe Capital Lease Agreement

See Note K to our consolidated financial statements for a description of our lease facility with Gulf Pointe Capital, an entity with which three members of our Board of Directors, Steven Jones, Peter Petersen and Marvin Jaffe, are affiliated.

DESCRIPTION OF BUSINESS

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;

b) Fluorescence In-Situ Hybridization ("FISH") testing, which analyzes abnormalities at the chromosomal and gene levels;

c) flow cytometry testing, which analyzes gene expression of specific markers inside cells and on cell surfaces;

d) immunohistochemistry testing, which analyzes the distribution of tumor antigens in specific cell and tissue types, and

e) 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.

Market Opportunity

The medical testing laboratory market can be broken down into three primary segments:

- clinical lab testing,
- anatomic pathology testing, and
- genetic and molecular testing.

Clinical laboratories are typically engaged in high volume, highly automated, lower complexity tests on easily procured specimens such as blood and urine. Clinical lab tests often involve testing of a less urgent nature, for example, cholesterol testing and testing associated with routine physical exams.

Anatomic pathology ("AP") testing involves evaluation of tissue, as in surgical pathology, or cells as in cytopathology. The most widely performed AP procedures include the preparation and interpretation of pap smears, skin biopsies, and tissue biopsies.

Genetic and molecular testing typically involves analyzing chromosomes, genes or DNA/RNA sequences for abnormalities. New tests are being developed at an accelerated pace, thus this market niche continues to expand rapidly. Genetic and molecular testing requires highly specialized equipment and credentialed individuals (typically MD or PhD level) to certify results and typically yields the highest reimbursement levels of the three market segments.

The market for cancer testing is growing rapidly. Key factors influencing this growth are: (i) cancer is primarily a disease of the elderly and now that the baby boomer generation has started to turn sixty, the U.S. is experiencing a significant increase in the number of senior citizens, (ii) the American Cancer Society estimates that one in four senior

citizens will develop some form of cancer during the rest of their lifetime, and (iii) every year more and more genes are discovered to have a specific link to cancer, which then enables a genetic or molecular test to be developed. We estimate that the Company addresses a $5-6 billion total United States market opportunity, about half of which is derived from genetic and molecular testing with the other half derived from more traditional anatomic pathology testing services that are complementary to and often ordered with the genetic testing services we offer.

Our Focus

NeoGenomics' primary focus is to provide high complexity laboratory testing for community-based pathology, oncology, dermatology and urology markets in the United States and the Caribbean. We focus on community-based practitioners for two reasons: First, academic pathologists and associated clinicians tend to have their testing needs met within the confines of their university affiliation. Secondly, most of the cancer care in the United States is administered by community based practitioners due to ease of local access. We currently provide our services to pathologists and oncologists that perform bone marrow and/or peripheral blood sampling for the diagnosis of blood and lymphoid tumors (leukemias and lymphomas) and archival tissue referred for analysis of solid tumors such as breast cancer. We also serve community-based urologists by providing a FISH-based genetic test for the diagnosis of bladder cancer and early detection of recurrent disease.

The high complexity cancer testing services we offer to community-based pathologists are designed to be a natural extension of and complementary to the services that our pathologist clients perform within their own practices. Because fee-for-service pathologists derive a significant portion of their annual revenue from the interpretation of cancer biopsy specimens, they represent an important market segment to us. We believe our relationship as a non-competitive partner to the community-based pathologist empowers these pathologists to expand their testing breadth and provide a menu of services that matches or exceeds the level of service found in academic centers of excellence around the country.

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

Competitive Strengths

Turnaround Times

At NeoGenomics, we strive to provide industry leading turnaround times to our clients nationwide and to provide information so that physicians can provide their patients with the correct treatment as soon as possible.

We believe our average 4-5 day turn-around time for our cytogenetics testing services and our average 3-4 day turn-around time for FISH testing services continue to be industry-leading benchmarks for national laboratories. The consistent timeliness of results is a competitive strength in cytogenetics and FISH testing and a driver of additional testing requests by our referring physicians. Quick turn-around times for cytogenetics and FISH tests allow for the performance of other tests to augment or confirm results and improve patient care. Without rapid turnaround times, there is an increased chance that the test results will not be returned within an acceptable diagnostic window when other adjunctive diagnostic test results are required. We believe our turn-around times result in our referring physicians requesting more of our testing services and give us a significant competitive advantage in marketing our services against those of other competing laboratories.

National Direct Sales Force

NeoGenomics has assembled a strong direct sales force. Our sales representatives ("Territory Business Managers") are organized into four regions (Northeast, Southeast, Central and West). These sales representatives are trained extensively in cancer genetic testing and consultative selling skills. As of April 27, 2010, we had 23 Territory Business Managers and four Regional Managers.

Strategic Supply Agreement with Abbott Molecular

In July 2009, we entered into a Strategic Supply Agreement with Abbott Molecular, Inc, a wholly-owned subsidiary of Abbott Laboratories. Under the terms of this agreement, NeoGenomics has the rights to develop and exclusively launch three laboratory developed tests (LDTs) based on intellectual property developed and/or licensed by Abbott. We launched the first of these tests in February 2010, a FISH test for the diagnosis of melanoma, and expect to launch the second test in early 2011 and the third in 2012. In conjunction with the Strategic Supply Agreement, Abbott Laboratories purchased a 9.6% stake in NeoGenomics.

New FISH Test for Melanoma

In February 2010, we launched the first of the three tests developed pursuant to the Strategic Supply Agreement with Abbott under the trade name MelanoSITE™. MelanoSITE™ is a four probe FISH test that can be used as a diagnostic aid to traditional histopathologic evaluation in diagnosing melanoma. In conjunction with histopathology, the MelanoSITE™ test can help improve classification of melanocytic neoplasms with conflicting morphologic criteria and help insure proper follow-up. Differential diagnosis of moderate to severely atypical nevi versus true melanoma is one of the most challenging areas in dermatopathology. While most melanomas can be readily distinguished from nevi on histopathologic examination, we estimate there are about 5% of cases that are ambiguous and show conflicting morphologic criteria. Diagnostic ambiguity has significant adverse consequences for patients and the healthcare system at large. Failure to recognize melanoma is potentially fatal, but labeling a benign lesion as malignant can lead to unwarranted wide re-excisions, sentinel lymph node biopsies, adjuvant toxic therapeutic interventions and the emotional strain of facing a diagnosis of cancer. Considering the large number of biopsies done in the U.S. to either confirm or rule out melanoma, diagnostic uncertainty of this scale represents a significant challenge to the U.S. healthcare system. We believe the MelanoSITE™ test will help address this diagnostic uncertainty and help to reduce the medical costs associated with melanoma by providing a more accurate diagnosis.

The performance characteristics of the MelanoSITE™ test were established in a multicenter validation study involving over 500 cases, which resulted in a sensitivity (a measure of true positives and false negatives) of 77% and a specificity (a measure of true negatives and false positives) of 97%. Importantly, based on our study, the MelanoSITE™ test has a negative predictive value (NPV) of over 98%. This means that dermatopathologists and dermatologists can be confident that a patient with a negative test result has a very low likelihood of having melanoma. Therefore, the clinician may not need to perform a wide re-excision of the lesion, potentially scarring a patient for life, and may not need to perform a sentinel lymph node biopsy which can potentially lead to further complications such as lymphedema. We expect the marketing and selling of the MelanoSITE™ test to be a major focus of the Company during 2010.

Client Care

NeoGenomics Customer Care Specialists (“CCS”) are organized by region into territories that service not only our external clients, but also work very closely with and support our sales team. A client receives personalized assistance when dealing with their dedicated CCS because each CCS understands their clients’ specific needs. CCS’s handle everything from arranging specimen pickup to delivering the results to fulfill NeoGenomics’ objective of delivering exceptional services to our clients.

Geographic Locations

In 2009, we continued an aggressive campaign to regionalize our laboratory operations around the country to be closer to our clients. Many high complexity laboratories within the cancer testing niche have frequently operated a core facility on one or both coasts to service the needs of their customers around the country. We believe that our clients and prospects desire to do business with a laboratory with national breadth and a local presence. NeoGenomics’ has four facilities. The Chatsworth California location is a small office laboratory for our pathologists. and we have three main laboratory locations in Fort Myers, Florida; Irvine California; and Nashville Tennessee and all facilities have the appropriate state licenses and Clinical Laboratory Improvement Act, as amended (“CLIA”), and College of American Pathologists (“CAP”) accreditations and are currently receiving specimens. As situations dictate and opportunities arise, we will continue to develop and open new laboratories, linked together by our optimized Laboratory Information System (“LIS”), to better meet the regionalized needs of our clients.

Laboratory Information System

NeoGenomics has what we believe is a state of the art LIS that interconnects our locations and provides flexible reporting options to clients. This system allows us to deliver uniform test results throughout our network, regardless of where the lab that performs any specific test is located. This allows us to move specimens between locations to better balance our workload. Our LIS also allows us to offer highly specialized services to certain sub-segments of our client base. For instance, our tech-only NeoFISHTM and NeoFLOWTM applications allow our community-based pathologist clients to tailor individual reports to their own customizable report templates. This feature has been well-received by our tech-only clients.

Scientific Pipeline

The field of cancer genetics is rapidly evolving, and we are committed to developing and offering new tests to meet the needs of the market place based on the latest scientific discoveries. During 2009, in addition to the validation work performed for our exclusive Melanoma FISH test, the Company made significant strides in developing the capability to perform molecular diagnostic testing in-house. We believe that by adding additional types of tests to our product offering, we will be able to increase our testing volumes through our existing client base as well as more easily attract new clients via the ability to package our testing services more appropriately to the needs of the market. We expect to launch at least five new molecular tests in fiscal year 2010.

Competition

We operate in segments of the medical testing laboratory industry that are highly competitive. Competitive factors in the genetic and molecular testing business generally include the reputation of the laboratory, range of services offered, pricing, convenience of sample collection and pick-up, quality of analysis and reporting, medical staff, timeliness of delivery of completed reports (i.e. turnaround times) and post-reporting follow-up for clients.

Our competitors in the United States are numerous and include major medical testing laboratories. Many of these competitors have greater financial resources and production capabilities. These companies may succeed in developing service offerings that are more effective than any that we have or may develop, and may also prove to be more successful than we are in marketing such services. In addition, technological advances or different approaches developed by one or more of our competitors may render our products obsolete, less effective or uneconomical.

We estimate that the United States market for genetic and molecular testing is divided among approximately 300 laboratories. Approximately 80% of these laboratories are attached to academic institutions and primarily provide clinical services to their affiliate university hospitals. We believe that the remaining 20% is quite fragmented and that less than 20 laboratories market their services nationally. We estimate that the top 20 laboratories account for approximately 50% of market revenues for genetic and molecular testing.

We intend to continue to gain market share by offering industry-leading turnaround times, a broad service menu, high-quality test reports, bringing new tests to market, and enhanced post-test consultation services through our direct sales force. In addition, we have a fully integrated and interactive internet-enabled LIS that enables us to report real time results to clients in a secure environment.

Global Products

We offer a full set of global services to meet the needs of our clients to improve patient care. In our global service offerings, our lab performs the technical component of tests, and our M.D.s and Ph.D.'s interpret the test results for our clients (known as the professional component). This product line provides a comprehensive testing service to those clients who are not credentialed and trained in interpreting genetic and molecular tests. Global products also allow NeoGenomics to derive a higher level of reimbursement than would otherwise be possible with a tech-only test. This product also services the needs of physicians who are looking for ways to save their time.

We increased our professional level staffing for global requisitions requiring interpretation in 2008 and 2009. Importantly, in April 2008 we recruited two well-known hematopathologists to NeoGenomics at our Irvine, California laboratory location, enabling this west coast facility to become the mirror image of our main facility in Fort Myers, Florida. We currently employ four full-time MDs as our medical directors and pathologists, two PhDs as our scientific directors and cytogeneticists, and one part-time MD acting as a consultant and backup pathologist for case sign out purposes. We have plans to hire several more pathologists in 2010 as our product mix continues to expand beyond tech-only services and more sales emphasis is focused on our ability to issue consolidated reporting with case interpretation under our Genetic Pathology Solutions ("GPS") product line.

Tech-Only Products

In 2006, NeoGenomics launched what we believe was the first technical component only ("tech-only") FISH product offering in the United States. Tech-only products allow our community-based pathology clients that are properly trained and credentialed to provide services to clinicians based on established and trusted relationships. These pathologist clients perform the professional interpretation of results themselves and bill for such work under the physician fee schedule. For tech-only FISH, NeoGenomics performs the technical component of the test (specimen set-up, staining, sorting and categorization of cells, chromosomes, genes or DNA, etc) and the pathology client

performs the professional component. This allows NeoGenomics to partner with its pathology clients and provides for close collaboration in meeting market needs. Prior to the advent of tech-only products, pathologists who did not have a genetic lab would have had to send all of the work out to a reference lab. Utilizing NeoFISHTM, pathologist clients are empowered to extend the outreach efforts of their practices and exert a high level of involvement in the delivery of high quality patient care.

NeoFLOWTM tech-only flow cytometry was launched as a companion service to NeoFISHTM in late 2007. We believe the NeoFLOWTM service offering will continue to be a key growth driver for the Company in 2010. Moreover, the combination of NeoFLOWTM and NeoFISHTM strengthens and differentiates NeoGenomics and allows us to compete more favorably against larger, more entrenched competitors in our testing niche.

Sales and Marketing

We continue to grow our testing volumes and revenue due to our expanding field sales footprint. As of April 27, 2010, NeoGenomics' sales and marketing team totaled 34 individuals, including 23 Territory Business Managers (sales representatives) and four Regional Managers and six marketing and management professionals. During 2009, we made significant investments in sales and marketing personnel and we expect to realize the positive effects of those investments in 2010.

As a result of our expanding sales force, we experienced 47% year-over-year revenue growth to $29.5 million in 2009 from $20.0 million in 2008. Our average revenue/requisition increased 15% to $931 in 2009 from $808 in 2008 due to a higher mix on global products with interpretation and an increase of higher revenue flow cytometry testing as a percentage of our total revenue.

	FY 2009	FY 2008	% Increase
Client Requisitions Received (Cases)	31,638	24,780	28%
Number of Tests Performed	45,675	32,539	40%
Average Number of Tests/Requisition	1.44	1.31	10%
Total Testing Revenue	$ 29,469,000	$ 20,015,000	47%
Average Revenue/Requisition	$ 931	$ 808	15%
Average Revenue/Test	$ 645	$ 615	5%

Within the subspecialty field of hematopathology, our scientific expertise and product offering allows us to be able to perform multiple tests on each specimen received. Many physicians believe that a comprehensive approach to the diagnosis and prognosis of blood and lymph node disease to be the standard of care throughout the country. As the average number of tests performed per requisition increases, we believe this will help to generate significant synergies and efficiencies in our operations and our sales and marketing activities.

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 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 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.

Distribution Methods

The Company currently performs the vast majority of its testing services at each of its three main clinical laboratory locations: Fort Myers, Florida, Nashville, Tennessee and Irvine, California, and then produces a report for the requesting physician. We also have a facility for our California medical staff in Chatsworth, California. Services performed in-house include cytogenetics, FISH, flow cytometry, morphology, immunohistochemistry, and some molecular testing. The Company currently outsources approximately half of its molecular testing to third parties, but

expects to validate and perform the majority of this testing in-house during 2010 to better meet client demand and quality requirements.

Suppliers

The Company orders its laboratory and research supplies from large national laboratory supply companies such as Abbott Laboratories, Fisher Scientific, Invitrogen, Cardinal Health, Ventana and Beckman Coulter. Other than as discussed below, we do not believe any disruption from any one of these suppliers would have a material effect on our business. The Company orders the majority of its FISH probes from Abbott Laboratories and as a result of their dominance of that marketplace and the absence of any competitive alternatives, if there was a disruption in the supply of these probes, and we did not have inventory available, it could have a material effect on our business. This risk cannot be completely offset due to the fact that Abbott Laboratories has patent protection which limits other vendors from supplying these probes.

Dependence on Major Clients

We currently market our services to pathologists, oncologists, urologists, hospitals and other clinical laboratories. During 2009, we performed 45,675 individual tests. Ongoing sales efforts have decreased dependence on any given source of revenue. Notwithstanding this fact, one key client accounts for a disproportionately large case volume and revenue total. For the years ended December 31, 2009 and 2008, one client with multiple locations accounted for 10% and 22% respectively, of total revenue. As a result of this one customer bringing certain tests in-house, this client represented less than 5% of our fourth quarter 2009 revenue. All others were less than 5% of total revenue individually.

Payor Mix

In 2009, approximately 49% of our revenue was derived from Medicare claims, 26% from commercial insurance companies, 24% from clients such as hospitals and other reference laboratories, and 1% from all others including patients. As of December 31, 2009, Medicare and one commercial insurance provider accounted for 28% and 9% of the Company's total accounts receivable balance, respectively. There is no other significant concentration in our payor mix.

Trademarks

The "NeoGenomics" name and logo has been trademarked with the United States Patent and Trademark Office. We have also trademarked the brand names MelanoSITE and DermFISH related to our melanoma FISH test.

Number of Employees

As of December 31, 2009, we had 166 full-time equivalent employees. In addition, eight other individuals, including three pathologists and a Ph.D. cytogenetics director, serve as consultants to the Company on a regular basis. On December 31, 2008, we had 114 full-time equivalent employees and six consultants serving on a regular basis. Our employees are not represented by any union and we believe our employee relations are good.

On March 31, 2010 we had 176 full-time equivalent employees.

Government Regulation

The laboratory business is subject to extensive governmental regulation at the federal, state and local levels. The laboratories are required to be licensed by the states, certified by the federal government to participate in the Medicare and Medicaid programs, and are subject to extensive requirements as a condition of participation in various governmental health benefits programs. The failure to comply with any of the applicable federal and state laws, regulations, and reimbursement guidelines could have a material adverse effect on the Company's business. The

applicable laws and regulations, and the interpretations of them, change frequently and there can be no assurance that the Company will not be subject to audit, inquiry, or investigation with respect to some aspect of its operations. Some of the federal and state laws and regulations are described below under "Clinical Laboratory Operations," "Anti-Fraud and Abuse Laws," “The False Claims Act,” "Confidentiality of Health Information," and "Food and Drug Administration".

Clinical Laboratory Operations

Licensure and Accreditation

The Company operates clinical laboratories in Fort Myers, Florida, Nashville, Tennessee, Irvine, California and Chatsworth, California. The Chatsworth California location is a small office laboratory for our pathologists. The laboratories are licensed as required by the states in which they are located. In addition, the laboratory in Tennessee is licensed by the State of New York as it accepts clinical specimens obtained in New York. All of the NeoGenomics laboratories are certified in accordance with the Clinical Laboratories Improvement Act, as amended ("CLIA"). Under CLIA, the U.S. Department of Health and Human Services ("HHS") establishes quality standards for each category of testing performed by the laboratory. The categories of testing include waived, moderate complexity, and high complexity. NeoGenomics' laboratories are categorized as high complexity. The NeoGenomics' laboratories are also accredited by the College of American Pathologists ("CAP") and actively participate in CAP's proficiency testing programs for all tests offered by the Company. Proficiency testing programs require the participating laboratories to test specimens that they receive from the testing entity and return the results. The testing entity, conducting an approved program, analyzes the results returned and provides to the Company a quality control report assessing the results. An important component of a quality assurance program is to establish whether the laboratory's test results are accurate and valid.

The federal and state certification and licensure programs establish standards for the operation of clinical laboratories, including, but not limited to, qualifications of personnel and quality control. Compliance with such standards is verified by periodic inspections by inspectors employed by federal and state regulatory agencies and accrediting organizations. The Company's Quality Assurance team, which is comprised of representatives of all departments of the Company, also conducts routine internal surveys and requires corrective actions in response to the findings.

Quality of Care

Our mission is to improve patient care through quality cancer genetic diagnostic services. By delivering exceptional service and innovative solutions, we aspire to become America's premier cancer testing laboratory. The quality of care provided to clients and their patients is of paramount importance to us. We maintain strong quality control processes, including standard operating procedures, controls, performance measurement and reporting mechanisms. Our employees are committed to providing accurate, reliable, and consistent services at all times. Any concerns regarding the quality of testing or services provided by the Company are immediately communicated to Company management and, if necessary, the Compliance Department or Human Resources Department.

Compliance Program

The health care industry is highly regulated and scrutinized with respect to fraud, abusive billing practices, and improper financial relationships between health care companies and their referral sources. The Office of the Inspector General of HHS (the "OIG") has published compliance guidance, including the Compliance Program Guidance for Clinical Laboratories in August of 1998, and advisory opinions. The Company has implemented a Compliance Program that is overseen by the senior management of the Company. Its objective is to ensure compliance with the myriad federal and state laws, regulations and governmental guidance applicable to our business. Our program consists of training/education of employees and monitoring and auditing Company practices. The Board of Directors has formed a Compliance Committee which meets regularly to discuss all compliance-related issues that may affect the Company. The Company continuously reviews its policies and procedures as new regulations and interpretations come to light to comply with applicable regulations.

Hotline

As part of its Compliance Program, the Company provides a hotline for employees who wish to anonymously or confidentially report suspected violations of our codes of conduct, policies/procedures, or laws and regulations. Employees are strongly encouraged to report any suspected violation if they do not feel the problem can be appropriately addressed through the normal chain of command. The hotline does not replace other resources available to Employees, including supervisors, managers and human resources staff, but is an alternate channel available 24 hours a day, 365 days a year. The hotline forwards all reports to the Compliance Officer who is responsible for investigating, reporting to the Compliance Committee, and documenting the disposition of each report. The hotline forwards any calls pertaining to the financial statements or financial issues to the Chair of the Audit Committee. The Company does not allow any retaliation against an employee who reports a compliance related issue.

Anti-Fraud and Abuse Laws

The federal laws governing Medicare, Medicaid, and other federal health benefits, as well as other state and federal laws, regulate certain aspects of the relationships between health care providers, including clinical laboratories, and their referral sources, including physicians, hospitals, other laboratories, and other entities. The federal anti-kickback laws, referred to as the Medicare and Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act (the "Anti-Kickback Statute"), prohibit any knowing and willful offer, payment, solicitation or receipt of any form of remuneration, either directly or indirectly, in return for, or to induce: (i) the referral of an individual for a service for which payment may be made by Medicare and Medicaid or other federal health benefit programs; or (ii) the purchasing, leasing, ordering or arranging for, or recommending the purchase, lease or order of, any service or item for which payment may be made by Medicare, Medicaid or other federal health benefit programs. Violations of federal anti-kickback laws and regulations are punishable as a felony, by civil money penalties, and exclusion from participation in Medicare, Medicaid and other federal health benefit programs. Most states have similar laws with both criminal and civil penalties.

Because of the broad proscriptions of the Anti-Kickback Statute, subsequent federal law required the HHS to publish regulations to guide the health care community in structuring relationships that would not violate the law. The OIG published regulations outlining certain categories of relationships between health care providers and persons or entities that may have a referral relationship that would be deemed not to violate the Anti-Kickback Statute. These regulations are known as the Safe Harbor Regulations (the "Safe Harbor Regulations") because persons who enter into transactions that comply with all of the criteria for an applicable safe harbor will not be subject to prosecution under the Anti-Kickback Statute. The Safe Harbor Regulations are narrowly drafted to avoid inadvertently immunizing prohibited conduct. A relationship or transaction that does not meet all of the criteria of an applicable Safe Harbor Regulation is not deemed to be illegal. Rather it may be subject to additional scrutiny. The Company endeavors to comply with the Safe Harbor Regulations, but there can be no assurance that the Company would not be subject to investigation and, if investigated, that relationships could be found not to comply with the Safe Harbor Regulations.

Medicare Payment Guidelines

The Company has various billing arrangements with its clients and with third party payors, including the Medicare program. The Company may perform the entire test and render a professional interpretation in which case the Company would bill globally, for both the technical and professional components, either directly to the payor or to the client. Alternatively, the Company may perform the technical component of the test only and either bill the payor directly or bill the client. Client billing arrangements are priced competitively at fair market value. These client billing arrangements may implicate the prohibition of the Medicare program against charging the Medicare or Medicaid programs fees substantially in excess of the Company's usual and customary charges. These billing arrangements may also implicate the federal Stark Law and the federal and state anti-kickback statutes.

Federal law authorizes the Secretary of HHS to suspend or exclude providers from participation in the Medicare and Medicaid programs if they charge Medicare or state Medicaid programs fees "substantially in excess" of their "usual charges." The OIG has stated in commentary to various final and proposed regulations its position that this statute has limited applicability to the current Medicare reimbursement system which either mandates prospective payment or provides for services to be reimbursed based on a fee schedule. The OIG indicated, in the Federal Register of September 2, 1998, that it would expect the statutory authority to exclude providers based on a determination that their fees were substantially in excess of their usual charges would "have declining relevance within the Medicare reimbursement system." However, in the Federal Register of September 15, 2003, the OIG requested, in a Notice of Proposed Rule-Making, comments as to whether any services reimbursed under the physician fee schedule should be subject to these regulations. The OIG further stated that "[w]e note that ancillary services, such as laboratory tests and drugs, would remain subject to these regulations, even when furnished by physicians" [F.R., Vol. 68, No. 178, September 15, 2003 at 53940]

In several Advisory Opinions, the OIG has provided additional guidance regarding the possible application of this law, as well as the applicability of the anti-kickback laws to pricing arrangements. The OIG concluded in an Advisory Opinion issued in 1999 [OIG Advisory Opinion No. 99-13] that an arrangement under which a laboratory offered substantial discounts to physicians for laboratory tests billed directly to the physicians could potentially trigger the "substantially in excess" provision and might violate the anti-kickback law, because the discounts could be viewed as being provided to the physician in exchange for the physician's referral to the laboratory of non-discounted Medicare business, unless the discounts could otherwise be justified.

The Centers for Medicare and Medicaid Services promulgated, in 2008, a revision to the regulation that prohibits the mark up of purchased diagnostic services [42 C.F.R. §414.50] (the "Anti-Markup Rule"). The Anti-Markup Rule prohibits a physician or other supplier from billing for the technical or professional component of a diagnostic test that was ordered by the physician or supplier and was performed by a physician who does not share a practice with the billing physician or supplier an amount greater than the lesser of: (i) the performing supplier's net charge to the billing physician; (ii) the billing physician's actual charge; or (iii) the fee schedule amount for the test that would be allowed if the performing supplier billed directly. There has been considerable commentary and the regulation has been amended to attempt to clarify the regulation.

In light of the various federal regulations and guidance from the OIG, the Company endeavors to price its products competitively while endeavoring to meet applicable statutes and regulations.

Physician Self Referral Laws

The federal law referred to as the "Stark Law", named after Rep. Fortney "Pete" Stark, prohibits physicians who have a financial relationship with an entity from referring Medicare and Medicaid patients to that entity for the provision of designated health services unless the transaction meets an exception to the law. The Company is subject to the Stark law in that laboratory services are classified as a designated health service. The prohibited financial relationships include investment and compensation arrangements.

Some states in which the Company is engaged have enacted similar physician self-referral laws. For example, the Florida Patient Self-Referral Act of 1992, as amended, (the "Act") is similar to the Stark law, but is narrower in some respects and broader in others. Clinical laboratory services are similarly classified as a designated health service in the Act. But, the Act applies to investment interests, and, unlike the Stark Law, does not address compensation arrangements. The penalties for a violation of the Act include forfeiture of all payments received, civil money penalties, and disciplinary action by the applicable licensing board.

The Stark Law is a per se statute in that intent to violate the statute, unlike the Anti-Kickback Statute, is immaterial. A violation of the Stark Law renders any reimbursements improper and requires the provider to forfeit any funds received in violation of the Stark Law, and exposes the parties to civil and criminal penalties. The Company endeavors to structure its financial relationships in compliance with the Stark Law and with similar state physician self-referral laws.

The False Claims Act

The Federal False Claims Act prohibits any person or entity from knowingly presenting, or causing to be presented, to the U.S. government, or to a Medicare program contractor, a false or fraudulent claim for payment, or knowingly making or using a false record or statement to have a false claim paid by the government, or conspiring to defraud the U.S. government, or knowingly making or using a false statement to conceal and obligation to pay the government. A violation of the Federal False Claims Act is punishable by a civil penalty of $5,500 to $11,000 plus three times the amount of damages. Private parties may bring an action on behalf of the U.S. Government by filing a qui tam case. The private party, called a relator, is entitled to a share of the proceeds from any recovery or settlement. As most qui tam cases are filed by current or former employees, an effective compliance program plays a crucial role in reducing the Company's exposure to liability. It is also a criminal offense, under Title 18 U.S. Code, Section 287, for a person or entity to make a claim against the United States or any department or agency, knowing the claim to be false, fictitious or fraudulent. The penalty is imprisonment of not more than five years. The Federal False Claims Act has been an effective enforcement tool for the federal government. Many states have enacted similar false claims acts as well.

The Company seeks to structure its arrangements with physicians and other clients to be in compliance with the Anti-Kickback Statute, Stark Law, state laws, and the Federal False Claims Act and to stay abreast of current developments and changes in the law and regulations. However, these laws and regulations are complex and subject to interpretation. Consequently, we are unable to ascertain with certainty that any of our transactions will not be subject to scrutiny and, if scrutinized, will not result in sanctions or penalties. The Company has taken and will continue to take actions to endeavor to ensure compliance with the myriad federal and state laws that govern our business.

Confidentiality and Security of Personal Health Information

The Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA") contains provisions that protect individually identifiable health information from unauthorized use or disclosure by covered entities and their business associates. The Office of Civil Rights of HHS, the agency responsible for enforcing HIPAA, has published regulations to address the privacy (the “Privacy Rule”) and security (the “Security Rule”) of protected health information (“PHI”). The Company is a covered entity and has adopted policies and procedures to comply with the Privacy Rule and the Security Rule. The health care facilities and providers that refer specimens to the Company are also bound by HIPAA.

HIPAA also required that all providers who transmit claims for health care goods or services electronically utilize standard transaction and data sets and to standardize national provider identification codes. The Company has taken necessary steps to comply with HIPAA regulations, utilizes standard transaction data sets, and has obtained and implemented national provider identifiers, or NPIs, as the standard unique health identifier in filing and processing health care claims and other transactions.

The American Recovery and Reinvestment Act ("ARRA") recently enacted the HITECH Act which extends the scope of HIPAA to permit enforcement against business associates for a violation, establishes new requirements to notify the Office of Civil Rights of HHS of a breach of HIPAA, and allows the Attorneys General of the states to bring actions to enforce violations of HIPAA. Rules implementing various aspects of HIPAA are continuing to be developed.

In addition to the HIPAA Privacy Rule and Security Rule described above, the Company is subject to state laws regarding the handling and disclosure of patient records and patient health information. These laws vary widely. Penalties for violation include sanctions against a laboratory's licensure as well as civil or criminal penalties. Additionally, private individuals may have a right of action against the Company for a violation of a state's privacy laws. We believe we are in material compliance with current state laws regarding the confidentiality of health information and will continue to monitor and comply with new or changing state laws.

The Fair and Accurate Credit Transactions Act of 2003, enacted on Dec. 4, 2003, directed the Federal Trade Commission to implement regulations to protect consumers against identity theft. The Federal Trade Commission issued what are referred to as the "Red Flag Rules", but the effective date for enforcement has been delayed several times. The Red Flag Rules are now subject to enforcement as of June 1, 2010. Health care providers who act as a "creditor" to any of its patients with respect to a "covered account" are required to implement an identity theft protection program to safeguard patient information. A creditor includes any entity that regularly extends, renews or continues credit or which defers payment for goods or services. Since the Company routinely extends credit by billing for its services after such services are provided, the Company meets the definition of a "creditor" under the Red Flag Rules. Accordingly, the Company has developed a written program designed to identify and detect the relevant warning signs – or "red flags" – of identity theft and establish appropriate responses to prevent and mitigate identity theft in order to comply with the Red Flag Rules. We are also developing a plan to update the program, and the program will be managed by senior management staff under the policy direction of our Board of Directors. The Company intends to take such steps as necessary to determine the extent to which it may be covered by the Red Flag Rule and take such steps as necessary to comply.

History

On October 29, 1998, the Parent Company was incorporated in the State of Nevada as American Communications Enterprises, Inc. The Parent Company changed its name to Neogenomics, Inc. on December 14, 2001.

Properties

We operate a regional network of laboratories. All our facilities are leased and we believe that they are sufficient to meet our needs for the foreseeable future and that, if needed, additional space will be available at a reasonable cost. The following table summarizes our facilities by location:

Location	Purpose	Square footage
Fort Myers, Florida	Corporate headquarters and laboratory	25,700
Irvine, California	Laboratory	14,800
Chatsworth, California	Pathology Laboratory	1,200
Nashville, Tennessee	Laboratory	5,400

Legal Proceedings

On November 9, 2009, the Company was notified by the Civil Division of the U.S. Department of Justice (“DOJ”) that a “Qui Tam” Complaint (“Complaint”) had been filed under seal by a private individual against a number of health care companies, including the Company. The Complaint is an action to recover damages and civil penalties arising from alleged false or fraudulent claims and statements submitted or caused to be submitted by the defendants to Medicare. As of the date of the registration statement of which this prospectus is a part, the DOJ had not made any decision whether to join the action. The Company believes the allegations in the Complaint are without merit and intends to vigorously defend itself if required to do so.

MANAGEMENT

Officers And Directors

The following table sets forth the names, ages, and titles of each of our directors and executive officers and employees expected to make a significant contribution to us as of April 27, 2010.

Name	Age	Position
Board of Directors:		
Douglas VanOort	54	Chairman of the Board of Director's and Chief Executive Officer,
Robert P. Gasparini	55	President and Chief Science Officer, Board Member
Steven C. Jones	47	Executive Vice President of Finance, Board Member
Michael T. Dent	45	Board Member
George G. O'Leary	47	Board Member
Peter M. Peterson	53	Board Member
Marvin E. Jaffe	73	Board Member
William J. Robison	73	Board Member
Other Executives:		
George Cardoza	48	Chief Financial Officer
Jack G. Spitz	54	Vice President of Laboratory Operations
Grant Carlson	42	Vice President of Sales and Marketing
Matthew William Moore	36	Vice President of Research and Development
Jerome J. Dvonch	41	Director of Finance and Principal Accounting Officer

Family Relationships

There are no family relationships between or among the members of the Board of Directors or other executives.

Legal Proceedings

None of the members of the Board of Directors or other executives has been involved in any bankruptcy proceedings, criminal proceedings, any proceeding involving any possibility of enjoining or suspending members of our Board of Directors or other executives from engaging in any business, securities or banking activities, and have not been found to have violated, nor been accused of having violated, any federal or state securities or commodities laws.

Elections

Members of our Board of Directors are elected at the annual meeting of stockholders and hold office until their successors are elected. Our officers are appointed by the Board of Directors and serve at the pleasure of the Board and are subject to employment agreements, if any, approved and ratified by the Board.

The Company, Michael Dent, Aspen, John Elliot, Steven Jones and Larry Kuhnert are parties to the Amended and Restated Shareholders' Agreement dated March 21, 2005, as amended, that, among other provisions, gives Aspen, our largest stockholder, the right to elect three out of the eight directors authorized for our Board of Directors, and to nominate one mutually acceptable independent director. In addition, Michael Dent and the executive management of the Company has the right to elect one director for our Board of Directors, until the earlier of (i) Dr. Dent's resignation as an officer or director of the Company or (ii) the sale by Dr. Dent of 50% or more of the number of shares of our common stock that he held on March 21, 2005.

Douglas M. VanOort, – Chairman of the Board of Directors and Chief Executive Officer

Mr. VanOort has served as the Chairman of the Board of Directors and Chief Executive Officer of NeoGenomics since October 28, 2009. Prior to that he served as Chairman of the Board of Directors, Executive Chairman and Interim Chief Executive Officer from March 2009 to October 2009. He has been an Operating Partner with Summer Street Capital Partners since 2004 and a Founding Partner of Conundrum Capital Partners since 2000. From 1995 to 1999, he served as the Senior Vice President Operations for Quest Diagnostics, Incorporated. During this period Quest Diagnostics grew to approximately $1.5 billion in annual revenue through both organic growth and mergers and acquisitions. From 1982 to 1995, Mr. VanOort served in various positions at Corning Incorporated and ultimately held the position of Executive Vice President and CFO of Corning Life Sciences, Inc. In 1995, Corning spun off Corning Life Sciences, Inc. into two companies, Quest Diagnostics and Covance, Inc. Mr. VanOort serves as a member of the Board of Directors of Palladian Health, International Climbing Machines, Inc. and Bio HiTech, Inc. In addition, since 2000, Mr. VanOort has served as the Chairman, Co-Founder and Co-Owner of Vision Ace Hardware, LLC, a retail hardware chain. Mr. VanOort is a graduate of Bentley College.

Robert P. Gasparini, M.S. – President and Chief Science Officer, Board Member

Mr. Gasparini has served as the President and Chief Science Officer of NeoGenomics since January 2005. Prior to assuming the role of President and Chief Science Officer, Mr. Gasparini was a consultant to the Company beginning in May 2004. Prior to NeoGenomics, Mr. Gasparini was the Director of the Genetics Division for US Pathology Labs, Inc. ("US Labs") from January 2001 to December 2004. During this period, Mr. Gasparini started the Genetics Division for US Labs and grew annual revenues of this division to $30 million over a 30 month period. Prior to US Labs, Mr. Gasparini was the Molecular Marketing Manager for Ventana Medical Systems from 1999 to 2001. Prior to Ventana, Mr. Gasparini was the Assistant Director of the Cytogenetics Laboratory for the Prenatal Diagnostic Center from 1993 to 1998 an affiliate of Massachusetts General Hospital and part of Harvard University. While at the Prenatal Diagnostic Center, Mr. Gasparini was also an Adjunct Professor at Harvard University. Mr. Gasparini is a licensed Clinical Laboratory Director and an accomplished author in the field of Cytogenetics. He received his BS degree from The University of Connecticut in Biological Sciences and his Master of Health Science degree from Quinnipiac University in Laboratory Administration.

Steven C. Jones – Executive Vice President Finance, Board Member

Mr. Jones has served as a director since October 2003 and as Executive Vice President of Finance since November 30, 2009. Mr. Jones served as Chief Financial Officer for the Company prior to November 30, 2009. He is a Managing Director in Medical Venture Partners, LLC, a venture capital firm established in 2003 for the purpose of making investments in the healthcare industry. Mr. Jones is also the co-founder and Chairman of the Aspen Capital Group and has been President and Managing Director of Aspen Capital Advisors since January 2001. Prior to that Mr. Jones was a chief financial officer at various public and private companies and was a Vice President in the Investment Banking Group at Merrill Lynch & Co. Mr. Jones received his B.S. degree in Computer Engineering from the University of Michigan in 1985 and his MBA degree from the Wharton School of the University of Pennsylvania in 1991. He is also Chairman of the Board of T3 Communications, Inc. and serves on the Board of Directors of Disc Motion Technologies, Inc.

Michael T. Dent M.D. – Board Member

Dr. Dent is our founder and a director. Dr. Dent was our President and Chief Executive Officer from June 2001, when he founded NeoGenomics, to April 2004. From April 2004 until April 2005, Dr. Dent served as our President and Chief Medical Officer. Dr. Dent founded the Naples Women's Center in 1996 and continues his practice to this day. He received his training in Obstetrics and Gynecology at the University of Texas in Galveston. He received his M.D. degree from the University of South Carolina in Charleston, South Carolina in 1992 and a B.S. degree from Davidson College in Davidson, North Carolina in 1986. He is a member of the American Association of Cancer Researchers and a Diplomat and fellow of the American College of Obstetricians and Gynecologists. He sits on the Board of the Florida Life Science Biotech Initiative.

George G. O'Leary – Board Member

Mr. O'Leary is a director of NeoGenomics and is currently running his own consulting firm, SKS Consulting of South Florida Corp. where he consults for NeoGenomics as well as several other companies. Mr. O'Leary is also a board member of NeoMedia Technologies, Inc, and is Chairman of the Board of Directors of Isonics Corporation. He is also acting CFO for Isonics Corporation. Prior to that he was President of US Medical Consultants, LLC. Prior to assuming his duties with US Medical, he was a consultant to the Company and acting Chief Operating Officer. Prior to NeoGenomics, Mr. O'Leary was the President and CFO of Jet Partners, LLC from 2002 to 2004. During that time he grew annual revenues from $12 million to $17.5 million. Prior to Jet Partners, Mr. O'Leary was CEO and President of Communication Resources Incorporated (CRI) from 1996 to 2000. During that time he grew annual revenues from

$5 million to $40 million. Prior to CRI, Mr. O'Leary held various positions including Vice President of Operations for Cablevision Industries from 1987 to 1996. Mr. O'Leary was a CPA with Peat Marwick Mitchell from 1984 to 1987. He received his BBA in Accounting from Siena College in Albany, New York.

Peter M. Peterson – Board Member

Mr. Peterson is a director of NeoGenomics and is the founder of Aspen Capital Partners, LLC which specializes in capital formation, mergers & acquisitions, divestitures, and new business start-ups. Prior to forming Aspen Capital Partners, Mr. Peterson was Managing Director of Investment Banking with H. C. Wainwright & Co. Prior to Wainwright, Mr. Peterson was president of First American Holdings and Managing Director of Investment Banking. Prior to First American, he served in various investment banking roles and was the co-founder of ARM Financial Corporation. Mr. Peterson was one of the key individuals responsible for taking ARM Financial public on the OTC market and the American Stock Exchange. Under Mr. Peterson's financial leadership, ARM Financial Corporation was transformed from a diversified holding company into a national clinical laboratory company with 14 clinical laboratories and ancillary services with over $100 million in assets. He has also served as an officer or director for a variety of other companies, both public and private. Mr. Peterson earned a Bachelor of Science degree in Business Administration from the University of Florida.

Marvin E. Jaffe, MD – Board Member

Dr. Jaffe, who is retired, spent his entire working career in the pharmaceutical industry and has been responsible for the pre-clinical and clinical development of new drugs and biologics in nearly every therapeutic area. He began his career at Merck & Co and spent 18 years with Merck, rising to the position of Senior Vice-President of Medical Affairs. After leaving Merck, Dr. Jaffe became the founding President of the R.W. Johnson Pharmaceutical Research Institute (PRI), a Johnson & Johnson Company. PRI was established for the purpose of providing globally integrated research and development support to several companies within the J&J pharmaceutical sector. Dr. Jaffe retired from Johnson & Johnson in 1994 and currently serves as a consultant and board member to the biopharmaceutical and biotechnology industries. He was on the Board of Immunomedics, Inc., and on the Boards of Genetic Therapy, Inc., Vernalis Group, plc., Celltech Group, plc. and Matrix Pharmaceuticals which were acquired by other companies. He is on the Scientific Advi