NEOGENOMICS INC
Form POS AM
April 28, 2009
As filed with the U.S. Securities and Exchange Commission on April 28 , 2009

Registration No. 333-155784

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

POST EFFECTIVE
AMENDMENT NO. 1
TO
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

NeoGenomics, Inc.
(Name of Registrant in Our Charter)

| Nevada | | 74-2897368 |
|---|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | | (I.R.S. Employer Identification No.) |
| 12701 Commonwealth Drive, Suite 9<br>Fort Myers, Florida 33913<br>(239) 768-0600<br>(Address and Telephone Number of Principal Executive Offices and Principal Place of Business) | 8731<br>(Primary Standard Industrial Classification Code Number) | Robert P. Gasparini<br>12701 Commonwealth Drive, Suite 9<br>Fort Myers, Florida 33913<br>(239) 768-0600<br>(Name, Address and Telephone Number of Agent for Service) |

With copies to:
Clayton E. Parker, Esq.
Mark E. Fleisher, Esq.
K&L Gates, LLP
200 S. Biscayne Boulevard, Suite 3900
Miami, Florida 33131
Telephone: (305) 539-3300
Facsimile: (305) 358-7095

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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 o | Accelerated filer o |
| Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company x |

EXPLANATORY NOTE

The Registrant's Registration Statement on Form S-1 (File No. 333-155784) originally filed with the Securities and Exchange Commission on November 28, 2008 was declared effective on February 5, 2009 (the "Original Registration Statement"). The Registrant is filing this Post-Effective Amendment No. 1 to the Original Registration Statement in order to update the Original Registration Statement to include, among other things, the Registrant's consolidated financial statements for the fiscal year ended December 31, 2008 and other updated information about the Registrant.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED APRIL 28, 2009 .

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS
NEOGENOMICS, INC.
6,500,000 Shares of Common Stock

This prospectus relates to the sale of up to 6,500,000 shares of the common stock, par value $0.001 per share, of NeoGenomics, Inc., a Nevada corporation, by the selling stockholders named in this prospectus in the section “Selling Stockholders”. In this prospectus we refer to NeoGenomics, Inc., a Nevada corporation, individually as the “Parent Company” and collectively with all of its subsidiaries as "Company," "we," "us," "our" and "NeoGenomics".

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. The prices at which the selling stockholders may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions.

Our common stock is quoted on the Over-The-Counter Bulletin Board under the symbol “NGNM.OB”. On April 17, 2009, the last reported sale price of our common stock on the Over-The-Counter Bulletin Board was $1.00 per share.

One of the selling stockholders, Fusion Capital Fund II, LLC, is an "underwriter" within the meaning of the Securities Act of 1933, as amended (the “Securities Act”).

These securities are speculative and involve a high degree of risk. Please refer to “Risk Factors” beginning on page 10 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.

The date of this prospectus is _____, 2009.

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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.

Our Company

NeoGenomics operates a network of cancer-focused testing laboratories whose mission is to provide high quality testing services to pathologists, oncologists, urologists, hospitals, and other laboratories throughout the United States under the mantra "When time matters and results count". 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 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 and urology markets in the United States. 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. Since 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 TM") report summarizes all relevant case data on one page.

Competitive Strengths

Turnaround Times

At NeoGenomics we strive to provide industry leading turnaround times to our clients nationwide and to provide information so that patients can get the correct treatment quickly.

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 three regions (Northeast, Southeast and West). These sales representatives are trained extensively in cancer genetic testing and consultative selling skills. As of March 31, 2009, we had 17 Territory Business Managers and three Regional Managers.

Client Care

NeoGenomics Client 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 2008, 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' three laboratory locations in Fort Myers, Florida; Irvine, California; and Nashville Tennessee each have the appropriate state, Clinical Laboratory Improvement Act, as amended ("CLIA"), and College of American Pathologists ("CAP") licenses and 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 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 extremely 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 2008, the Company made significant strides in broadening our product line-up by developing the capability to perform molecular diagnostic testing and immunohistochemistry 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.

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, 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 and biotechnology research companies. 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, 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. 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.

We increased our professional level staffing for global requisitions requiring interpretation in 2008. 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 three 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 2009 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 GPSTM product line.

Tech-Only Products

In 2006, NeoGenomics launched a technical component only ("tech-only") FISH product offering. 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. While not a first to market product line for NeoGenomics, the additional service offering allowed our flow cytometry testing services to be the fastest growing segment of our business in 2008. We believe the NeoFLOWTM service offering will continue to be a key growth driver for the Company in 2009. 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.

Contract Research Organization

Our Contract Research Organization ("CRO") division, based at our Irvine, California facility, was formed in 2007. This division was created to take advantage of our core competencies in genetic and molecular high complexity testing and act as a vehicle to compete for research projects and clinical trial support contracts in the biotechnology and pharmaceutical industries. This division also handles all of our internal research and development and acts as a conduit for the validation of new tests that are developed for our clients. We believe our CRO will allow us to infuse some intellectual property into our mix of our services and help us to create a more "vertically integrated" laboratory that can offer proprietary tests and other product extensions over time. 2008 saw the NeoGenomics' CRO division continue to ramp up. Although CRO revenue in 2008 was modest as a percentage of our total revenue, we believe our CRO will continue to grow in size and scope and it is an important component of our overall business.

Response Genetics

In October 2008, NeoGenomics signed an agreement with Response Genetics, Inc. (NASDAQ: RGDX) to distribute their proprietary molecular tests nationwide. This agreement named NeoGenomics as the exclusive national reference laboratory authorized to offer these predictive tests that can help medical oncologists make optimal treatment decisions for patients with non-small cell lung cancer ("NSCLC") and colorectal cancer ("CRC"). This partnership continues to benefit both companies and has allowed NeoGenomics to establish new accounts, further differentiate our services, and increase our footprint in the expanding field of molecular cancer genetics.

Sales and Marketing

We continue to grow our testing volumes and revenue due to our expanding field sales footprint. As of March 31, 2009, NeoGenomics' sales and marketing team totaled 28 individuals, including 17 Territory Business Managers (sales representatives), 3 Regional Managers, 5 marketing, and 3 senior level positions. This is up from 16 sales and marketing representatives as of March 31, 2008. As of March 31, 2007, NeoGenomics' sales organization totaled nine individuals. Key hires in 2008 included territory business managers in the Northeastern, Southeastern, and Western states, with a disproportionally higher number hired in the Western states as the Company continues to scale our Irvine, California based operations to handle higher testing volumes. We intend to continue to add additional sales and marketing personnel throughout FY 2009. As more sales representatives are added, we believe that the base of our business outside of Florida will continue to grow and ultimately eclipse that generated within the state of Florida, which historically has been our largest market.

As a result of our expanding sales force, we experienced 74% year-over-year revenue growth to $20.0M in 2008 from $11.5M in 2007. Our average revenue/requisition increased 15% to $808 in 2008 from $702 in 2007 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 2008 | FY 2007 | % Increase |
|---|---|---|---|
| Client Requisitions Received (Cases) | 24,780 | 16,385 | 51.2% |

| | | | |
|---|---|---|---|
| Number of Tests Performed | 32,539 | 20,998 | 55.0% |
| Average Number of Tests/Requisition | 1.31 | 1.28 | 2.3% |
| | | | |
| Total Testing Revenue | $ 20,015,319 | $ 11,504,725 | 74.0% |
| Average Revenue/Requisition | $ 808 | $ 702 | 15.0% |
| Average Revenue/Test | $ 615 | $ 548 | 12.2% |

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 cancer testing markets in general are seasonal and "same customer sales" tend to decline somewhat in the summer months as referring physicians are vacationing. In Florida, this seasonality is further exacerbated because a meaningful percentage of the population returns to homes in the Northern U.S. to avoid the hot summer months. Although, we have made great strides in diversifying our business on a national basis over the last few years, our revenue derived from the state of Florida still represented about 43% of our total revenue in 2008. As a result, our test volumes and sequential growth rates during the second and third quarter of each year have historically been impacted by these seasonality factors.

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. 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 2009 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 its 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 2008, we performed 32,539 individual tests. Ongoing sales efforts have decreased dependence on any given source of revenue. Notwithstanding this fact, one key client still accounts for a disproportionately large case volume and revenue total. For the years ended December 31, 2008 and 2007, one client with multiple locations accounted for 22% and 25% respectively, of total revenue. All others were less than 5% of total revenue individually. In the event that we lost this client, the Company would potentially lose a significant percentage of revenues.

Payor Mix

In 2008, approximately 47% of our revenue was derived from Medicare claims, 28% from commercial insurance companies, 21% from clients such as hospitals and other reference laboratories, and 4% from all others including patients. As of December 31, 2008, Medicare and one commercial insurance provider accounted for 22% and 14% of the Company's total accounts receivable balance, respectively. There is no other significant concentration in our payor mix.

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 offer and sale of up to 6,500,000 shares of our common stock by the selling stockholders described below.

Fusion Capital

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"), and a Registration Rights Agreement (the "Registration Rights Agreement"). Under the Purchase Agreement, Fusion Capital is obligated, under certain conditions, to purchase shares from us in an aggregate amount of $8.0 million from time to time over a thirty (30) month period. Under the terms of the Purchase Agreement, Fusion Capital has received a commitment fee consisting of 400,000 shares of our common stock. As of March 31, 2009, there were 33,056,021 shares outstanding (19,879,295 shares held by non-affiliates) excluding the 3,000,000 shares offered by Fusion Capital pursuant to this prospectus which it has not yet purchased from us. If all of such 3,000,000 shares offered hereby were issued and outstanding as of the date hereof, the 3,000,000 shares would represent 8.3% of the total common stock outstanding or 13.1% of the non-affiliates shares outstanding as of the date hereof.

Under the Purchase Agreement and the Registration Rights Agreement we are required to register and have included in the offering pursuant to this prospectus (1) 400,000 shares which have already been issued as a commitment fee, (2) 17,500 shares which we have issued to Fusion Capital as an expense reimbursement and (3) at least 3,000,000 shares which we may sell to Fusion Capital in the future. All 3,417,500 shares, 10.6% of our outstanding on November 5, 2008, the date of the Purchase Agreement, are being offered pursuant to this prospectus. Under the Purchase Agreement, we have the right but not the obligation to sell more than the 3,000,000 shares to Fusion Capital. As of the date hereof, we do not currently have any plans or intent to sell to Fusion Capital any shares beyond the 3,000,000 shares offered hereby. However, if we elect to sell more than the 3,000,000 shares (which we have the right but not the obligation to do), we must first register such additional shares under the Securities Act before we can elect to sell such additional shares to Fusion Capital. In the event we elect to do so, this could cause substantial dilution to our shareholders. The number of shares ultimately offered for sale by Fusion Capital is dependent upon the number of shares purchased by Fusion Capital under the Purchase Agreement.

We do not have the right to commence any sales of our shares to Fusion Capital until the SEC has declared effective the registration statement of which this prospectus is a part. The registration statement was declared effective on February 5, 2009 and the conditions to commence funding were satisfied. Generally, we have the right but not the obligation from time to time to sell our shares to Fusion Capital in amounts between $50,000 and $1.0 million depending on certain conditions. We have the right to control the timing and amount of any sales of our shares to Fusion Capital. The purchase price of the shares will be determined based upon the market price of our shares without any fixed discount at the time of each sale. Fusion Capital shall not have the right nor 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. There are no negative covenants, restrictions on future fundings, penalties or liquidated damages in the Purchase Agreement or the Registration Rights Agreement. The Purchase Agreement may be terminated by us at any time at our discretion without any cost to us. The Purchase Agreement provides that neither party has the ability to amend the Purchase Agreement and the obligations of both parties are non-transferable.

Other Selling Stockholders

- Aspen Select Healthcare, LP ("Aspen"), which intends to sell up to 2,130,364 shares of common stock previously issued and sold by the Company to Aspen on April 15, 2003 (the "2003 Aspen Placement"). Aspen received registration rights with respect to these shares and therefore, such shares are being registered hereunder.

- Mary S. Dent, the spouse of Dr. Michael Dent, who is our Chairman of the Board and founder, who intends to sell up to 553,488 shares of common stock previously issued and sold by the Company to Dr. Dent as founder shares. Such shares were subsequently transferred to Mary Dent in February 2007. Dr. Dent received registration rights with respect to these shares and therefore, such shares are being registered hereunder.

- Those shareholders other than Aspen and Mary Dent who are set forth in the section herein entitled "Selling Stockholders" who intend to sell up to an aggregate of 398,648 shares of common stock which they received in a distribution from Aspen in September 2007. All of such shares were originally purchased by Aspen in the 2003 Aspen Placement. Aspen received registration rights with respect to these shares and has assigned such rights to these selling stockholders and therefore, such shares are being registered hereunder.

Please refer to "Selling Stockholders" beginning on page 21.

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. The prices at which the selling stockholders may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions.

Our common stock is quoted on the Over-The-Counter Bulletin Board under the symbol "NGNM.OB". On April 17, 2009, the last reported sale price of our common stock on the Over-The-Counter Bulletin Board was $1.00 per share.

| | |
|---|---|
| Common Stock Offered | 6,500,000 shares by selling stockholders |
| Offering Price | Market price |
| Common Stock Currently Outstanding | 33,056,021 shares as of March 31, 2009 |
| 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" beginning on page 10 for a discussion of these risks. |
| 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 Annual Reports on Form 10-K for the years ended December 31, 2008 and 2007, as filed with the SEC.

Statement of Operations Data

| | For the Years Ended December 31, 2008 | 2007 |
|---|---|---|
| Net Revenue | $ 20,015,319 | $ 11,504,725 |
| Cost of Revenue | 9,353,852 | 5,522,775 |
| Gross Profit | 10,661,467 | 5,981,950 |
| | | |
| Other Operating Expense: | | |
| General and administrative | 11,545,456 | 9,122,922 |
| Income / (Loss) from Operations | (883,989) | (3,140,972) |
| | | |
| Other Income / (Expense): | | |
| Other income | 9,926 | 24,256 |
| Interest expense | (308,523) | (263,456) |
| Loss on investment | (200,000) | - |
| Other income / (expense) – net | (498,597) | (239,200) |
| | | |
| Net Loss | $ (1,382,586) | $ (3,380,172) |
| | | |
| Net Loss Per Share – Basic and Diluted | $ (0.04) | $ (0.11) |
| | | |
| Weighted Average Number of Shares Outstanding – Basic and Diluted | 31,506,824 | 29,764,289 |

Balance Sheet Data

| | As of December 31, 2008 | December 31, 2007 |
|---|---|---|
| Assets: | | |
| Cash and cash equivalents | $ 468,171 | $ 210,573 |
| Accounts receivable (net of allowance for doubtful accounts of $358,642 and $414,548, respectively) | 2,913,531 | 3,236,751 |
| Inventories | 491,459 | 304,750 |
| Other current assets | 482,408 | 400,168 |
| Total current assets | 4,355,569 | 4,152,242 |
| | | |
| Property and equipment (net of accumulated depreciation of $1,602,594 and $862,030 respectively) | 2,875,297 | 2,108,083 |
| Other assets | 64,509 | 260,575 |
| Total Assets | $ 7,295,375 | $ 6,520,900 |
| | | |
| Liabilities & Stockholders' Equity: | | |
| Current Liabilities | | |
| Account payable | $ 1,512,427 | $ 1,799,159 |
| Accrued compensation | 736,552 | 370,496 |
| Accrued expenses and other liabilities | 358,265 | 574,084 |
| Legal contingency (Note G) | - | 375,000 |
| Short-term portion of equipment capital leases | 636,900 | 242,966 |
| Revolving credit line | 1,146,850 | - |
| Total current liabilities | 4,390,994 | 3,361,705 |
| | | |
| Long-Term Liabilities | | |
| Long-term portion of equipment capital leases | 1,403,271 | 837,081 |
| | | |
| Total Liabilities: | 5,794,265 | 4,198,786 |
| Commitments and contingencies | | |
| | | |
| Stockholders' Equity: | | |
| Common Stock, $0.001 par value, (100,000,000 shares authorized; 32,117,008 and 31,391,660 shares issued and outstanding at December 31, 2008 and 2007, respectively) | 32,117 | 31,391 |
| Additional paid-in capital | 17,381,810 | 16,820,954 |
| Accumulated deficit | (15,912,817) | (14,530,231) |
| Total stockholders' equity | 1,501,110 | 2,322,114 |
| | | |
| Total Liabilities and Stockholders' Equity | $ 7,295,375 | $ 6,520,900 |

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 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. 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 Fort Myers, Florida, Nashville, Tennessee or Irvine, 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. As of March 31, 2009, we only had approximately $1,054,000 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 will need to secure other sources of funding, including possibly equity financing, in order to satisfy our working capital needs.

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 are registering 3,000,000 shares for sale under the Purchase Agreement by Fusion Capital pursuant to the registration statement of which this prospectus is a part, 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 $1.00 per share (the closing sale price of the common stock on April 17, 2009) and the purchase by Fusion Capital of the full 3,000,000 shares under the Purchase Agreement, proceeds to us would only be $3,000,000 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 offered hereby, we will be required to file a new registration statement and have it declared effective by the U.S. Securities & 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 $3.0 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.

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 providers and suppliers. Those provisions allow a private individual to bring actions 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 to become the primary prosecutor. If it declines to do so, the individual may choose to 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.

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 47% and 52% of our revenues for the years ended December 31, 2008 and 2007, 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, 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 healthcare 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 are 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 from time to time considered and 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 for 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, Federal Express, 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 Federal Express 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 Federal Express 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 Federal Express. 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 Have Material Weaknesses In Our Internal Control Over Financial Reporting That May Prevent The Company From Being Able To Accurately Report Its Financial Results Or Prevent Fraud, Which Could Harm Its Business And Operating Results.

Effective internal controls are necessary for us to provide reliable and accurate financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002 requires that we assess the design and operating effectiveness of internal control over financial reporting. If we cannot provide reliable and accurate financial reports and prevent fraud, our business and operating results could be harmed. We have discovered, and may in the future discover, areas of internal controls that need improvement. We identified one material weakness in our internal controls as of December 31, 2008. This matter and our efforts regarding remediation of this matter, as well as efforts regarding internal controls generally are discussed in detail in our Annual Report on Form 10-K. However, as our material weaknesses in internal controls demonstrate, we cannot be certain that the remedial measures taken to date will ensure that we design, implement, and maintain adequate controls over financial processes and reporting in the future. Remedying the material weaknesses that have been presently identified, and any additional deficiencies, significant deficiencies or material weaknesses that we may identify in the future, could require us to incur significant costs, hire additional personnel, expend significant time and management resources or make other changes. Disclosure of our material weaknesses, any failure to remediate such material weaknesses in a timely fashion or having or maintaining ineffective internal controls could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock and access to capital.

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 11,784,384 shares, or approximately 35.6% of the Company's voting shares outstanding as of March 31, 2009, 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

The Sale Of Our Common Stock To Fusion Capital May Cause Dilution And The Sale Of The Shares Of Common Stock Acquired By Fusion Capital Could Cause The Price Of Our Common Stock To Decline

In connection with entering into the Purchase Agreement, we authorized the sale to Fusion Capital of up to 3,000,000 shares of our common stock. The number of shares ultimately offered for sale by Fusion Capital under this prospectus is dependent upon the number of shares purchased by Fusion Capital under the Purchase Agreement. The purchase price for the common stock to be sold to Fusion Capital pursuant to the Purchase Agreement will fluctuate based on the price of our common stock. Specifically, under the Purchase Agreement for purchases up to $50,000, the purchase price would be equal to the lesser of: (i) the lowest sale price of the Company's common stock on the purchase date; or (ii) the average of the three lowest closing sale prices of the Company's common stock during the twelve consecutive business days prior to the date of a purchase by Fusion Capital. The price at which the Company's common stock would be purchased for purchases in excess of $50,000 will be the lesser of: (i) the lowest sale price of the Company's common stock on the purchase date and (ii) the lowest purchase price (as described above) during the previous seven business days prior to the purchase date. Therefore, at the time of our sales to Fusion Capital, it is likely that the purchase price to Fusion Capital will be below the then market price.

All 3,417,500 shares registered in this offering related to the Fusion Capital transaction are expected to be freely tradable. It is anticipated that such shares will be sold over a period of up to 30 months from the date of this prospectus. Depending upon market liquidity at the time, a sale of shares under this offering at any given time could cause the trading price of our common stock to decline. Fusion Capital may ultimately purchase all, some or none of the 3,000,000 shares of common stock not yet issued but registered in this offering. Such shares may be sold by us to Fusion Capital at a sale price below the then market price of our shares which would be dilutive to the value of shares held by our other shareholders.

After Fusion Capital has acquired such shares, it may sell all, some or none of such shares. Under the Purchase Agreement, we have the right but not the obligation to sell more than the 3,000,000 shares to Fusion Capital. As of the date hereof, we do not currently have any plans or intent to sell to Fusion Capital any shares beyond the 3,000,000 shares offered hereby. However, if we elect to sell more than the 3,000,000 shares (which we have the right but not the obligation to do), we must first register such additional shares under the Securities Act before we can elect to sell such additional shares to Fusion Capital. In the event we elect to do so, this could cause substantial dilution to the ownership interests of our shareholders. The number of shares ultimately offered for sale by Fusion Capital is dependent upon the number of shares purchased by Fusion Capital under the Purchase Agreement. Moreover, the sale of a substantial number of shares of our common stock under this offering, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales. However, we have the right to control the timing and amount of any sales of our shares to Fusion Capital and the Purchase Agreement may be terminated by us at any time at our discretion without any further cost to us.

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 33,056,021 shares of common stock outstanding as of March 31, 2009, 22,619,816 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 6,500,000 shares of our common stock being registered in this offering. That means that up to 6,500,000 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 Over-The-Counter Bulletin Board. 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 Fusion Capital and the other 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 v 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 6,500,000 shares of our common stock.

| Selling Stockholders | Shares Beneficially Owned Before Offering(1) | Percentage of Outstanding Shares Beneficially Owned Before Offering(1) | Shares To Be Sold In The Offering | Percentage of Outstanding Shares Beneficially Owned After The Offering |
|---|---|---|---|---|
| Fusion Capital Fund II, LLC(2) | 417,500 | 1.3% | 3,417,500 | 0.0% |
| Aspen Select Healthcare, LP(3) | 11,876,387 | 32.9% | 2,130,364 | 24.9% |
| Mary S. Dent(4) | 2,648,380 | 7.9% | 553,488 | 5.7% |
| Steven C. Jones(5) | 13,159,461 | 36.0% | 238,826 | 27.0% |
| Jones Network, LP(6) | 107,143 | * | 107,143 | 0.0% |
| Marvin E. Jaffe(7) | 69,346 | * | 21,429 | * |
| Steven C. Jones ROTH IRA(8) | 20,450 | * | 18,750 | * |
| Peter M. Peterson(9) | 12,045,137 | 33.2% | 12,500 | 25.2% |
| Total(10): | 16,380,103 | 44.0% | 6,500,000 | 32.0% |

* Less than one percent (1%).

(1) Applicable percentage of ownership is based on 33,056,021 shares of our common stock outstanding as of March 31, 2009, together with securities exercisable or convertible into shares of common stock within sixty (60) days of March 31, 2009, 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) Steven G. Martin and Joshua B. Scheinfeld, the principals of Fusion Capital, are deemed to be beneficial owners of all of the shares of common stock owned by Fusion Capital. Messrs. Martin and Scheinfeld have shared voting and disposition power over the shares being offered under this prospectus. As of the date hereof, 417,500 shares of our common stock have been previously acquired by Fusion Capital, consisting of 400,000 shares we issued to Fusion Capital as a commitment fee and 17,500 shares that were issued as an expense reimbursement. The Company may elect in its sole discretion to sell to Fusion Capital up to an additional 3,000,000 shares under the Purchase Agreement. Fusion Capital does not presently beneficially own those shares as determined in accordance with the rules of the SEC.

(3) Aspen Select Healthcare, LP (“Aspen”) has direct ownership of 6,238,279 shares and has certain warrants to purchase 3,050,000 shares, all of which are currently exercisable. Aspen’s beneficial ownership also includes 2,588,108 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.

(4) Mary S. Dent is the spouse of Dr. Michael T. Dent, our chairman and founder. Mrs. Dent has direct ownership of 1,202,471 shares which she received in a spousal transfer from Dr. Dent in February 2007. Mrs. Dent's beneficial ownership also includes (i) 900,000 shares held in a trust for the benefit of Dr. Dent's children (of which Dr. Dent and his attorney are the sole trustees), (ii) warrants exercisable by Dr. Dent within 60 days of March 31, 2009 to purchase 145,909 shares and (iii) options exercisable by Dr. Dent within 60 days of March 31, 2009 to purchase 400,000 shares.

(5) Steven C. Jones is the Acting Principal Financial Officer of the Company and a member of the Company's Board of Directors. Mr. Jones and his spouse have direct ownership of 710,626 shares. Mr. Jones also has warrants exercisable within 60 days of March 31, 2009 to purchase an additional 100,215 shares. Mr. Jones' beneficial ownership also includes (i) 107,143 shares owned by Jones Network, LP, a family limited partnership that Mr. Jones controls, (ii) 250,000 warrants exercisable within 60 days of March 31, 2009 owned by Aspen Capital Advisors, LLC, a company that Mr. Jones controls, (iii) 83.333 warrants exercisable within 60 days of March 31, 2009 owned by Gulf Pointe Capital, LLC, a company that Mr. Jones and Mr. Peterson control and (iv) 31,757 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 Aspen shares and currently exercisable warrants have been included in his beneficial ownership totals (see Note 3). The shares to be sold in this offering were received in a distribution from Aspen.

(6) Jones Network, LP is a family limited partnership controlled by Steven C. Jones. The shares to be sold in this offering were received in a distribution from Aspen.

(7) Marvin Jaffe is a member of the Company's Board of Directors and has direct ownership of 21,429 shares and warrants exercisable within 60 days of March 31, 2009 to purchase 47,917 shares. The shares to be sold in this offering were received in a distribution from Aspen.

(8) The shares being sold in this offering were received in a distribution from Aspen.

(9) Peter M. Peterson is a member of the Company's board of directors and has direct ownership of 12,500 shares and warrants exercisable within 60 days of March 31, 2009 to purchase an additional 72,917 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 beneficial ownership totals (see Note 3). Mr. Peterson's beneficial ownership also includes 83,333 warrants exercisable within 60 days of March 31, 2009 owned by Gulf Pointe Capital, LLC, a company that Mr. Jones and Mr. Peterson control. The shares to be sold in this offering were received in a distribution from Aspen.

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

THE FUSION TRANSACTION

General

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"), and a Registration Rights Agreement (the "Registration Rights Agreement"). Under the Purchase Agreement, Fusion Capital is obligated, under certain conditions, to purchase shares from us in an aggregate amount of $8.0 million from time to time over a thirty (30) month period. Under the terms of the Purchase Agreement, Fusion Capital has received a commitment fee consisting of 400,000 shares of our common stock. As of March 31, 2008, there were 33,056,021 shares outstanding (19,879,295 shares held by non-affiliates) excluding the 3,000,000 shares offered by Fusion Capital pursuant to this prospectus which it has not yet purchased from us. If all of such 3,000,000 shares offered hereby were issued and outstanding as of the date hereof, the 3,000,000 shares would represent 8.3% of the total common stock outstanding or 13.1% of the non-affiliates shares outstanding as of the date hereof.

Under the Purchase Agreement and the Registration Rights Agreement we are required to register and have included in the offering pursuant to this prospectus (1) 400,000 shares which have already been issued as a commitment fee, (2) 17,500 shares which we have issued to Fusion Capital as an expense reimbursement and (3) at least 3,000,000 shares which we may sell to Fusion Capital in the future. All 3,417,500 shares, 10.6% of our outstanding on November 5, 2008, the date of the Purchase Agreement, are being offered pursuant to this prospectus. Under the Purchase Agreement, we have the right but not the obligation to sell more than the 3,000,000 shares to Fusion Capital. As of the date hereof, we do not currently have any plans or intent to sell to Fusion Capital any shares beyond the 3,000,000 shares offered hereby. However, if we elect to sell more than the 3,000,000 shares (which we have the right but not the obligation to do), we must first register such additional shares under the Securities Act before we can elect to sell such additional shares to Fusion Capital. In the event we elect to do so, this could cause substantial dilution to our shareholders. The number of shares ultimately offered for sale by Fusion Capital is dependent upon the number of shares purchased by Fusion Capital under the Purchase Agreement.

We do not have the right to commence any sales of our shares to Fusion Capital until the SEC has declared effective the registration statement of which this prospectus is a part. The registration statement was declared effective on February 5, 2009 and the conditions to commence funding were satisfied. Generally, we have the right but not the obligation from time to time to sell our shares to Fusion Capital in amounts between $50,000 and $1.0 million depending on certain conditions. We have the right to control the timing and amount of any sales of our shares to Fusion Capital. The purchase price of the shares will be determined based upon the market price of our shares without any fixed discount at the time of each sale. Fusion Capital shall not have the right nor 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. There are no negative covenants, restrictions on future fundings, penalties or liquidated damages in the Purchase Agreement or the Registration Rights Agreement. The Purchase Agreement may be terminated by us at any time at our discretion without any cost to us. The Purchase Agreement provides that neither party has the ability to amend the Purchase Agreement and the obligations of both parties are non-transferable.

Purchase Of Shares Under The Purchase Agreement

Under the Purchase Agreement, on any business day selected by us, we may direct Fusion Capital to purchase up to $50,000 of our common stock. The purchase price per share is equal to the lesser of:

- the lowest sale price of our common stock on the purchase date; or
-

the average of the three lowest closing sale prices of our common stock during the twelve consecutive business days prior to the date of a purchase by Fusion Capital.

The purchase price will be equitably adjusted for any reorganization, recapitalization, non-cash dividend, stock split, or other similar transaction occurring during the business days used to compute the purchase price. We may direct Fusion Capital to make multiple purchases from time to time in our sole discretion; no sooner than every four business days.

Our Right To Increase the Amount to be Purchased

In addition to purchases of up to $50,000 from time to time, we may also from time to time elect on any single business day selected by us to require Fusion Capital to purchase our shares in an amount up to $100,000 provided that our share price is not below $0.75 during the three business days prior to and on the purchase date. We may increase this amount to up to $250,000 if our share price is not below $1.20 during the three business days prior to and on the purchase date. This amount may also be increased to up to $500,000 if our share price is not below $2.40 during the three business days prior to and on the purchase date. This amount may also be increased to up to $1.0 million if our share price is not below $5.00 during the three business days prior to and on the purchase date. We may direct Fusion Capital to make multiple large purchases from time to time in our sole discretion; however, at least two business days must have passed since the most recent large purchase was completed. The price at which our common stock would be purchased in this type of larger purchases will be the lesser of (i) the lowest sale price of our common stock on the purchase date and (ii) the lowest purchase price (as described above) during the previous seven business days prior to the purchase date.

Minimum Purchase Price

Under the Purchase Agreement, we have set a minimum purchase price ("floor price") of $0.45. However, Fusion Capital shall not have the right nor the obligation to purchase any shares of our common stock in the event that the purchase price would be less the floor price. Specifically, Fusion Capital shall not have the right or the obligation to purchase shares of our common stock on any business day that the market price of our common stock is below $0.45.

Events of Default

Generally, Fusion Capital may terminate the Purchase Agreement without any liability or payment to the Company upon the occurrence of any of the following events of default:

- the effectiveness of the registration statement of which this prospectus is a part of lapses for any reason (including, without limitation, the issuance of a stop order) or is unavailable to Fusion Capital for sale of our common stock offered hereby and such lapse or unavailability continues for a period of 20 consecutive business days or for more than an aggregate of 60 business days in any 365-day period;

- suspension by our principal market of our common stock from trading for a period of three consecutive business days;

- the de-listing of our common stock from our principal market provided our common stock is not immediately thereafter trading on the American Stock Exchange, the Nasdaq Global Market, the Nasdaq Capital Market, the Nasdaq Global Select Market or the New York Stock Exchange;

- the transfer agent's failure for five business days to issue to Fusion Capital shares of our common stock which Fusion Capital is entitled to under the Purchase Agreement;

- any material breach of the representations or warranties or covenants contained in the Purchase Agreement or any related agreements which has or which could have a material adverse effect on us subject to a cure period of five business days;

- any participation or threatened participation in insolvency or bankruptcy proceedings by or against us; or

- a material adverse change in our business.

Our Termination Rights

We have the unconditional right at any time for any reason to give notice to Fusion Capital terminating the Purchase Agreement without any cost to us.

No Short-Selling or Hedging by Fusion Capital

Fusion Capital has agreed that neither it nor any of its affiliates shall engage in any direct or indirect short-selling or hedging of our common stock during any time prior to the termination of the Purchase Agreement.

Effect of Performance of the Purchase Agreement on Our Stockholders

All 3,417,500 shares registered in this offering are expected to be freely tradable. It is anticipated that shares registered in this offering will be sold over a period of up to 30 months from the date of this prospectus. The sale by Fusion Capital of a significant amount of shares registered in this offering at any given time could cause the market price of our common stock to decline and to be highly volatile. Fusion Capital may ultimately purchase all, some or none of the 3,000,000 shares of common stock not yet issued but registered in this offering. After it has acquired such shares, it may sell all, some or none of such shares. Therefore, sales to Fusion Capital by us under the Purchase Agreement may result in substantial dilution to the interests of other holders of our common stock. However, we have the right to control the timing and amount of any sales of our shares to Fusion Capital and the Purchase Agreement may be terminated by us at any time at our discretion without any cost to us.

In connection with entering into the Purchase Agreement, we authorized the sale to Fusion Capital of up to 3,000,000 shares of our common stock or 9.3% of our outstanding common stock on November 5, 2008 (the date of the Purchase Agreement). We estimate that we will sell no more than 3,000,000 shares to Fusion Capital under the Purchase Agreement all of which are included in this offering. We have the right to terminate the Purchase Agreement without any payment or liability to Fusion Capital at any time, including in the event that all 3,000,000 shares are sold to Fusion Capital under the Purchase Agreement. 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 the 3,000,000 shares offered hereby, we will be required to file a new registration statement and have it declared effective by the U.S. Securities and Exchange Commission. The number of shares ultimately offered for sale by Fusion Capital under this prospectus is dependent upon the number of shares purchased by Fusion Capital under the Purchase Agreement. The following table sets forth the amount of proceeds we would receive from Fusion Capital from the sale of shares at varying purchase prices:

| Assumed Average Purchase Price | Number of Shares to be Sold if Full Purchase | Percentage of Outstanding Shares After Giving Effect to the Issuance to Fusion Capital(1) | Proceeds from the Sale of Shares to Fusion Capital Under the Purchase Agreement |
|---|---|---|---|
| $0.45 | 3,000,000 | 8.3% | $ 1,350,000 |
| $1.00(2) | 3,000,000 | 8.3% | $ 3,000,000 |
| $1.50 | 3,000,000 | 8.3% | $ 4,500,000 |
| $2.00 | 3,000,000 | 8.3% | $ 6,000,000 |
| $2.50 | 3,000,000 | 8.3% | $ 7,500,000 |
| $2.67 | 3,000,000 | 8.3% | $ 8,000,000 |

(1) The denominator is based on 33,056,021 shares outstanding as of March 31, 2009, which includes the 417,500 shares previously issued to Fusion Capital. The numerator is based on the number of shares issuable under the Purchase Agreement at the corresponding assumed purchase price set forth in the adjacent column.

(2) Closing sale price of our shares on April 17, 2009.

USE OF PROCEED

This prospectus relates to shares of our common stock that may be offered and sold from time to time by the selling stockholders. We will receive no proceeds from the sale of shares of common stock in this offering. However, we may receive up to $8.0 million in proceeds from the sale of our common stock to Fusion Capital under the Purchase Agreement. Any proceeds from Fusion Capital we receive under the Purchase Agreement will be used for working capital and general corporate purposes.

## 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.

One of the selling stockholders, Fusion Capital, is an "underwriter" within the meaning of the Securities Act.

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, including Fusion Capital, 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.

Fusion Capital and its affiliates have agreed not to engage in any direct or indirect short selling or hedging of our common stock during the term of the Purchase Agreement.

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 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. 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 provide high quality testing services to pathologists, oncologists, urologists, hospitals, and other laboratories throughout the United States under the mantra "When time matters and results count". 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 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 and urology markets in the United States. 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. Since 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 TM") report summarizes all relevant case data on one page.

Competitive Strengths

Turnaround Times

At NeoGenomics we strive to provide industry leading turnaround times to our clients nationwide and to provide information so that patients can get the correct treatment quickly.

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 three regions (Northeast, Southeast and West). These sales representatives are trained extensively in cancer genetic testing and consultative selling skills. As of March 31, 2009, we had 17 Territory Business Managers and three Regional Managers.

Client Care

NeoGenomics Client 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 2008, 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’ three laboratory locations in Fort Myers, Florida; Irvine, California; and Nashville Tennessee each have the appropriate state, Clinical Laboratory Improvement Act, as amended (“CLIA”), and College of American Pathologists (“CAP”) licenses and 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 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 extremely 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 2008, the Company made significant strides in broadening our product line-up by developing the capability to perform molecular diagnostic testing and immunohistochemistry 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.

Our common stock is listed on the Over-the-Counter Bulletin Board under the symbol “NGNM.OB.”

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 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 No. 104, “Revenue Recognition”, when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and 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.

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 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 FY 2008 revenue and 2.3% of our FY 2007 revenue. During 2007, we recorded approximately $24,000 of net total incremental revenue from tests in which we underestimated the revenue in 2006 relative to the amounts that we ultimately received in 2007. This was less than 1% of our total FY 2007 revenue and less than 1% of our FY 2006 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 for future periods 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, 2008 and 2007. 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, 2008

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

December 31, 2007

| Payor Group | 0-30 | % | 30-60 | % | 60-90 | % | 90-120 | % | 120-150 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Client | $ 159,649 | 4% | $ 148,909 | 4% | $ 200,073 | 6% | $ 69,535 | 2% | $ 34,701 | 1% |
| Commercial Insurance | 427,876 | 12% | 184,761 | 5% | 126,477 | 4% | 66,922 | 2% | 107,095 | 3% |
| Medicaid | 918 | 0% | 904 | 0% | 2,331 | 0% | 1,292 | 0% | 5,522 | 0% |
| Medicare | 662,560 | 18% | 293,870 | 8% | 94,755 | 3% | 70,579 | 2% | 103,111 | 3% |
| Private Pay | 9,745 | 0% | 6,324 | 0% | 6,889 | 0% | 3,238 | 0% | 1,926 | 0% |
| Total | $ 1,260,748 | 34% | $ 634,768 | 17% | $ 430,525 | 13% | $ 211,566 | 6% | $ 252,355 | 7% |

During 2008, we were able to clean-up the billing issues that we experienced during 2007 by replacing our entire billing and collections team and implementing a new billing system in March 2008. The result was a 10% decline in accounts receivable greater than 120 days. We also were able to reduce our accounts receivable balance by 9% while growing revenues by 74% and were able to reduce our days-sales-outstanding to 45 days at December 31, 2008 from 78 days at December 31, 2007.

Based on a detailed analysis, we believe that our $359,000 allowance for doubtful accounts, which represents approximately 11% of our receivables balance, is adequate as of December 31, 2008. At December 31, 2007, our allowance for doubtful accounts was $415,000 or 11% of accounts receivable. During 2008 we wrote off $250,000 of our accounts receivable pertaining to 2007 in excess of the $415,000 allowance for doubtful accounts we had at December 31, 2007 or 7% of our accounts receivable balance at December 31, 2007.

Stock Based Compensation.

The Company accounts for stock-based compensation in accordance with SFAS No. 123R "Share-Based Payment" ("SFAS No. 123(R)"). SFAS No. 123(R) 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' vesting periods. The Company estimates an expected forfeiture rate, which is factored into the determination of the Company's quarterly expense. In addition, effective January 1, 2007, the Company began sponsoring an Employee Stock Purchase Plan ("ESPP"), whereby eligible employees may purchase Common Stock monthly, by means of limited payroll deductions, at a 5% discount from the fair market value of the Common Stock as of specific dates. The Company's ESPP plan is considered exempt from fair value accounting under SFAS No. 123(R) because the discount offered to employees is only 5%.

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 Twelve Months Ended December 31, 2008 As Compared With The Twelve Months Ended December 31, 2007

Revenue

During the fiscal year ended December 31, 2008, our revenues increased approximately 74% to $20,015,000 from $11,505,000 during the year ended December 31, 2007. This was the result of an increase in testing volume of 55% and a 12% increase in average revenue per test. This volume increase is the result of wide acceptance of our product offerings and our industry leading turnaround times resulting in new clients. The increase in average revenue per test is primarily the result of certain Medicare fee schedule increases in 2008 for a number of our tests and to a lesser extent price increases to client bill customers based on the increase in the Medicare fee schedule and changes in our product and payer mixes.

During the year ended December 31, 2008, our average revenue per client requisition increased by approximately 15% to $808 from $702 in 2007. Our average revenue per test increased by approximately 12% to $615 in 2008 from $548 in 2007. Revenues per test are a function of both the type of the test and the payer. Our policy is to record as revenue the amounts that we expect to collect based on published or contracted amounts and/or prior experience with the payer. 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) co-payments directly from patients, and c) those procedures that are not covered by insurance or other third party payers. On December 31, 2008, our allowance for doubtful accounts was approximately $359,000, a 13% decrease from our balance at December 31, 2007 of $415,000. The allowance for doubtful accounts was approximately 10.9% and 11.3% of accounts receivables as of December 31, 2008 and 2007, respectively.

Cost of Revenue

Our cost of revenue, as a percentage of gross revenue, decreased from 48% for the year ended December 31, 2007 to 47% for the twelve months ended December 31, 2008. This decrease was primarily the result of the revenue per test increase explained above partially offset by increased expenses from increases in the number of employees and related

benefits as well as increased lab supply and postage/delivery costs from opening new lines of business and meeting the increase in testing volumes.

Gross Profit

As a result of the 74% increase in revenue and our 47% cost of revenue, our gross profit increased 78% to $10,661,000 for the twelve months ended December 31, 2008, from a gross profit of $5,982,000 for the twelve months ended December 31, 2007. When expressed as a percentage of revenue, our gross margins increased from 52.1% for the twelve months ended December 31, 2007 to 53.3% for the twelve months ended December 31, 2008. The increase in gross profit was largely a result of the increase in revenue per test partially offset by the increased costs in 2008 for employee labor and benefits, lab supplies, and postage and delivery costs.

General and Administrative Expenses

During 2008, our general and administrative expenses increased by approximately 27% to $11,545,000 from approximately $9,123,000 in 2007. General and administrative expenses as a percentage of revenues were 58% for 2008, compared

with 79% for 2007, a decrease of 21%. Although revenues increased 74%, the Company was able to minimize the growth of our general and administrative expenses to 27% as we continue to scale our business and recognize economies of scale with our higher volumes. The 21% decrease as a percentage of revenue was also aided by the decrease in significant expenses associated with the litigation with US Labs that was settled in 2008 (see Note G to our consolidated financial statements) partially offset by $318,000 of transaction related expenses for business combinations which we decided were not in the best interests of our shareholders to consummate. Bad debt expense for the years ended December 31, 2008 and 2007 was $1,790,000 and $1,014,000, respectively. This increase was necessitated by the significant increase in revenues noted above and the write off in 2008 of approximately $250,000 of accounts receivable included in our December 31, 2007 accounts receivable balance in excess of our allowance for doubtful accounts at December 31, 2007.

Other Income/Expense

Net other income/expense, which primarily consists of interest expense, increased approximately 109% during the year ended December 31, 2008 to approximately $499,000 from approximately $239,000 for the comparable period in 2007. This increase is primarily attributable to the $200,000 write down of our investment associated with a potential joint venture, as discussed in Note L to our consolidated financial statements. Apart from this item, other income/expense for the year ending December 31, 2008 is primarily comprised of interest payable on advances under our revolving credit facility with CapitalSource and interest paid for capital lease obligations, while other income/expense for the year ending December 31, 2007 is primarily comprised of interest payable on our advances under our credit facility with Aspen and interest paid for capital lease obligations.

Net Loss

As a result of the foregoing, our net loss decreased from approximately ($3,380,000) or $(0.11) per share for the year ended December 31, 2007 to approximately ($1,383,000) or $(0.04) per share for the year ended December 31, 2008, a decrease of approximately 59%.

Liquidity and Capital Resources

During the year ended December 31, 2008, our operating activities used approximately $138,000 of cash compared with $2,643,000 of cash used in the fiscal year ended 2007. This improvement primarily relates to the reduction in net losses in 2008 as compared to 2007, but also to the significant improvements in collections we experienced in 2008 as a result of replacing our billing system and augmenting our billing and collections team. Our cash used in investing activities was approximately $501,000 in 2008 compared with $716,000 in 2007. In 2008, our net cash flow provided by financing activities was approximately $898,000 which was primarily derived from amounts borrowed from our revolving credit facility, offset by payments made on capital lease obligations. In 2007, our net cash flow provided by financing activities was approximately $3,443,000 which was primarily derived from the sale of $5,287,000 of equity securities, a portion of which was used to retire the $1,675,000 due on the Aspen Credit facility and finance operations. At December 31, 2008 and 2007, we had cash and cash equivalents of approximately $468,000, and $211,000 respectively.

Our consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. At December 31, 2008 and 2007, we had stockholders' equity of approximately $1,501,000 and $2,322,000, respectively.

On November 5, 2008, we entered into a common stock purchase agreement (the "Purchase Agreement") with Fusion Capital Fund II, LLC, an Illinois limited liability company ("Fusion Capital"). The Purchase 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 Capital 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, 2009, we had not drawn on any amounts under the Purchase Agreement.

On February 1, 2008, we entered into a revolving credit facility with CapitalSource Finance, LLC, 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, 2009, we had approximately $850,000 in cash on hand and $1,054,000 of availability under our credit facility. 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.

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 $1.5 million to $2.0 million of additional capital equipment during the next twelve months. We plan to fund these expenditures through capital lease financing arrangements and through our master lease agreement with Leasing Technology International., Inc.

("LTI"). 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.

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 provides companies with an option to irrevocably elect to measure certain financial assets and financial liabilities at fair value on an instrument-by-instrument basis with the resulting changes in fair value recorded in earnings. The objective of SFAS 159 is to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by using different measurement attributes for financial assets and financial liabilities. SFAS 159 became effective for the Company as of January 1, 2008 and as of this effective date, the Company has elected not to apply the fair value option to any of its financial assets for financial liabilities.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 provides a new single authoritative definition of fair value and provides enhanced guidance for measuring the fair value of assets and liabilities and requires additional disclosures related to the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 became effective for the Company as of January 1, 2008 for financial assets and financial liabilities within its scope and it did not have a material impact on our consolidated financial statements. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2") which defers the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years for items within the scope of FSP FAS 157-2. The Company is currently assessing the impact, if any, of SFAS 157 and FSP FAS 157-2 for non-financial assets and non-financial liabilities on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R) (Revised 2007), "Business Combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquire, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) became effective for the Company on January 1, 2009. The impact of the standard on the Company's financial position and results of operations will be dependent upon the number of and magnitude of the acquisitions that are consummated once the standard is effective.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." ("SFAS 160"). SFAS 160 requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. Its intention is to eliminate the diversity in practice regarding the accounting for transactions between an entity and noncontrolling interests. This Statement became effective for the Company as of January 1, 2009 and we do not expect it to have a material impact on the Company's financial statements.

In May 2008, the FASB issued SFAS No. 162 "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. While this statement formalizes the sources and hierarchy of GAAP within the authoritative accounting literature, it does not change the accounting principles that are already in place. SFAS 162 had no affect on the

Company's financial statements.

Subsequent Events

Employment Contract

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.

Asset Purchase Agreements

On February 2, 2009, we issued 300,000 shares of restricted stock, valued at $186,000, in connection with two agreements to purchase the assets (primarily laboratory equipment) of two laboratories, including settlement of certain amounts due to the owner of such laboratories.

Amended and Restated Master Lease

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 after it was determined that the lease facility with LTI described in Footnote J would not allow for the leasing of certain used and other types of equipment. 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 32,475 warrants to Gulf Pointe with an exercise price of $1.08 and a five year term. Such warrants vest 25% on issuance and then on a pro rata basis as amounts are drawn under the Master Lease. The warrants were 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 #1"). Lease Schedule #1 has a 30 month term and a lease rate factor of 0.0397/month, which equates to monthly payments of $5,154.88 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/share and the same vesting schedule as the original warrant. 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 #2"). Lease Schedule #2 was entered into after it was determined that LTI was unable to consummate this transaction under the lease facility described in Footnote J. Lease Schedule #2 has a 30 month term at the same lease rate factor per month as Lease Schedule #1, which equates to monthly payments of $4,690.41 during the term.

Amended and Restated Equity Incentive Plan

On March 3, 2009, the Company's Board of Directors approved the Amended and Restated Equity Incentive Plan (the "Amended Plan"), which amends and restates the NeoGenomics, Inc. Equity Incentive Plan, originally effective as of October 14, 2003, and amended and restated effective as of October 31, 2006. The Amended Plan allows for the award of equity incentives, including stock options, stock appreciation rights, restricted stock awards, stock bonus awards, deferred stock awards, and other stock-based awards to certain employees, directors, or officers of, or key advisers or consultants to, the Company or its subsidiaries. Revised provisions included in the Amended Plan include, among others, (i) provision that the maximum aggregate number of shares of the Company's common stock reserved and available for issuance under the Amended Plan shall be 6,500,000 shares of common stock, (ii) deletion of provisions governing the grant of "re-load options" and (iii) that the Amended Plan shall expire on March 3, 2019.

Second Amendment to Revolving Credit and Security Agreement

On April 14, 2009, the Parent Company, NeoGenomics Laboratories, Inc. (the wholly owned subsidiary of the Parent Company) ("Borrower") and CapitalSource Finance LLC ("CapitalSource") (as agent for CapitalSource Bank) entered into a Second Amendment to Revolving Credit and Security Agreement (the "Loan Amendment"). The Loan 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 Loan 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 CapitalSources 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 Loan Amendment.

DESCRIPTION OF BUSINESS

Overview

NeoGenomics operates a network of cancer-focused testing laboratories whose mission is to provide high quality testing services to pathologists, oncologists, urologists, hospitals, and other laboratories throughout the United States under the mantra "When time matters and results count". 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 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 and urology markets in the United States. 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. Since 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 TM") report summarizes all relevant case data on one page.

Competitive Strengths

Turnaround Times

At NeoGenomics we strive to provide industry leading turnaround times to our clients nationwide and to provide information so that patients can get the correct treatment quickly.

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 three regions (Northeast, Southeast and West). These sales representatives are trained extensively in cancer genetic testing and consultative selling skills. As of March 31, 2009, we had 17 Territory Business Managers and three Regional Managers.

Client Care

NeoGenomics Client 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 2008, 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' three laboratory locations in Fort Myers, Florida; Irvine, California; and Nashville Tennessee each have the appropriate state, Clinical Laboratory Improvement Act, as amended ("CLIA"), and College of American Pathologists ("CAP") licenses and 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 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 extremely 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 2008, the Company made significant strides in broadening our product line-up by developing the capability to perform molecular diagnostic testing and immunohistochemistry 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.

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, 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 and biotechnology research companies. 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, 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. 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.

We increased our professional level staffing for global requisitions requiring interpretation in 2008. 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 three 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 2009 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 GPSTM product line.

Tech-Only Products

In 2006, NeoGenomics launched a technical component only ("tech-only") FISH product offering. 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. While not a first to market product line for NeoGenomics, the additional service offering allowed our flow cytometry testing services to be the fastest growing segment of our business in 2008. We believe the NeoFLOWTM service offering will continue to be a key growth driver for the Company in 2009. 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.

Contract Research Organization

Our Contract Research Organization ("CRO") division, based at our Irvine, California facility, was formed in 2007. This division was created to take advantage of our core competencies in genetic and molecular high complexity testing and act as a vehicle to compete for research projects and clinical trial support contracts in the biotechnology and pharmaceutical industries. This division also handles all of our internal research and development and acts as a conduit for the validation of new tests that are developed for our clients. We believe our CRO will allow us to infuse some intellectual property into our mix of our services and help us to create a more "vertically integrated" laboratory that can offer proprietary tests and other product extensions over time. 2008 saw the NeoGenomics' CRO division continue to ramp up. Although CRO revenue in 2008 was modest as a percentage of our total revenue, we believe our CRO will continue to grow in size and scope and it is an important component of our overall business.

Response Genetics

In October 2008, NeoGenomics signed an agreement with Response Genetics, Inc. (NASDAQ: RGDX) to distribute their proprietary molecular tests nationwide. This agreement named NeoGenomics as the exclusive national reference laboratory authorized to offer these predictive tests that can help medical oncologists make optimal treatment decisions for patients with non-small cell lung cancer ("NSCLC") and colorectal cancer ("CRC"). This partnership continues to benefit both companies and has allowed NeoGenomics to establish new accounts, further differentiate our services, and increase our footprint in the expanding field of molecular cancer genetics.

Sales and Marketing

We continue to grow our testing volumes and revenue due to our expanding field sales footprint. As of March 31, 2009, NeoGenomics' sales and marketing team totaled 28 individuals, including 17 Territory Business Managers (sales representatives), 3 Regional Managers, 5 marketing, and 3 senior level positions. This is up from 16 sales and marketing representatives as of March 31, 2008. As of March 31, 2007, NeoGenomics' sales organization totaled nine individuals. Key hires in 2008 included territory business managers in the Northeastern, Southeastern, and Western states, with a disproportionally higher number hired in the Western states as the Company continues to scale our Irvine, California based operations to handle higher testing volumes. We intend to continue to add additional sales and marketing personnel throughout FY 2009. As more sales representatives are added, we believe that the base of our business outside of Florida will continue to grow and ultimately eclipse that generated within the state of Florida, which historically has been our largest market.

As a result of our expanding sales force, we experienced 74% year-over-year revenue growth to $20.0M in 2008 from $11.5M in 2007. Our average revenue/requisition increased 15% to $808 in 2008 from $702 in 2007 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 2008 | FY 2007 | % Increase |
|---|---|---|---|
| Client Requisitions Received (Cases) | 24,780 | 16,385 | 51.2% |

| | | | |
|---|---|---|---|
| Number of Tests Performed | 32,539 | 20,998 | 55.0% |
| Average Number of Tests/Requisition | 1.31 | 1.28 | 2.3% |
| | | | |
| Total Testing Revenue | $ 20,015,319 | $ 11,504,725 | 74.0% |
| Average Revenue/Requisition | $ 808 | $ 702 | 15.0% |
| Average Revenue/Test | $ 615 | $ 548 | 12.2% |

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 cancer testing markets in general are seasonal and "same customer sales" tend to decline somewhat in the summer months as referring physicians are vacationing. In Florida, this seasonality is further exacerbated because a meaningful percentage of the population returns to homes in the Northern U.S. to avoid the hot summer months. Although, we have made great strides in diversifying our business on a national basis over the last few years, our revenue derived from the state of Florida still represented about 43% of our total revenue in 2008. As a result, our test volumes and sequential growth rates during the second and third quarter of each year have historically been impacted by these seasonality factors.

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. 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 2009 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 its 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 2008, we performed 32,539 individual tests. Ongoing sales efforts have decreased dependence on any given source of revenue. Notwithstanding this fact, one key client still accounts for a disproportionately large case volume and revenue total. For the years ended December 31, 2008 and 2007, one client with multiple locations accounted for 22% and 25% respectively, of total revenue. All others were less than 5% of total revenue individually. In the event that we lost this client, the Company would potentially lose a significant percentage of revenues.

Payor Mix

In 2008, approximately 47% of our revenue was derived from Medicare claims, 28% from commercial insurance companies, 21% from clients such as hospitals and other reference laboratories, and 4% from all others including patients. As of December 31, 2008, Medicare and one commercial insurance provider accounted for 22% and 14% 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.

Number of Employees

As of December 31, 2008, we had 114 full-time equivalent employees. In addition, six other individuals, including three pathologists and a Ph.D. cytogenetics director, serve as consultants to the Company on a regular basis. On December 31, 2007, we had 92 full-time equivalent employees and three consultants serving on a regular basis. On December 31, 2006, we had 48 employees. Our employees are not represented by any union and we believe our employee relations are good.

Government Regulation

Our business is subject to government regulation at the federal, state and local levels, some of which regulations are described under "Clinical Laboratory Operations," "Anti-Fraud and Abuse Laws," “The False Claims Act,” "Confidentiality of Health Information," and "Food and Drug Administration" below.

Clinical Laboratory Operations

Licensure and Accreditation

The Company operates clinical laboratories in Fort Myers, Florida, Nashville, Tennessee, and Irvine, California. All locations have obtained CLIA licensure under the federal Medicare program, the Clinical Laboratories Improvement Act of 1967 and the Clinical Laboratory Amendments of 1988 and other amendments (collectively "CLIA") as well as state licensure as required in Florida, New York, Tennessee, and California. CLIA provides for the regulation of clinical laboratories by the U.S. Department of Health and Human Services ("HHS"). Regulations promulgated under the federal Medicare guidelines, CLIA and the clinical laboratory licensure laws of the various states affect our testing laboratories. All locations are also accredited by the College of American Pathologists and actively participate in CAP's proficiency testing programs and educational challenges for all tests offered by the Company. Proficiency testing programs involve actual testing of specimens that have been prepared by an entity running an approved program for testing by a clinical laboratory.

The federal and state certification and licensure programs establish standards for the operation of clinical laboratories, including, but not limited to, personnel and quality control. Compliance with such standards is verified via periodic inspections by inspectors employed by federal or state regulatory agencies as well as routine internal inspections conducted by the Company's Quality Assurance team which is comprised of representatives of all departments of the Company.

Quality of Care

The quality of care provided to clients is of paramount importance to us. We maintain strong quality processes, including standard operating procedures, controls, performance measurement and reporting mechanisms. All 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. All employees are responsible for the Company's commitment to quality and immediately communicating activities that do not support quality.

Compliance Program

The healthcare industry is one of the most highly regulated industries with respect to federal and state oversight of fraud, waste, and abuse. As such the Company has implemented a compliance program that is overseen by the senior management of the Company to assure compliance with the vast regulations and governmental guidance. Our program consists of training / education of the employees and monitoring / audits of Company practices. The Company actively discusses with the Board of Directors any compliance related findings as well as any compliance related issues that may have a material effect on the Company. The Board of Directors actively discusses with the appropriate management personnel any compliance related issues that may have an effect on the Company.

Hotline

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 Company does not allow any retaliation against an employee who reports a compliance related issue.

Anti-Fraud and Abuse Laws

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. One provision of these laws, known as the "anti-kickback law," contains extremely broad proscriptions. Violation of this provision may result in criminal penalties, exclusion from participation in Medicare and Medicaid programs, and significant civil monetary penalties.

In January 1990, following a study of pricing practices in the clinical laboratory industry, the Office of the Inspector General ("OIG") of HHS issued a report addressing how these pricing practices relate to Medicare and Medicaid. The OIG reviewed the industry's use of one fee schedule for physicians and other professional accounts and another fee schedule for patients/third-party payors, including Medicare, in billing for testing services, and focused specifically on the pricing differential when profiles (or established groups of tests) are ordered.

Existing federal law authorizes the Secretary of HHS to exclude providers from participation in the Medicare and Medicaid programs if they charge state Medicaid programs or Medicare fees "substantially in excess" of their "usual and customary charges." On September 2, 1998, the OIG issued a final rule in which it indicated that this provision has limited applicability to services for which Medicare pays under a Prospective Payment System or a fee schedule, such as anatomic pathology services and clinical laboratory services. 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 a 1999 Advisory Opinion 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 Medicaid laws in some states also have prohibitions related to discriminatory pricing.

Under another federal law, known as the "Stark" law or "self-referral prohibition," physicians who have an investment or compensation relationship with an entity furnishing clinical laboratory services (including anatomic pathology and clinical chemistry services) may not, subject to certain exceptions, refer clinical laboratory testing for Medicare patients to that entity. Similarly, laboratories may not bill Medicare or Medicaid or any other party for services furnished pursuant to a prohibited referral. Violation of these provisions may result in disallowance of Medicare and Medicaid claims for the affected testing services, as well as the imposition of civil monetary penalties and application of False Claims submissions penalties. Some states also have laws similar to the Stark law.

The False Claims Act

The Civil False Claims Act - pertains to any federally funded program and defines "Fraudulent" as: knowingly submitting a false claim, i.e. actual knowledge of the falsity of the claim, reckless disregard or deliberate ignorance of the falsity of the claim. These are the claims to which criminal penalties are applied. Penalties include permissive exclusion in federally funded programs by the Center for Medicare Services ("CMS") as well as $11,500 plus treble damages per false claim submitted, and can include imprisonment. High risk areas include but are not limited to accurate use and selection of CPT codes, ICD-9 codes provided by the ordering physician, billing calculations, performance and billing of reported testing, use of reflex testing, and accuracy of charges at fair market value.

We seek to structure our arrangements with physicians and other clients to be in compliance with the Anti-Kickback Statute, Stark Law, State laws, and the Civil False Claims Act 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 could become subject to scrutiny thereunder.

In February 1997 (as revised in August 1998), the OIG released a model compliance plan for laboratories that is based largely on corporate integrity agreements negotiated with laboratories that had settled enforcement action brought by the federal government related to allegations of submitting false claims. We believe that we comply with the aspects of the model plan that are appropriate to the conduct of our business.

Confidentiality of Health Information

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") contains provisions that affect the handling of claims and other patient information that are, or have been, used or disclosed by healthcare providers. These provisions, which address security and confidentiality of PHI (Protected Health Information or "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. Rules implementing various aspects of

HIPAA are continuing to be developed.

The HIPAA Rules include the following components which have already been implemented at our locations and industry wide: The Privacy Rule, which granted patients rights regarding their information and which also pertains to the proper uses and disclosures of PHI by healthcare providers in written and verbal formats. The Electronic Health Care Transactions and Code Sets Standards established standard data content and formats for submitting electronic claims and other administrative healthcare transactions. CMS also requires compliance with the Security Standards, which establish standards for electronic uses and disclosures of PHI. We have also adopted the National Provider Identification number, which replaced all previously issued provider (organizational and individual) identification numbers. This number is issued by CMS and must be used on all covered transactions.

We have also taken necessary steps to comply with HIPAA regulations on adoption of national provider identifiers, or NPIs. These regulations require the adoption of the national provider identifier as the standard unique health identifier for healthcare providers to use in filing and processing healthcare claims and other transactions. We were required either to comply with this standard by May 23, 2007, or to implement contingency plans for an additional twelve-month period through May 23, 2008. During this period, CMS did not impose penalties on covered entities who implemented contingency plans provided they made reasonable

and diligent efforts to become compliant with the rule. We applied for and received our NPI number, as well as, updated our billing system with the NPIs of our customer heme/oncs to ensure compliance with these CMS filing and processing requirements.

On May 23, 2002, the Federal Trade Commission issued the Red Flag Rules designed to protect against identity theft. Effective May 1, 2009, we will be required to comply with the Red Flag Rules, which require financial institutions and creditors with covered accounts to have identity theft prevention programs in place to identify, detect and respond to patterns, practices or specific activities that could indicate identity theft. A creditor includes any entity that regularly extends, renews or continues credit or which defers payment for goods or services. Since we routinely extend credit by billing for our services after such services are provided, we meet the definition of a “creditor” under the Red Flag Rules. Accordingly, we have been developing a written program designed to identify and detect the relevant warning signs – or “red flags” – of identity theft and describe 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. In accordance with the Red Flag Rules, the program will be managed by our Board of Directors or senior employees, include appropriate staff training and provide for appropriate oversight.

In addition to the HIPAA rules described above, we are subject to state laws regarding the handling and disclosure of patient records and patient health information. These laws vary widely, and many states are passing new laws in this area. Penalties for violation include sanctions against a laboratory's licensure as well as civil or criminal penalties. We believe we are in compliance with current state law regarding the confidentiality of health information and continue to keep abreast of new or changing state laws as they become available.

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 have our headquarters and a laboratory located in approximately 25,700 square feet of leased office space in Fort Myers, Florida. In addition, we maintain approximately 12,500 square feet of laboratory and office space in Irvine and Chatsworth, California and 5,400 square feet in Nashville, Tennessee. 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.

Legal Proceedings

As of the date of the registration statement of which this prospectus is a part, a civil lawsuit was pending between the Company and its liability insurer, FCCI Commercial Insurance Company ("FCCI") in the 20th Judicial Circuit Court in and for Lee County, Florida (Case No. 07-CA-017150). FCCI filed the suit on December 12, 2007 in response to the Company's demands for insurance benefits with respect to an underlying action involving US Labs (a settlement agreement has since been reached in the underlying action, and thus that case has now concluded). Specifically, the Company maintains that the underlying plaintiff's allegations triggered the subject insurance policy's personal and advertising injury coverage. In the lawsuit, FCCI seeks a court judgment that it owes no obligation to the Company regarding the underlying action (FCCI does not seek monetary damages). The Company has counterclaimed against FCCI for breach of the subject insurance policy, and seeks recovery of defense costs incurred in the underlying matter, amounts paid in settlement thereof, and fees and expenses incurred in litigating with FCCI. The court recently denied a motion by FCCI for judgment on the pleadings, and the parties are proceeding with discovery. We intend to aggressively pursue all remedies in this matter and believe that the courts will ultimately find that FCCI had a duty to

provide coverage in the US Labs litigation.

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 March 31, 2009.

| Name | Age | Position |
|---|---|---|
| Board of Directors: | | |
| Douglas M. VanOort | 53 | Chairman of the Board of Directors, Executive Chairman and Interim Chief Executive Officer |
| Robert P. Gasparini | 54 | President and Chief Science Officer, Board Member |
| Steven C. Jones | 45 | Acting Principal Financial Officer, Board Member |
| Michael T. Dent | 44 | Board Member |
| George G. O'Leary | 46 | Board Member |
| Peter M. Peterson | 52 | Board Member |
| Marvin E. Jaffe | 71 | Board Member |
| William J. Robison | 72 | Board Member |
| Other Executives: | | |
| Robert J. Feeney | 41 | Vice President of Sales and Marketing |
| Matthew William Moore | 35 | Vice President of Research and Development |
| Jerome J. Dvonch | 40 | Principal Accounting Officer |

Family Relationships

There are no family relationships between or among the members of the Board of Directors or other executives. With the exception of Mr. Robison, Dr. Jaffe and Mr. O'Leary, the directors and other executives of the Company are not directors or executive officers of any company that files reports with the SEC. Mr. Robison also serves on the Board of MWI Veterinary Supply Inc. (NASDAQ GM: MWIV) and Dr. Jaffe serves on the board of Immunomedics, Inc. (NASDAQ GM: IMMU). Mr. O'Leary also serves on the Boards of NeoMedia Technologies Inc. (OTC:NEOM.OB), Smartire Systems Inc. (OTC:SMTR.OB), NS8 Corp. (OTC:NSEO.OB) and Futuremedia Plc (NASDAQ: FMDA).

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, Executive Chairman and Interim ChiefExecutive Officer

Mr. VanOort has served as the Chairman of the Board of Directors, Executive Chairman and Interim Chief Executive Officer of NeoGenomics since March 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 - Acting Principal Financial Officer, Board Member

Mr. Jones has served as a director of NeoGenomics since October 2003. 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 from the Wharton School of the University of Pennsylvania in 1991. He is also Chairman of the Board of Quantum Health Systems, LLC and 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, S.C. in 1992 and a B.S. degree from Davidson College in Davidson, N.C. 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. 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. Mr. O'Leary is also a board member of NeoMedia Technologies, Inc, SmarTire Systems, Inc, NS8 Corporation, Future Media Plc, and Isonics Corporation. 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 in 2001, Mr. Peterson was Managing Director of Investment Banking with H. C. Wainwright & Co. Prior to H.C. 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.

William J. Robison – Board Member

Mr. Robison, who is retired, spent his entire 41 year career with Pfizer, Inc. At Pfizer, he rose through the ranks of the sales organization and became Senior Vice President of Pfizer Labs in 1986. In 1990, he became General Manager of Pratt Pharmaceuticals, a then-new division of the U.S. Pharmaceuticals Group, and in 1992 he became the President of the Consumer Health Care Group. In 1996 he became a member of Pfizer's Corporate Management Committee and was promoted to the position of Executive Vice President and head of Worldwide Corporate Employee Resources. Mr. Robison retired from Pfizer in 2001 and currently serves as a consultant and board member to various companies. Mr. Robison is a board member and an executive committee member of the USO of Metropolitan New York, Inc. He is also on the board of directors of the Northeast Louisiana University foundation, a member of the Human Resources Roundtable Group, the Pharmaceutical Human Resource Council, the Personnel Round Table, and on the Employee Relations Steering Committee for The Business Round Table.

Marvin E. Jaffe – Board Member

Dr. Jaffe, who is also 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 including Ortho Pharmaceutical, McNeil Pharmaceutical, Ortho Biotech and Cilag. Dr. Jaffe retired from Johnson & Johnson in 1994 and currently serves as a consultant and board member to various companies in the biopharmaceutical and biotechnology industries. He is currently a director of Immunomedics, Inc.. He was also 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 Advisory Boards of Health Care Ventures, Endpoint Merchant Group, Newron Pharmaceuticals and PenWest Pharmaceuticals.

Robert J. Feeney, Ph.D. - Vice President of Sales and Marketing

Mr. Feeney has served as Vice President of Sales and Marketing since January 3, 2007. Prior to NeoGenomics, he served in a dual capacity as the Director of Marketing and the Director of Scientific & Clinical Affairs for US Labs, a division of Laboratory Corporation of America (LabCorp). Prior to that, Dr. Feeney held a variety of roles including the National Manager of Clinical Affairs and the Central Regional Sales Manager position where he managed up to 33% of the sales force. In his first full year with US Labs, he grew revenue from $1 million to $17 million in this

geography. Prior to US Labs, Dr. Feeney was employed with Eli Lilly and Company as an Associate Marketing Manager and with Impath Inc., now a wholly owned division of Genzyme Genetics, where he held various positions including Regional Sales Manager and District Sales Manager assignments. Dr. Feeney has over 14 years of sales and marketing experience with 17 years in the medical industry. Dr. Feeney received his Bachelors of Science degree in Biology from Dickinson College and his doctoral degree in Cellular and Developmental Biology from the State University of New York.

Matthew William Moore, Ph.D. - Vice President of Research and Development

Mr. Moore has served as Vice President of Research and Development since July 2006. Prior to that he served as Vice President of Research and Development for Combimatrix Molecular Diagnostics, a subsidiary of Combimatrix Corporation, a biotechnology company, developing novel microarray, Q-PCR and Comparative Genomic Hybridization based diagnostics. Prior to Combimatrix Molecular Diagnostics, he served as a senior scientist with US Labs, a division of Laboratory Corporation of America (LabCorp) where he was responsible for the initial implementation of the Molecular in Situ Hybridization and Molecular Genetics programs. Mr. Moore received his Bachelors of Science degree in Biotechnology, where he graduated with honors and his doctoral degree from the University of New South Wales, Australia.

Jerome J. Dvonch - Director of Finance, Principal Accounting Officer

Mr. Dvonch has served as Director of Finance since August 2005 and as Principal Accounting Officer since August 2006. From June 2004 through July 2005, Mr. Dvonch was Associate Director of Financial Planning and Analysis with Protein Design Labs, a bio-pharmaceutical company. From September 2000 through June 2004, Mr. Dvonch held positions of increasing responsibility including Associate Director of Financial Analysis and Reporting with Exelixis, Inc., a biotechnology company. He also was Manager of Business Analysis for Pharmchem Laboratories, a drug testing laboratory. Mr. Dvonch is a Certified Public Accountant and received his M.B.A. from the Simon School of Business at the University of Rochester. He received his B.B.A. in accounting from Niagara University.

Audit Committee

Currently, the Audit Committee of the Board of Directors is comprised of Steven C. Jones and George O'Leary. The Board of Directors believes that both Mr. Jones and Mr. O'Leary are "audit committee financial experts" as defined by Item 407 of Regulation S-K of the Securities Act of 1933, as amended. Neither Mr. Jones nor Mr. O'Leary are considered to be "independent" pursuant to Rule 4350(d) of the Marketplace Rules of The Nasdaq Stock Market.

Compensation Committee

The Compensation Committee is responsible for establishing the Company's executive officer compensation policies and administering such policies. The Compensation Committee studies, recommends and implements the amount, terms and conditions of payment of certain forms of compensation. The Company's executive officers, other than Mr. Jones, do not play a role in determining or recommending the amount or form of executive or director compensation. Currently, the Compensation Committee is comprised of all of the Company's directors other than Mr. Gasparini. Mr. Jones, Mr. Peterson, Dr. Dent and Dr. Jaffe are not considered "independent" as that term is defined by Rule 4200(a)(15) of the Marketplace Rules of The Nasdaq Stock Market. However, Mr. O'Leary and Mr. Robison are considered to be independent. The Compensation Committee does not have a written charter.

Independent Directors

Mr. O'Leary and Mr. Robinson are considered to be " independent" as that term is defined by Rule 4200(a)(15) of the Marketplace Rules of The Nasdaq Stock Market.

Code of Ethics

We adopted a Code of Ethics for our senior financial officers and the principal executive officer during 2004, which was filed with the SEC as an exhibit to the Company's Annual Report on Form 10-KSB dated April 15, 2005. A copy of the Code of Ethics may be obtained, free of charge, by writing to the Secretary of NeoGenomics, Inc., 12701 Commonwealth Drive, Suite 9, Fort Myers, Florida 80215.

Executive Compensation

The following Summary Compensation Table sets forth all compensation earned and accrued, in all capacities, during the fiscal years ended December 31, 2008 and 2007, by our Named Executive Officers.

| Name and Principal Position | Year | Salary | Bonus | Stock Award | Option Award(1) | Non-Equity Incentive Plan Compen-sation | Non-qualified Deferred Compen-sation Earnings | All Other Compen-sation | Total |
|---|---|---|---|---|---|---|---|---|---|

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Robert P. Gasparini President and Chief Science Officer | 2008 | $ 235,872 | $ 35,000 | $ - | $ 89,985 | $ - | $ - | $ - | $ - | $ 360,857 |
| | 2007 | 209,061 | 10,000 | - | 46,000 | - | - | - | - | 265,061 |
| Robert J. Feeney V.P.of Sales and Marketing | 2008 | 188,146 | 5,000 | - | 37,228 | - | - | - | - | 230,374 |
| | 2007 | 161,192 | 12,375 | - | 39,593 | - | - | - | - | 213,160 |

Name and
Principal
Position