NEOGENOMICS INC
Form 10-Q
May 04, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010.

or

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

For the transition period from _____ to _____

Commission File Number: 333-72097

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

Nevada	74-2897368
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12701 Commonwealth Drive, Suite 9, Fort Myers, Florida	33913
(Address of principal executive offices)	(Zip Code)

(239) 768-0600

(Registrant's telephone number, including area code)

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

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

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

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

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

As of April 29, 2010, the registrant had 37,278,667 shares of Common Stock, par value $0.001 per share outstanding.

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FORWARD-LOOKING STATEMENTS

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

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

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2010 (unaudited)	December 31, 2009
ASSETS		
CURRENT 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 AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts 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, $.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	37	37

31, 2009, respectively)				
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

See notes to unaudited condensed consolidated financial statements.

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

	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
INTEREST INCOME (EXPENSE) - NET	(159)	(115)
NET INCOME (LOSS)	$ (750)	$ 33
NET INCOME (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

See notes to unaudited condensed consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (750)	$ 33
Adjustments to reconcile net income (loss) to net cash used in provided by operating activities:		
Provision for bad debts	540	508
Depreciation	415	237
Amortization of debt issue costs	18	13
Stock-based compensation	109	58
Non-cash consulting expenses	19	20
Changes in assets and liabilities, net:		
(Increase) decrease in accounts receivable, net of write-offs	(1,401)	(1,550)
(Increase) decrease in inventories	20	(86)
(Increase) decrease in prepaid expenses	122	(28)
(Increase) decrease in deposits	-	(8)
Increase (decrease) in accounts payable and other liabilities	(656)	472
NET CASH USED IN OPERATING ACTIVITIES	(1,564)	(331)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(114)	(6)
NET CASH USED IN INVESTING ACTIVITIES	(114)	(6)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital lease obligations	25	97
Advances on credit facility	1,901	272
Repayment of capital leases	(300)	(138)
Issuance of common stock and warrants for cash, net of transaction expenses	82	495
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,708	726
NET INCREASE IN CASH AND CASH EQUIVALENTS	30	389
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,631	468
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,661	$ 857
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 144	$ 100
Income taxes paid	$ —	$ —
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Equipment leased under capital leases	$ 746	$ 179
Equipment purchased and payables settled with issuance of restricted common stock	$ -	$ 186

See notes to unaudited condensed consolidated financial statements.

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NEOGENOMICS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2010

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

Nature of Business

NeoGenomics, Inc., a Nevada corporation (the "Parent"), and its subsidiary, NeoGenomics Laboratories, Inc. (formerly known as NeoGenomics, Inc.), a Florida corporation ("NEO", "NeoGenomics Laboratories" or the "Subsidiary") (collectively referred to as "we", "us", "our", "NeoGenomics", or the "Company"), operates as a certified "high comple clinical laboratory in accordance with the federal government's Clinical Laboratory Improvement Amendments of 1988 ("CLIA"), and is dedicated to the delivery of clinical diagnostic services to pathologists, oncologists, urologists, hospitals, and other laboratories throughout the United States.

Basis of Presentation

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

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

The interim condensed consolidated financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. Therefore, the interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's annual report.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and these notes to the condensed consolidated financial statements. The most significant estimates in the Company's condensed consolidated financial statements relate to revenue recognition, allowance for doubtful accounts and stock-based compensation. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenues in accordance with the Securities and Exchange Commission's (the "Commission") Staff Accounting Bulletin Topic 13.A.1 (ASC 605-10-S99-1)No. 104, "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.

Accounts Receivable and Allowance for Doubtful Accounts

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

Stock-Based Compensation

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

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

Net Income (Loss) Per Common Share

We compute net income (loss) per share in accordance with ASC 260, Earnings per Share ("ASC 260"). Under the provisions of ASC 260, basic net income (loss) per share is computed by dividing the net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and common equivalent shares outstanding, using the treasury stock method, during the period. Equivalent shares consist of employee stock options and certain warrants issued to consultants and other providers of financing to the Company that are in-the-money based on the weighted average closing share price for the period. Under the treasury stock method, the number of in-the-money shares that are considered outstanding for this calculation is reduced by the number of common shares that theoretically could have been re-purchased by the Company with the aggregate exercise proceeds of such warrant and option exercises if such shares were re-purchased at the average market price for the period.

There were no common equivalent shares included in the calculation of diluted earnings per share for the three month period ended March 31, 2010 because the Company had a net loss for such period and therefore such common equivalent shares were anti-dilutive. Common equivalent shares outstanding as of March 31, 2009 using the treasury stock method includes approximately 2.63 million equivalent shares for unexercised warrants and approximately 827,000 shares for unexercised stock options, and these were included in the earnings per share calculation for the three months ended March 31, 2009.

NOTE B — REVOLVING CREDIT AND SECURITY AGREEMENT

On February 1, 2008, our subsidiary, NeoGenomics Laboratories, Inc., a Florida corporation ("Borrower"), entered into a Revolving Credit and Security Agreement (the "Credit Facility" or "Credit Agreement") with CapitalSource, the terms of which provide for borrowings based on eligible accounts receivable up to a maximum borrowing of $3.0 million, as defined in the Credit Agreement. Subject to the provisions of the Credit Agreement, CapitalSource shall make advances to us from time to time during the three year term, and the Credit Facility may be drawn, repaid and redrawn from time to time as permitted under the Credit Agreement.

Interest on outstanding advances under the Credit Facility are payable monthly in arrears on the first day of each calendar month at an annual rate based on the one-month LIBOR plus 3.25%, subject to a LIBOR floor of 3.14%. At March 31, 2010, the effective rate of interest was 6.39%.

To secure the payment and performance in full of the Obligations (as defined in the Credit Agreement), we granted CapitalSource a continuing security interest in and lien upon, all of our rights, title and interest in and to our Accounts (as defined in the Credit Agreement), which primarily consist of accounts receivable and cash balances held in lock box accounts. Furthermore, pursuant to the Credit Agreement, the Parent guaranteed the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all of the Obligations. The Parent guaranty is a continuing guarantee and shall remain in force and effect until the indefeasible cash payment in full of the Guaranteed Obligations (as defined in the Credit Agreement) and all other amounts payable under the Credit Agreement are made.

On November 3, 2008, the Company and CapitalSource signed a first amendment to the Credit Agreement. This amendment increased the amount allowable under the Credit Agreement to pay towards the settlement of the US Labs lawsuit to $250,000 from $100,000 and documented other administrative agreements between NeoGenomics and CapitalSource.

On April 14, 2009, the Parent Company, NeoGenomics Laboratories, Inc. (the wholly owned subsidiary of the Parent Company) ("Borrower") and CapitalSource (as agent for CapitalSource Bank) entered into a Second Amendment to Revolving Credit and Security Agreement (the "Second Amendment"). The Second Amendment, among other things, amends that certain Revolving Credit and Security Agreement dated February 1, 2008 as amended by that certain First Amendment to Revolving Credit and Security Agreement dated November 3, 2008 (as amended, the "Loan Agreement") to (i) provide that through December 31, 2009, the Borrower must maintain Minimum Liquidity (as defined in the Loan Agreement) of not less than $500,000, (ii) amend the definitions of "Fixed Charge Coverage Ratio" and "Fixed Charges", (iii) amend the definition of "Permitted Indebtedness" to increase the amount of permitted capitalized lease obligations and indebtedness incurred to purchase goods secured by certain purchase money liens and (iv) amend and update certain representations, warranties and schedules. In addition, pursuant to the Second Amendment, CapitalSource waived the following events of default under the Loan Agreement: (i) the failure of the Borrower to comply with the fixed charge coverage ratio covenant for the test period ending December 31, 2008, (ii) the failure of the Borrower to notify CapitalSource of the change of Borrower's name to NeoGenomics Laboratories, Inc. and to obtain CapitalSource's prior consent to the related amendment to Borrower's Articles of Incorporation, (iii) the failure of the Parent Company and the Borrower to obtain CapitalSource's prior written consent to the amendment of the Parent Company's bylaws to allow for the size of the Parent Company's Board of Directors to be increased to eight members and (iv) the failure of the Borrower to notify CapitalSource of the filing of an immaterial complaint by the Borrower against a former employee of the Borrower. The Company paid CapitalSource Bank a $25,000 amendment fee in connection with the Second Amendment.

On March 26, 2010, we entered into an amendment (the "Third Amendment") to the credit facility agreement with CapitalSource for which we paid CapitalSource an amendment fee of $25,000 which was creditable against the commitment fee for our amended and restated Credit Agreeement signed on April 26, 2010. The Third Amendment

waived events of default relating to our failure to comply with the Fixed Charge Coverage Ratio for the Test Periods ended January 31, 2010 and February 28, 2010. The Third Amendment also revised the Fixed Charge Coverage Ratio calculation for the Test Period ending March 31, 2010 to permit us to add amounts of unrestricted cash, unrestricted cash equivalents and unused availability to Adjusted EBITDA for purposes of the test. For each monthly Test Period after March 31, 2010, the calculation of the Fixed Charge Coverage Ratio will revert to Adjusted EBITDA, without adjustment for such amounts. We were in compliance with our covenants for the period ended March 31, 2010.

On March 31, 2010, we had an outstanding amount due on the Credit Facility of approximately $2,450,000 and the available credit under the Credit Facility was approximately $550,000.

On April 26, 2010 as described more fully in Note F 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.

NOTE C — COMMON STOCK PURCHASE AGREEMENT

On November 5, 2008, we entered into a common stock purchase agreement (the "Stock Agreement") with Fusion Capital Fund II, LLC 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. In consideration for entering into this Stock Agreement, on October 10, 2008, we issued to Fusion 17,500 shares of our common stock (valued at $14,700 on the date of issuance) and paid $17,500 as a due diligence expense reimbursement. In addition, on November 5, 2008, we issued to Fusion 400,000 shares of our common stock (valued at $288,000 on the date of issuance) as a commitment fee. Concurrently with entering into the Stock Agreement, we entered into a registration rights agreement with Fusion. Under the registration rights agreement, we agreed to file a registration statement with the SEC covering the 417,500 shares that have already been issued to Fusion and at least 3.0 million shares that may be issued to Fusion under the Stock Agreement. Presently, we expect to sell no more than the initial 3.0 million shares to Fusion during the term of this Stock Agreement. The Company filed a registration statement on Form S-1 on November 28, 2008 and on February 5, 2009 the registration statement became effective and on April 28, 2009, we filed Post Effective Amendment No 1 to the registration statement which became effective on May 8, 2009.

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

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

NOTE D — CAPITAL LEASE TRANSACTIONS

Wells Fargo Lease Agreement

On January 14, 2010, we entered into Lease Supplement No. 2 for $424,000 which was used to acquire laboratory equipment. Supplement No. 2, which was accounted for as a capital lease, has a term of 60 months with monthly payments of $8,628 and a $1 final purchase payment at termination.

After entering into Supplement No. 2 on January 14, 2010, we have approximately $61,000 available for further advances under the Wells Fargo Lease.

SunTrust Lease Agreement

On January 19, 2010, we entered into Lease Schedule No. 2 for $290,000 which was used to fund laboratory equipment and furniture and fixtures. Schedule 2, which was accounted for as a capital lease, has a term of 60 months with monthly payments of $5,704 and a $1 final purchase payment at termination.

NOTE E — RELATED PARTY TRANSACTIONS

Consulting Agreements

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 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 May 2010. This agreement has an initial term of five years from the date of acceptance and calls for monthly fees of $8,000-$12,000 during the term.

During 2010, 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, eTelenext/HCSS earned approximately $69,000 and $38,000 respectively.

Gulf Pointe Capital Lease Agreement

On September 30, 2008, the Company entered into a master lease agreement (the "Master Lease") with Gulf Pointe Capital, LLC ("Gulf Pointe") which allows us to obtain lease capital from time to time up to an aggregate of $130,000 of lease financing. The terms under this lease are consistent with the terms of our other lease arrangements. Three members of our Board of Directors Steven Jones, Peter Petersen and Marvin Jaffe, are affiliated with Gulf Pointe and recused themselves from both sides of all negotiations concerning this transaction. In consideration for entering into the Master Lease with Gulf Pointe, the Company issued a warrant to purchase 32,475 shares of common stock to Gulf Pointe with an exercise price of $1.08 per share and a five year term. Such warrant vests 25% on issuance and then on a pro rata basis as amounts are drawn under the Master Lease. The warrant was valued at approximately $11,000 using the Black-Scholes option pricing model, and the warrant cost is being expensed as it vests. At the end of the term of any lease schedule under the Master Lease, the Company's options are as follows: (a) purchase not less than all of the equipment for its then fair market value not to exceed 15% of the original equipment cost, (b) extend the lease term for a minimum of six months, or (c) return not less than all the equipment at the conclusion of the lease term. On September 30, 2008, we also entered into the first lease schedule under the Master Lease which provided for the sale/leaseback of approximately $130,000 of used laboratory equipment ("Lease Schedule No. 1"). Lease Schedule No. 1 has a 30 month term and a lease rate factor of 0.0397/month, which equates to monthly payments of $5,155 during the term.

On February 9, 2009, we amended our Master Lease with Gulf Pointe to increase the maximum size of the facility to $250,000. As part of this amendment, we terminated the original warrant agreement, dated September 30, 2008, and replaced it with a new warrant to purchase 83,333 shares of our common stock. Such new warrant has a five year term, an exercise price of $0.75 per share and the same vesting schedule as the original warrant. The replacement warrant was valued using the Black-Scholes option pricing model and the value did not materially differ from the valuation of the original warrant it replaced. On February 9, 2009, we also entered into a second schedule under the Master Lease for the sale/leaseback of approximately $118,000 of used laboratory equipment ("Lease Schedule No. 2").

Lease Schedule No. 2 has a 30 month term at the same lease rate factor per month as Lease Schedule No. 1, which equates to monthly payments of $4,690 during the term.

NOTE F — 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).

END OF FINANCIAL STATEMENTS.

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

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

Introduction

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

Overview

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

a) cytogenetics testing, which analyzes human chromosomes;

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.

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.

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.

Seasonality

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

Critical Accounting Policies

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

While many operational aspects of our business are subject to complex federal, state and local regulations, the accounting for our business is generally straightforward with net revenues primarily recognized upon completion of the testing process. Our revenues are primarily comprised of laboratory tests, and approximately one-half of total operating costs and expenses consist of employee compensation and benefits. Due to the nature of our business, several of our accounting policies involve significant estimates and judgments. These accounting policies have been described in our Annual Report on Form 10-K for the year ended December 31, 2009, and there have been no material changes in the three months ended March 31, 2010.

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.

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.

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.

Capital Expenditures

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

Related Party Transactions

Consulting Agreements

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 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 May 2010. This agreement has an initial term of five years from the date of acceptance and calls for monthly fees of $8,000-$12,000 during the term.

During 2010, 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, eTelenext/HCSS earned approximately $69,000 and $38,000 respectively.

Gulf Pointe Capital Lease Agreement

On September 30, 2008, the Company entered into a master lease agreement (the "Master Lease") with Gulf Pointe Capital, LLC ("Gulf Pointe") which allows us to obtain lease capital from time to time up to an aggregate of $130,000 of lease financing. The terms under this lease are consistent with the terms of our other lease arrangements. Three members of our Board of Directors Steven Jones, Peter Petersen and Marvin Jaffe, are affiliated with Gulf Pointe and recused themselves from both sides of all negotiations concerning this transaction. In consideration for entering into the Master Lease with Gulf Pointe, the Company issued a warrant to purchase 32,475 shares of common stock to Gulf Pointe with an exercise price of $1.08 per share and a five year term. Such warrant vests 25% on issuance and then on a pro rata basis as amounts are drawn under the Master Lease. The warrant was valued at approximately $11,000 using the Black-Scholes option pricing model, and the warrant cost is being expensed as it vests. At the end of the term of any lease schedule under the Master Lease, the Company's options are as follows: (a) purchase not less than all of the equipment for its then fair market value not to exceed 15% of the original equipment cost, (b) extend the lease term for a minimum of six months, or (c) return not less than all the equipment at the conclusion of the lease term. On September 30, 2008, we also entered into the first lease schedule under the Master Lease which provided for the sale/leaseback of approximately $130,000 of used laboratory equipment ("Lease Schedule No. 1"). Lease Schedule No. 1 has a 30 month term and a lease rate factor of 0.0397/month, which equates to monthly payments of $5,155 during the term.

On February 9, 2009, we amended our Master Lease with Gulf Pointe to increase the maximum size of the facility to $250,000. As part of this amendment, we terminated the original warrant agreement, dated September 30, 2008, and replaced it with a new warrant to purchase 83,333 shares of our common stock. Such new warrant has a five year term, an exercise price of $0.75 per share and the same vesting schedule as the original warrant. The replacement warrant was valued using the Black-Scholes option pricing model and the value did not materially differ from the valuation of the original warrant it replaced. On February 9, 2009, we also entered into a second schedule under the Master Lease for the sale/leaseback of approximately $118,000 of used laboratory equipment ("Lease Schedule No. 2"). Lease Schedule No. 2 has a 30 month term at the same lease rate factor per month as Lease Schedule No. 1, which equates to monthly payments of $4,690 during the term.

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).

ITEM 3 — Quantitative and Qualitative Disclosures About Market Risk

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

ITEM 4 — Controls and Procedures

Not applicable.

ITEM 4T — Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer, principal financial officer, and principal accounting officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

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. The DOJ has 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.

ITEM 1A — RISK FACTORS

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

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

Not Applicable

ITEM 3 — DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4 — REMOVED AND RESERVED

None

ITEM 5 — OTHER INFORMATION

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).

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ITEM 6 — EXHIBITS

EXHIBIT NO.	DESCRIPTION
10.44	Amended and Restated Revolving Credit and Security Agreement dated April 26, 2010 between NeoGenomics Laboratories, Inc., NeoGenomics, Inc., and CapitalSource Finance LLC
10.45	Consulting Agreement dated May 3, 2010 between NeoGenomics, Inc. and Steven C. Jones.
10.46	Warrant Agreement dated May 3, 2010 between NeoGenomics, Inc. and Steven C. Jones.
31.1	Certification by Principal Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by Principal Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	Certification by Principal Accounting Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

Date: May 4, 2010

NEOGENOMICS, INC.

By:	/s/ Douglas M. VanOort	
	Name:	Douglas M. VanOort
	Title:	Chairman and Chief Executive Officer
By:	/s/ George Cardoza	
	Name:	George Cardoza
	Title:	Chief Financial Officer
By:	/s/ Jerome J. Dvonch	
	Name:	Jerome J. Dvonch
	Title:	Director of Finance and Principal Accounting Officer