NEOGENOMICS INC
Form S-1/A
January 22, 2009

As filed with the U.S. Securities and Exchange Commission on January 22, 2009

Registration No. 333-155784

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Nevada	NeoGenomics, Inc.	74-2897368
(State or Other Jurisdiction of Incorporation or Organization)	(Name of Registrant in Our Charter)	(I.R.S. Employer Identification No.)

12701 Commonwealth Drive, Suite 9 Fort Myers, Florida 33913 (239) 768-0600 (Address and Telephone Number of Principal Executive Offices and Principal Place of Business)	8731 (Primary Standard Industrial Classification Code Number)	Robert P. Gasparini 12701 Commonwealth Drive, Suite 9 Fort Myers, Florida 33913 (239) 768-0600 (Name, Address and Telephone Number of Agent for Service)

With copies to:
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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. ¨

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. ¨

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. ¨

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

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

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Maximum Aggregate Offering Price(2)	Amount Of Registration Fee (3)
Common Stock, par value $0.001 per share	6,500,000 shares	$ 0.70	$ 4,550,000	$ 179
TOTAL	6,500,000 shares	$ 0.70	$ 4,550,000	$ 179

(1) The shares of our common stock being registered hereunder are being registered for sale by the selling stockholders named in the prospectus.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933. For the purposes of this table, we have used the average of the closing bid and asked prices as of January 21, 2009.

(3) Previously paid.

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 JANUARY 22, 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 January 21, 2009, the last reported sale price of our common stock on the Over-The-Counter Bulletin Board was $0.69 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 Financial Statements and the Notes thereto before making any investment decision.

Our Company

NeoGenomics operates a network of cancer-focused genetic testing laboratories. The Company's growing network of laboratories currently offers the following types of testing services to pathologists, oncologists, urologists, hospitals, and other laboratories throughout the United States:

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; and

d) 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 and prognosis of various types of cancer.

The medical testing laboratory market can be broken down into three segments: clinical lab testing, anatomic pathology testing, and genetic and molecular testing. Clinical lab testing is typically done by laboratories that specialize 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 base pairs of DNA or RNA 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 average revenue per test of the three market segments. The estimated size of this market and the related parts of the AP testing market that we address is approximately $4-$5 Billion.

Our primary focus is to provide high complexity laboratory testing for the community-based pathology and oncology marketplace. Within these key market segments, we currently provide our services to pathologists and oncologists in the United States that perform bone marrow and/or peripheral blood sampling for the diagnosis of blood and lymphoid tumors (leukemias and lymphomas) and archival tissue referral for analysis of solid tumors such as breast cancer. A secondary strategic focus targets community-based urologists due to the availability of a new FISH-based test for the initial diagnosis of bladder cancer and early detection of recurrent disease. 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, not in academic centers, due to ease of local access. Moreover,

within the community-based pathologist segment it is not our intent to willingly compete with our customers for testing services that they may seek to perform themselves. Fee-for-service pathologists for example, derive a significant portion of their annual revenue from the interpretation of biopsy specimens. Unlike other larger laboratories, which strive to perform 100% of such testing services themselves, we do not intend to compete with our customers for such specimens. Rather, our high complexity cancer testing focus is a natural extension of and complementary to many of the services that our community-based customers often perform within their own practices. As such, we believe our relationship as a non-competitive consultant, empowers these physicians 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 continue to make progress growing our testing volumes and revenue beyond our historically focused effort in Florida due to our expanding field sales footprint. As of December 31, 2008, NeoGenomics' sales and marketing organization had 14 territory business managers, three regional managers, a National Director of Sales and three team members in business development and marketing, and we have received business from 30 states throughout the country. Recent, key hires included various territory business managers (sales representatives) in the Northeastern, Southeastern, and Western states. 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 which is generated within the state.

We are successfully competing in the marketplace based on the quality and comprehensiveness of our test results, and our innovative flexible levels of service, industry-leading turn-around times, regionalization of laboratory operations and ability to provide after-test support to those physicians requesting consultation.

2007 saw the refinement of our industry leading NeoFISHTM technical component-only FISH service offering. Upon the suggestion of our installed customer base, we made numerous usability and technical enhancements throughout last year. The result has been a product line for NeoGenomics that continues to resonate very well with our client pathologists. Utilizing NeoFISHTM, such clients are empowered to extend the outreach efforts of their practices and exert a high level of sign out control over their referral work in a manner that was previously unobtainable.

NeoFLOWTM tech-only flow cytometry was launched as a companion service to NeoFISHTM in late 2007. NeoFLOWTM has been a key growth driver in 2008. Moreover, the combination of NeoFLOWTM and NeoFISHTM serves to strengthen the market differentiation of each product line for NeoGenomics and allows us to compete more favorably against larger, more entrenched competitors in our testing niche.

We increased our professional level staffing for global requisitions requiring interpretation in 2007 and 2008. We currently employ three full-time MDs as our medical directors and pathologists, two PhDs as our scientific directors and cytogeneticists, and three part-time MDs acting as consultants and backup pathologists for case sign out purposes. We have plans to hire several more hematopathologists as our product mix continues to expand beyond tech-only services and more sales emphasis is focused on our ability to issue consolidated reporting with case interpretation under our Genetic Pathology Solutions (GPSTM) product line.

We believe NeoGenomics' average 3-5 day turn-around time for our cytogenetics services continues to remain an industry-leading benchmark for national laboratories. The timeliness of results continues to increase the usage patterns of cytogenetics and acts as a driver for other add-on testing requests by our referring physicians. Based on anecdotal information, we believe that typical cytogenetics labs have 7-14 day turn-around times on average with some labs running as high as 21 days. Traditionally, longer turn-around times for cytogenetics tests have resulted in fewer FISH and other molecular tests being ordered since 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 available. We believe our turn-around times result in our referring physicians requesting more of our testing services in order to augment or confirm other diagnostic tests, thereby giving us a significant competitive advantage in marketing our services against those of other competing laboratories.

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. Informal surveys of customers and prospects uncovered a desire to do business with a laboratory with national breadth but with a more local presence. In such a scenario, specimen integrity, turnaround-time of results, client service support, and interaction with our medical staff are all enhanced. We currently operate three laboratory locations in Fort Myers, Florida, Irvine, California and Nashville, Tennessee, each of which has received the appropriate state, Clinical Laboratory Improvement Amendments ("CLIA"), and College of American Pathologists ("CAP") licenses and accreditations. As situations dictate and opportunities arise, we will continue to develop and open new laboratories, seamlessly linked together by our optimized Laboratory Information System ("LIS"), to better meet the regionalized needs of our customers.

2007 brought progress in the NeoGenomics Contract Research Organization ("CRO") division based at our Irvine, California facility. 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. The CRO division will also act as a development conduit for the validation of new tests which can then be transferred to our clinical laboratories and be offered to our clients. We envision the CRO as a way to infuse some intellectual property into the mix of our services and in time create a more "vertically integrated" laboratory that can potentially offer additional clinical services of a more proprietary nature. 2007 brought the first revenue to NeoGenomics' CRO division. This initial revenue stream was small due to the size of the contracts closed. During 2008 we began to scale revenues from the CRO division and we currently expect to grow this business significantly during 2009.

During 2008, we began offering additional tests that broaden our focus from genetic and molecular testing to more traditional types of anatomic pathology testing (i.e. immunohistochemistry) that are complementary to our current test offerings. At no time do we expect to intentionally compete with fee-for-service pathologists for services of this type, and Company sales efforts will operate under a strict "right of first refusal" philosophy that supports rather than undercuts the practice of community-based pathology. We believe that by adding additional types of tests to our product offering we will be able to capture increases in our testing volumes through our existing customer base as well as more easily attract new customers via the ability to package our testing services more appropriately to the needs of the market.

The above market strategy continues to bear fruit for the Company, resulting in strong year over year growth of 78% in FY 2007 versus FY 2006. For the nine months ended September 30, 2008, we experienced even stronger year over year revenue growth of 83% versus the comparable period in FY 2007. Our average revenue/requisition in FY 2007 was approximately $702, which was an increase of approximately 4% from FY 2006. For the nine months ended September 30, 2008, our average revenue/requisition was approximately $803 which was an increase of approximately 16% from the comparable period in 2007. Our average revenue/test in FY 2007 was approximately $548, which was an increase of approximately 9% over FY 2006. Our average revenue/test for the nine months ended September 30, 2008 was approximately $612, which was an increase of approximately 14% over the comparable period in FY 2007. FY 2007 saw a slight erosion of average tests per requisition due to the overwhelming success of our bladder cancer FISH product line, which tends to be a singly ordered test request. New sales hires and a new focus on global workups with interpretation and our integrated GPS product line allowed us to increase average number of tests per requisition for the nine months ended September 30, 2008 from the comparable period in FY 2007. For the three months ended September 30, 2008, average number of tests per requisition was 1.33 and we expect this number to continue to increase during 2009.

For the twelve months ended December 31		FY 2007		FY 2006	% Inc (Dec)
Customer Requisitions Received (Cases)		16,385		9,563	71.3%
Number of Tests Performed		20,998		12,838	63.6%
Average Number of Tests/Requisition		1.28		1.34	(4.5%)
Total Testing Revenue	$	11,504,725	$	6,475,996	77.7%
Average Revenue/Requisition	$	702.15	$	677.19	3.7%
Average Revenue/Test	$	547.90	$	504.44	8.6%

For the nine months ended September 30		FY 2008		FY 2007	% Inc (Dec)
Customer Requisitions Received (Cases)		17,758		11,123	59.7%
Number of Tests Performed		23,049		14,332	60.8%
Average Number of Tests/Requisition		1.31		1.29	1.6%
Total Testing Revenue	$	14,094,959	$	7,709,408	82.8%
Average Revenue/Requisition	$	802.77	$	693.01	15.8%
Average Revenue/Test	$	611.52	$	537.91	13.7%

We believe this bundled approach to testing represents a clinically sound practice that is medically valid. Within the subspecialty field of hematopathology, such a bundled approach to the diagnosis and prognosis of blood and lymph node diseases has become the standard of care throughout the country. In addition, as the average number of tests performed per requisition increases, we believe this should drive increases in our revenue and afford the Company significant synergies and efficiencies in our operations and sales and marketing activities.

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 December 31, 2008, there were 32,117,237 shares outstanding (20,018,178 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 8.5% of the total common stock outstanding or 13.0% 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 after the registration statement of which this prospectus is a part is declared effective. 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. After the SEC has declared effective such registration statement, 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 22.

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 January 21, 2009, the last reported sale price of our common stock on the Over-The-Counter Bulletin Board was $0.69 per share.

Common Stock Offered	6,500,000 shares by selling stockholders
Offering Price	Market price
Common Stock Currently Outstanding	32,122,382 shares as of January 21, 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 unaudited Quarterly Report on Form 10-Q for the nine months ended September 30, 2008 and 2007, as filed with the SEC.

Statement of Operations Data

	For the Nine Months Ended	
	September 30, 2008	September 30, 2007
Net Revenue	$ 14,094,959	$ 7,709,408
Cost of Revenue	6,577,549	3,623,860
Gross Profit	7,517,410	4,085,548
Other Operating Expenses:		
General and administrative	7,706,284	5,664,053
Interest expense, net	199,336	205,806
Total Operating Expenses	7,905,620	5,869,859
Net Loss	$ (388,210)	$ (1,784,311)
Net Loss Per Share - Basic And Fully Diluted	$ (0.01)	$ (0.06)
Weighted Average Number Of Shares Outstanding – Basic and Fully Diluted	31,414,065	29,221,778

Balance Sheet Data

		As of September 30, 2008	December 31, 2007
Current Assets			
Cash and cash equivalents	$	631,365	$ 210,573
Accounts receivable (net of allowance for doubtful accounts of $283,111 and $414,548, respectively)		3,381,066	3,236,751
Inventories		344,608	304,750
Other current assets		900,146	400,168
Total current assets		5,257,185	4,152,242
Property and equipment (net of accumulated depreciation of $1,374,942 and $862,030, respectively)		2,495,146	2,108,083
Other assets		275,087	260,575
Total Assets	$	8,027,418	$ 6,520,900
Liabilities And Stockholders' Equity:			
Current Liabilities			
Accounts payable	$	1,904,694	$ 1,799,159
Accrued expenses and other liabilities		955,405	1,319,580
Revolving credit line		1,176,221	-
Short-term portion of equipment capital leases		449,776	242,966
Total current liabilities		4,486,096	3,361,705
Long Term Liabilities			
Long-term portion of equipment capital leases		1,054,321	837,081
Total Liabilities		5,540,417	4,198,786
Stockholders' Equity			
Common stock, $.001 par value, (100,000,000 shares authorized; 31,686,355 and 31,391,660 shares issued and outstanding, respectively)		31,686	31,391
Additional paid-in capital		17,373,756	16,820,954
Accumulated deficit		(14,918,441)	(14,530,231)
Total stockholders' equity		2,487,001	2,322,114
Total Liabilities and Stockholders' Equity	$	8,027,418	$ 6,520,900

The Summary Consolidated Financial Information set forth below was excerpted from the Company's Annual Reports on Form 10-KSB for the years ended December 31, 2007 and 2006, as filed with the SEC.

Statement of Operations Data

	For the Years Ended December 31,	
	2007	2006
Net Revenue	$ 11,504,725	$ 6,475,996
Cost of Revenue	5,522,775	2,759,190
Gross Profit	5,981,950	3,716,806
Other Operating Expense:		
General and administrative	9,122,922	3,576,812
Income / (Loss) from Operations	(3,140,972)	139,994
Other Income / (Expense):		
Other income	24,256	55,.970
Interest expense	(263,456)	(325,625)
Other income / (expense) – net	(239,200)	(269,655)
Net Loss	$ (3,380,172)	$ (129,661)
Net Loss Per Share – Basic and Diluted	$ (0.11)	$ (0.00)
Weighted Average Number of Shares Outstanding – Basic and Diluted	29,764,289	26,166,031

Balance Sheet Data

	As of December 31, 2007	December 31, 2006
Assets:		
Cash and cash equivalents	$ 210,573	$ 126,266
Accounts receivable (net of allowance for doubtful accounts of $414,548 and 103,463, respectively)	3,236,751	1,549,758
Inventories	304,750	117,362
Other current assets	400,168	102,172
Total current assets	4,152,242	1,895,558
Property and equipment (net of accumulated depreciation of $862,030 and $494,942, respectively)	2,108,083	1,202,487
Other assets	260,575	33,903
Total Assets	$ 6,520,900	$ 3,131,948
Liabilities & Stockholders' Equity:		
Current Liabilities		
Account payable	$ 1,799,159	$ 697,754
Accrued compensation	370,496	133,490
Accrued expenses and other liabilities	574,084	67,098
Legal contingency	375,000	-
Due to affiliates (net of discount of $39,285)	-	1,635,715
Short-term portion of equipment capital leases	242,966	94,430
Total current liabilities	3,361,705	2,628,487
Long-Term Liabilities		
Long-term portion of equipment capital leases	837,081	448,947
Total Liabilities:	4,198,786	3,077,434
Commitments and contingencies		
Stockholders' Equity:		
Common Stock, $0.01 par value, (100,000,000 shares authorized; And 31,391,660 and 27,061,476 shares issued and outstanding at December 31, 2007 and 2006, respectively)	31,391	27,061
Additional paid-in capital	16,820,954	11,300,135
Deferred stock compensation	-	(122,623)
Accumulated deficit	(14,530,231)	(11,150,059)
Total stockholders' equity	2,322,114	54,514
Total Liabilities and Stockholders' Equity	$ 6,520,900	$ 3,131,948

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 Have A Limited Operating History Upon Which You Can Evaluate Our Business And Unforeseen Risks May Harm The Success Of Our Business

We commenced revenue operations in 2002 and are just beginning to generate meaningful revenue. Accordingly, we have a limited operating history upon which an evaluation of us and our prospects can be based. We and our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the rapidly evolving market for healthcare and medical laboratory services. To address these risks, we must, among other things, respond to competitive developments, attract, retain and motivate qualified personnel, implement and successfully execute our sales strategy, develop and market additional services, and upgrade our technological and physical infrastructure in order to scale our revenues. We may not be successful in addressing such risks. Our limited operating history makes the prediction of future results of operations difficult or impossible.

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 customers; (ii) effectively provide acceptable products and services to our customers; (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; (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, 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 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 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. 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 may result 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 customers 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 customers 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 customers and have a material adverse effect on our business, results of operations and financial condition.

If we produce inaccurate test results, our customers 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, 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 customers, 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, customers, 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 director 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 what is currently planned. 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.

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 $0.69 per share (the closing sale price of the common stock on January 21, 2009) and the purchase by Fusion Capital of the full 3,000,000 shares under the Purchase Agreement, proceeds to us would only be $2,070,000 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 $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, the consequences 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 assays or assays we discover and develop. However, 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 customers may, in turn, be exerted by our customers on us. If government and other third party payors do not provide adequate coverage and reimbursement for our assays, 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 always 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, 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. This adds further complexity to the billing process.

Among many other factors complicating billing 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 customers; (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, as 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 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. Written "corporate compliance" programs to actively monitor compliance with fraud laws and other regulatory requirements are recommended by the Department of Health and Human Services' Office of the Inspector General.

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 `88 or with any other applicable licensure or certification laws. The sanctions for failure to comply with CLIA `88 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 `88 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 will seek to structure our arrangements with physicians and other customers 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 contains 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.

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 customers or others. Computer viruses, break-ins or other security problems could lead to interruption, delays or cessation in service to our customers. Further, such break-ins whether electronic or physical could also potentially jeopardize the security of confidential information stored in our computer systems of our customers and other parties connected through us, which may deter potential customers and give rise to uncertain liability to parties whose security or privacy has been infringed. A significant security breach could result in loss of customers, 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 Are Controlled By Existing Stockholders And Therefore Other Stockholders Will Not Be Able To Direct The Company

The Company and stockholders owning and/or having the right to vote 11,737,417 shares, or approximately 36.6% of the Company’s voting shares outstanding as of December 31, 2008 have executed a Shareholders’ Agreement that, among other provisions, gives Aspen, our largest stockholder, the right to elect three out of the seven directors authorized for our Board, and nominate one mutually acceptable independent director. Accordingly, it is anticipated that Aspen and other parties to the Shareholders’ Agreement will continue to have the ability to 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 Over-The-Counter Bulletin Board or any other stock market 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.

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

Our ability to retain existing customers for our specialized diagnostic services and attract new customers 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 customer 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 customers may choose to use a competitor's services based on their relationship with the departed sales representative.

We Are Currently Expanding Our Infrastructure, Including Through The Acquisition And Development Of Additional Office Space And The Expansion Of Our Current Laboratory Capacity At Our Existing Facilities, And We Intend To Further Expand Our Infrastructure By Establishing A New Laboratory Facility Which, Among Other Things, Could Divert Our Resources And May Cause Our Margins To Suffer.

In November 2007, we entered into a lease which expires on June 30, 2010 for additional office space in Fort Myers, Florida to house our expanding Florida laboratory, administrative, sales, billing and client services departments. During the first half of 2008, we initiated construction to expand our current laboratory capacity by building out unimproved areas within our existing Florida facility. Each expansion of our facilities or systems could divert resources, including the focus of our management, away from our current business. In addition, expansions of our facilities may increase our costs and potentially decrease operating margins, both of which would, individually or in the aggregate, negatively impact our business, financial condition and results of operations.

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 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 46.9% and 51.6% of our revenues for the nine months ended September 30, 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, or 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.

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 the agreement with CapitalSource Funding, LLC 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 under 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 four material weaknesses in our internal controls as of December 31, 2007. These matters and our efforts regarding remediation of these matters, as well as efforts regarding internal controls generally are discussed in detail in our Annual Report on Form 10-KSB. 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.

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 32,122,382 shares of common stock outstanding as of January 21, 2009, 22,619,816 shares are freely tradable without restriction, unless held by our "affiliates". The remaining 9,502,566 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.

Our Common Stock Is Deemed To Be "Penny Stock", Which May Make It More Difficult For Investors To Sell Their Shares Due To Suitability Requirements

Our common stock is deemed to be "penny stock" as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Penny stocks are stocks:

- With a price of less than $5.00 per share;
- That are not traded on a "recognized" national exchange;
- Whose prices are not quoted on the Nasdaq automated quotation system;

- Nasdaq stocks that trade below $5.00 per share are deemed a "penny stock" for purposes of Section 15(b)(6) of the Exchange Act;
  - In issuers with net tangible assets less than $2.0 million (if the issuer has been in continuous operation for at least three years) or $5.0 million (if in continuous operation for less than three years), or with average revenues of less than $6.0 million for the last three years.
- 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 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 sell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

FORWARD-LOOKING STATEMENTS

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

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

SELLING STOCKHOLDERS

The following table presents information regarding our selling stockholders who intend to sell up to 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)	11,815,220	33.6%	2,130,364	26.9%
Mary S. Dent(4)	2,642,130	8.1%	553,488	6.0%
Steven C. Jones(5)	13,055,386	36.7%	238,826	29.3%
Jones Network, LP(6)	107,143	*	107,143	0.0%
Marvin E. Jaffe(7)	63,096	*	21,429	*
Steven C. Jones ROTH IRA(8)	20,450	*	18,750	*
Peter M. Peterson(9)	11,926,862	33.8%	12,500	25.6%
Total(10):	16,257,280	44.9%	6,500,000	35.7%

* Less than one percent (1%).

(1) Applicable percentage of ownership is based on 32,117,237 shares of our common stock outstanding as of December 31, 2008, together with securities exercisable or convertible into shares of common stock within sixty (60) days of December 31, 2008, 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 2,526,941 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 December 31, 2008 to purchase 139,659 shares and (iii) options exercisable by Dr. Dent within 60 days of December 31, 2008 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 724,826 shares. Mr. Jones also has warrants exercisable within 60 days of December 31, 2008 to purchase an additional 93,965 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 December 31, 2008 owned by Aspen Capital Advisors, LLC, a company that Mr. Jones controls, (iii) 32,475 warrants exercisable within 60 days of December 31, 2008 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 December 31, 2008 to purchase 41,667 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 December 31, 2008 to purchase an additional 66,667 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 32,475 warrants exercisable within 60 days of December 31, 2008 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 December 31, 2008, there were 32,117,237 shares outstanding (20,018,178 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 8.5% of the total common stock outstanding or 13.0% 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 after the registration statement of which this prospectus is a part is declared effective. 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. After the SEC has declared effective such registration statement, 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; or

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

- a material adverse change in our business;

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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	8.5%	$1,350,000
$0.69(2)	3,000,000	8.5%	$2,070,000
$1.00	3,000,000	8.5%	$3,000,000
$1.50	3,000,000	8.5%	$4,500,000
$2.00	3,000,000	8.5%	$6,000,000
$2.50	3,000,000	8.5%	$7,500,000
$2.67	3,000,000	8.5%	$8,000,000

(1) The denominator is based on 32,117,237 shares outstanding as of December 31, 2008, 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 January 21, 2009.

USE OF PROCEEDS

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 testing laboratories that specifically target the rapidly growing genetic and molecular testing segment of the medical laboratory industry. We currently operate in three laboratory locations: Fort Myers, Florida, Nashville, Tennessee and Irvine, California. We currently offer throughout the United States the following types of testing services to oncologists, pathologists, urologists, hospitals, and other laboratories: a) cytogenetics testing, which analyzes human chromosomes, b) Fluorescence In-Situ Hybridization ("FISH") testing, which analyzes abnormalities at the chromosome and gene levels, c) flow cytometry testing services, which analyzes gene expression of specific markers inside cells and on cell surfaces, d) morphological testing, which analyzes cellular structures and e) molecular testing which involves analysis of DNA and RNA and prediction of the clinical significance of various cancers. All of these testing services are widely used in the diagnosis and prognosis of various types of cancer.

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
- Accounting For Contingencies
- Stock Based Compensation

Revenue Recognition

The Company recognizes revenues in accordance with the 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 payor. 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 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 were ultimately paid 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 payor's 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 payor.

The following tables present the dollars and percentage of the Company's net accounts receivable from customers outstanding by aging category at December 31, 2007 and 2006. All of our receivables were pending approval by third-party payors as of the date that the receivables were recorded:

NEOGENOMICS AGING OF RECEIVABLES BY PAYOR GROUP

December 31, 2007

Payor Group	0-30	%	30-60	%	60-90	%	90-120	%	> 120	%	Total	%
Client	$ 159,649	4%	$ 148,909	4%	$ 200,073	5%	$ 69,535	2%	$ 122,753	3%	$ 700,919	19%
Commercial Insurance	427,876	12%	184,761	5%	126,477	3%	66,922	2%	487,387	13%	1,293,423	35%
Medicaid	918	0%	904	0%	2,331	0%	1,292	0%	11,892	0%	17,337	0%
Medicare	662,560	18%	293,870	8%	94,755	3%	70,579	2%	486,002	13%	1,607,766	44%
Self Pay	9,745	0%	6,324	0%	6,889	0%	3,238	0%	5,658	0%	31,854	1%
Total	$ 1,260,748	34%	$ 634,768	17%	$ 430,525	12%	$ 211,566	6%	$ 1,113,692	31%	$ 3,651,299	100%

December 31, 2006

Payor Group	0-30	%	30-60	%	60-90	%	90-120	%	> 120	%	Total	%
Client	$ 146,005	9%	$ 150,698	10%	$ 79,481	5%	$ 8,606	1%	$ 33,827	2%	$ 418,617	27%
Commercial Insurance	133,333	8%	105,464	7%	58,026	4%	48,847	3%	35,248	2%	380,918	24%
Medicaid	325	0%	650	0%	2,588	0%	400	0%	-	0%	3,963	0%
Medicare	293,298	19%	282,463	18%	71,283	5%	68,830	4%	56,598	4%	772,472	49%
Self Pay	135	0%	2,058	0%	723	0%	-	0%	-	0%	2,916	0%
Total	$ 573,096	36%	$ 541,333	35%	$ 212,101	13%	$ 126,683	8%	$ 125,673	8%	$ 1,578,886	100%

The large increase in our accounts receivable greater than 120 days as of December 31, 2007 as compared to December 31, 2006 was the result of several factors. In the fourth quarter of 2006, the Company implemented a new billing system that was not scalable as our volume continued to grow and this made accounts receivable management very difficult. In 2007, as we grew, we determined that we also needed proper management in this area. Accordingly, in the fourth quarter of 2007, we reorganized our entire billing department and made a decision to replace the existing billing system. As a result we discovered an issue with incorrectly filed claims, that were aged significantly, and the clean-up of these claims was ongoing through the first half of 2008. At September 30, 2008 only 22% of our Accounts Receivable was aged greater than 120 days. The new billing system went live in March 2008 and is designed specifically for laboratory billing and has been a significant improvement over the previous billing system.

Based on a detailed analysis, we believe that our $415,000 allowance for doubtful accounts, which represents approximately 11% of our receivables balance, is adequate as of December 31, 2007. At December 31, 2006, our allowance for doubtful accounts was $103,000 or 6% of accounts receivable.

Accounting for Contingencies

When involved in litigation or claims, in the normal course of our business, we follow the provisions of SFAS No. 5, Accounting for Contingencies, to record litigation or claim-related expenses. We evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. We accrue for settlements when the outcome is probable and the amount or range of the settlement can be reasonably estimated. In addition to our judgments and use of estimates, there are inherent uncertainties surrounding litigation and claims that could result in actual settlement amounts that differ materially from estimates. With respect to claims brought against the Company by Accupath Diagnostics Laboratories, Inc. ("US Labs"), on April 23, 2008, the Company and US Labs entered into a settlement agreement and release (the "Settlement Agreement"); whereby, both parties agreed to settle and resolve all claims asserted in and arising out of the aforementioned lawsuit. Pursuant to the Settlement Agreement, we are required to pay $500,000 to US Labs, of which $250,000 was paid on May 1, 2008 with funds from the Company's insurance carrier and the remaining $250,000 shall be paid by the Company on the last day of each month in equal installments of $31,250 commencing on May 31, 2008. Under the terms of the Settlement Agreement, there are certain provisions agreed to in the event of default. As of October 31, 2008 the remaining amount due was $62,500, and no events of default had occurred.

Stock Based Compensation.

Prior to January 1, 2006, we accounted for stock-based awards and our Employee Stock Purchase Plan using the intrinsic method in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees", FASB Interpretation No. 44 ("FIN 44")"Accounting for Certain Transactions Involving Stock-Based Compensation, an Interpretation of APB Opinion No. 25", FASB Technical Bulletin No. 97-1 ("FTB 97-1")"Accounting under Statement 123 for Certain Employee Stock Purchase Plans with a Look-Back Option", and related interpretations and provided the required pro forma disclosures of SFAS 123 "Accounting for Stock-Based Compensation". In accordance with APB 25, non-cash, stock-based compensation expense was recognized for any options for which the exercise price was below the market price on the actual grant date and for any grants that were modified from their original terms. The charge for the options with an exercise price below the market price on the actual grant date was equal to the number of options multiplied by the difference between the exercise price and the market price of the option shares on the actual grant date. That expense was amortized over the vesting period of the options. The charge for modifications of options in general was equal to the number of options modified multiplied by the difference between the market price of the options on the modification date and the grant price. The charge for modified options was taken over the remaining service period, if any.

Effective January 1, 2006, we adopted SFAS 123(R), which requires the measurement at fair value and recognition of compensation expense for all stock-based payment awards. We selected the modified prospective method of adoption which recognizes compensation expense for the fair value of all stock-based payments granted after January 1, 2006 and for the fair value of all awards granted to employees prior to January 1, 2006 that remain unvested on the date of adoption. We used the trinomial lattice valuation model to estimate fair value of stock option grants made on or after January 1, 2006. The trinomial lattice option-pricing model requires the estimation of highly complex and subjective variables. These variables include expected volatility, expected life of the award, expected dividend rate and expected risk-free rate of return. The assumptions for expected volatility and expected life are the two assumptions that most significantly affect the grant date fair value. The expected volatility is a blended rate based on both the historical volatility of our stock price and the volatility of certain peer company stock prices. The expected term assumption for our stock option grants was determined using trinomial lattice simulation model which projects future option holder behavior patterns based upon actual historical option exercises. SFAS 123(R) also requires the application of a

forfeiture rate to the calculated fair value of stock options on a prospective basis. Our assumption of forfeiture rate represents the historical rate at which our stock-based awards were surrendered prior to vesting over the trailing four years. If our assumption of forfeiture rate changes, we would have to make a cumulative adjustment in the current period. We monitor the assumptions used to compute the fair value of our stock options and similar awards on a regular basis and we will revise our assumptions as appropriate. See Note B – Summary of Significant Accounting Policies section, "Stock-based compensation" subsection and Note F – Stock Based Compensation in the Notes to Consolidated Financial Statements of our Annual Report on Form 10-KSB as filed with the SEC on April 14, 2008 for more information regarding the valuation of stock-based compensation.

Results of Operations for the Three and Nine Months Ended September 30, 2008 as Compared to the Three and Nine Months Ended September 30, 2007

Revenue

Revenues increased 61.7%, or $1.9 million, to $5.1 million for the three months ended September 30, 2008 as compared to $3.1 million for the three months ended September 30, 2007. For the nine months ended September 30, 2008, revenues increased 82.8%, or $6.4 million, to $14.1 million as compared to $7.7 million for the nine months ended September 30, 2007. The increase in revenues for the three and nine month periods ended September 30, 2008, as compared to the same periods in the prior year was primarily attributable to increases in case and testing volume resulting from wide acceptance of our bundled testing product offering and our industry leading turnaround times, which has resulted in new customers.

Test volume increased 48.3%, or 2,730 tests, to 8,384 tests for the three months ended September 30, 2008 as compared to 5,654 tests for the three months ended September 30, 2007. For the nine months ended September 30, 2008, test volume increased 60.8%, or 8,717 tests, to 23,049 tests as compared to 14,332 tests for the nine months ended September 30, 2007. Average revenue per test increased 9.1% to $602.43 for the three months ended September 30, 2008 as compared to $552.30 for the three months ended September 30, 2007. For the nine months ended September 30, 2008, average revenue per test increased 13.7% to $611.52 as compared to $537.91 for the nine months ended September 30, 2007. The increase in average revenue per test is primarily attributable to an increase in certain Medicare reimbursements for 2008, and an increase in our test mix of flow cytometry testing, which has the highest reimbursement rate of any test we offer. Revenues per test are a function of both the nature of the test and the payer (Medicare, Medicaid, third party insurer, institutional client etc.).

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 each 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. The Company’s allowance for doubtful accounts decreased 31.7%, or approximately $132,000 to $283,000, as compared to $415,000 at December 31, 2007. The allowance for doubtful accounts was approximately 7.7% and 11.4% of accounts receivable on September 30, 2008 and December 31, 2007, respectively. This decrease is primarily attributed to our new billing system that went live in the first quarter of 2008, and the strong billings and collections team we built in the last year. We expect to return to an allowance between 6%-7% of our gross receivables by the end of the year, as we continue to resolve claims that are greater than 150 days outstanding.

Cost of Revenue

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

Cost of revenue increased 66.7%, or $1.0 million, to $2.5 million for the three months ended September 30, 2008 as compared to $1.5 million for the three months ended September 30, 2007. For the nine months ended September 30, 2008, cost of revenue increased 81.5%, or $3.0 million, to $6.6 million as compared to $3.6 million for the nine months ended September 30, 2007. The increase in cost of revenue for the three and nine month periods ended September 30, 2008, as compared to the same periods in the prior year was primarily attributable to increases in all areas of costs of revenue as the Company scaled its operations in order to meet increasing demand. Cost of revenue as a percentage of revenue increased to 50.2% for the three months ended September 30, 2008 as compared to 48.7% for the three months ended September 30, 2007. For the nine months ended September 30, 2008 cost of revenue as a

percentage of sales decreased to 46.7% as compared to 47.0% for the nine months ended September 30, 2007.

Accordingly, this resulted in gross margin decreasing to 49.8% for the three months ended September 30, 2008 as compared to 51.0% for the three months ended September 30, 2007. For the nine months ended September 30, 2008 gross margin increased to 53.3% as compared to 53.0% for the nine months ended September 30, 2007. The decrease in gross margins for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007 is primarily attributable to increased courier cost and personnel and related expenses as well as certain one-time charges associated with validating our new Immunohistochemistry test offerings and the completion of a low margin contract in our contract research organization. In addition, during the three months ended September 30, 2008, we had higher than usual outsourcing fees related to the performance of certain molecular tests that we have now brought back in house.

General and Administrative Expenses

General and administrative expenses increased 21.0%, or $457,000, to $2.6 million for the three months ended September 30, 2008 as compared to $2.2 million for the three months ended September 30, 2007. For the nine months ended September 30, 2008 general and administrative expenses increased 36.1%, or $2.0 million, to $7.7 million as compared to $5.7 million for the nine months ended September 30, 2007. The increases in general and administrative expenses are primarily a result of adding sales and marketing personnel as well as corporate personnel to generate and support revenue growth. We anticipate general and administrative expenses will continue to grow as a result of our expected revenue growth. However, we expect these expenses to decline as a percentage of revenue as our infrastructure costs stabilize.

General and administrative expenses as a percentage of revenue decreased to 52.2% for the three months ended September 30, 2008 as compared to 69.8% for the three months ended September 30, 2007. For the nine months ended September 30, 2008 general and administrative expenses as a percentage of revenue decreased to 54.7% as compared to 73.5% for the nine months ended September 30, 2007. These decreases as compared to the same periods last year were primarily a result of greater economies of scale in our business from spreading our wage expense over a greater revenue base as well as a decrease in professional fees as a result of settling the litigation with US Labs earlier this year.

Bad debt expense increased 22.8%, or $52,000, to $280,000 for the three months ended September 30, 2008 as compared to $228,000 for the three months ended September 30, 2007. For the nine months ended September 30, 2008 bad debt expense increased 116.4%, or $589,000 to $1,095,000 as compared to $506,000 for the nine months ended September 30, 2007. This increase was a result of the significant increases in revenue. Bad debt expense as a percentage of revenue was 5.6% for the three months ended September 30, 2008 as compared to 7.3% for the months ended September 30, 2007. For the nine months ended September 30, 2008 bad debt expense as a percentage of revenue was 7.8% as compared to 6.6% for the nine months ended September 30, 2007.

The decrease in bad debt expense as a percentage of revenue for the three months ended September 30, 2008 as compared to three months ended September 30, 2007 is the result of many changes we have made in our billing practices as well as the implementation of a more effective billing system, which we believe has corrected the billing issues we experienced towards the end of last year. Moving forward, we expect that bad debt expense as a percentage of revenue will run between 5%-7% of revenue.

The increase in bad debt expense as a percentage of revenue for the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007 was a result of the increased reserves that we took earlier this year to address the previously discussed billing issues we experienced in late 2007.

Interest Expense, net

Interest expense net, which primarily represents interest on borrowing arrangements, increased 423.5%, or $61,000 to $75,000 for the three months ended September 30, 2008 as compared to $14,000 for the three months ended September 30, 2007. For the nine months ended September 30, 2008 interest expense, net decreased 3.1%, or $6,000 to $199,000 as compared to $206,000 for the nine months ended September 30, 2007. Interest expense for the three and nine months ended September 30, 2008 is related to our new credit facility with Capital Source, while interest expense for the three and nine months ended September 30, 2007 was related to our previous credit facility with Aspen Select Healthcare, LP (“Aspen”), which had a higher average balance and higher interest rate, but was paid off in the second quarter of 2007, thus resulting in no interest expense in the third quarter of 2007 as compared to the third quarter of 2008.

Net Income (Loss)

As a result of the foregoing, we reported a net loss of approximately $(195,000) or ($0.01) per share for the three months ended September 30, 2008 as compared to a net loss of approximately ($591,000) or ($0.02) per share for the three months ended September 30, 2007, an improvement of $396,000. For the nine months ended September 30, 2008, we reported a net loss of approximately ($388,000) or ($0.01) per share as compared to a net loss of ($1,784,000) or ($0.06) per share for the nine months ended September 30, 2007, an improvement of almost $1.4 million.

Results Of Operations For The Twelve Months Ended December 31, 2007 As Compared With The Twelve Months Ended December 31, 2006

Revenue

During the fiscal year ended December 31, 2007, our revenues increased approximately 78% to $11,505,000 from $6,476,000 during the fiscal year ended December 31, 2006. This was the result of an increase in testing volume of 64% and a 9% increase in average revenue per test. This volume increase is the result of wide acceptance of our bundled testing product offering and our industry leading turnaround times resulting in new customers. The increase in average revenue per test is a direct result of restructuring arrangements with certain existing customers that increased average revenue per test and realigning our pricing policies with new customers.

During the twelve months ended December 31, 2007, our average revenue per customer requisition increased by approximately 4% to $702.15 from $677.19 in 2006. Our average revenue per test increased by approximately 9% to $547.90 in 2007 from $504.44 in 2006. This was primarily a result of price increases to certain customers as well as product and payor mix changes. Revenues per test are a function of both the nature of the test and the payor (Medicare, Medicaid, third party insurer, institutional client etc.). 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 payor. We have established a reserve for uncollectible amounts based on estimates of what we will collect from a) third-party payors 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 payors. On December 31, 2007, our Allowance for Doubtful Accounts was approximately $414,500, a 301% increase from our balance at December 31, 2006 of $103,500. The allowance for doubtful accounts was approximately 11.3% and 6.5% of accounts receivables on December 31, 2007 and December 31, 2006, respectively. This increase was the result of an increase in Accounts Receivable due to increased revenues and the increase in the percentage of our aged accounts receivable greater than 120 days.

Cost of Revenue

During 2007, our cost of revenue, as a percentage of gross revenue, increased from 43% in 2006 to 48% in 2007. This was primarily a result of 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 78% increase in revenue and our 48% cost of revenue, our gross profit increased 61% to $5,982,000 in 2007, from a gross profit of $3,717,000 in 2006. When expressed as a percentage of revenue, our gross margins decreased from 57.4% in 2006 to 52.1% in 2007. The increase in gross profit was largely a result of higher testing volumes in 2007, and the decrease in gross profit margin was due to the increased costs in 2007 for employee labor and benefits, lab supplies, and postage and delivery costs.

General and Administrative Expenses

During 2007, our general and administrative expenses increased by approximately 155% to $9,123,000 from approximately $3,577,000 in 2006. General and administrative expenses, as a percentage of sales was 79% as of December 31, 2007, compared with 55% as of December 31, 2006, an increase of 24%. This increase was primarily a result of higher personnel and personnel-related expenses associated with the increase in management and sales and administrative headcount that was necessary to manage the significant increases in test volumes described above. In addition to management, sales, and administrative personnel, our general and administrative expenses also include all overhead and technology expenses as well, which have also increased as a result of higher test volumes. We also

incurred significant expenses related to scaling our operations to meet our ongoing business plan and significant expenses associated with the litigation with US Labs that was recently settled (see Note L to our financial statements). For the year ended December 31, 2007, we incurred approximately $619,000 of litigation related expenses, net of reimbursements from our insurance company, as compared to approximately $159,000 of such litigation related expenses for the year ended December 31, 2006. Bad debt expense for the years ended December 31, 2007 and 2006 was $1,013,804 and $444,133, respectively. This increase was necessitated by the significant increase in revenues noted above and to a lesser extent by the issues denoted in our critical accounting policies regarding accounts receivable management.

Other Income/Expense

Net other income/expense, which primarily consists of interest expense, decreased approximately 11% in 2007 to approximately $239,000 from approximately $270,000 for 2006. Interest expense is comprised of interest payable on advances under our Credit Facility with Aspen and interest paid for capital lease obligations. The year-over-year decrease is primarily attributed to paying off the Aspen credit facility on June 7, 2007.

Net Loss

As a result of the foregoing, our net loss increased from ($130,000) in 2006 to ($3,380,000) in 2007, an increase of approximately 2,500%.

Liquidity and Capital Resources

During the fiscal year ended December 31, 2007, our operating activities used approximately $2,643,000 in cash compared with $694,000 used in the fiscal year ended 2006. This amount primarily represented cash tied-up in receivables as a result of increased revenues and to a lesser extent cash used to pay the expenses associated with our operations as well as fund our other working capital. We also spent approximately $516,000 on new equipment in 2007 compared with $399,000 in 2006. Through the sale of equity securities, which provided approximately $5,287,000, we were able to retire the $1,675,000 due on our credit facility with Aspen and finance operations. This resulted in net cash provided by financing activities of approximately $3,443,000 in 2007 compared to $1,208,000 in 2006. At December 31, 2007 and December 31, 2006, we had cash and cash equivalents of approximately $211,000, and $126,000 respectively.

During the nine months ended September 30, 2008, our operating activities used approximately $182,000 in cash compared with approximately $2,189,000 used in the nine months ended September 30, 2007. We invested approximately $370,000 on new equipment during the nine months ended September 30, 2008, compared with approximately $407,000 for the nine months ended September 30, 2007. As of November 5, 2008, we had approximately $625,000 in cash on hand and $1,250,000 of availability under our Credit Facility with CapitalSource. On November 5, 2008, we entered into the Purchase Agreement with Fusion Capital, that provides for future sales of our common stock to Fusion Capital in amounts up to $8.0 million over the next 30 months in amounts and at times that are solely in our discretion. If we elect to sell stock to Fusion Capital under the Purchase Agreement, any proceeds received by us would be used for general corporate purposes or to pursue strategic opportunities that may arise. On November 5, 2008, we also entered into a master lease agreement with Leasing Technologies International, Inc. (“LTI”) which allows us to draw as much as $1.0 million over the next twelve months to purchase capital equipment. At the present time, we anticipate that based on i) our current business plan and operations, ii) our existing cash balances, iii) the availability of our accounts receivable credit facility with CapitalSource, iv) the availability of equity capital under the Purchase Agreement, and v) the availability of equipment financing under the master lease agreement with LTI, we will have adequate liquidity for at least the next twelve months. This estimate of our cash needs does not include any additional funding which may be required for growth in our business beyond that which is planned or cash that may be required to pursue strategic transactions or acquisitions. In the event that the Company grows faster than we currently anticipate or we engage in strategic transactions or acquisitions and our cash on hand and/or our availability under the CapitalSource Credit Facility, the Purchase Agreement, or the LTI master lease agreement is not sufficient to meet our financing needs, we may need to raise additional capital from other sources. In such event, we may not be able to obtain such funding on attractive terms, or at all, and the Company may be required to curtail its operations. In the event that we do need to raise additional capital, we would seek to raise this additional money through issuing a combination of debt and/or equity securities primarily through banks and/or other large institutional investors. At September 30, 2008, we had stockholders’ equity of $2,487,000.

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 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.

Aspen Credit Facility

On March 23, 2005, Aspen and the Company entered into an amended and restated loan agreement, which provided for a revolving credit facility in an amount of up to $1.5 million (which was subsequently increased to $1.7 million) (the “Aspen Credit Facility”). The Aspen Credit Facility was paid in full in June 2007 and it expired on September 30, 2007.

Standby Equity Distribution Agreement

On June 6, 2005, we entered into a Standby Equity Distribution Agreement (the "SEDA") with Cornell Capital Partners, LP. Pursuant to the SEDA, the Company could, at its discretion, periodically sell to Cornell Capital Partners shares of common stock for a total purchase price of up to $5.0 million. On August 1, 2007, the SEDA expired and we decided not to renew it.

The following sales of common stock were made under our SEDA with Cornell Capital Partners since it was first declared effective on August 1, 2005:

Request Date	Completion Date	Shares of Common Stock	Gross Proceeds	Yorkville Fee	Escrow Fee	Net Proceeds	ASP(1)
8/29/2005	9/8/2005	63,776	$ 25,000	$ 1,250	$ 500	$ 23,250	
12/10/2005	12/18/2005	241,779	50,000	2,500	500	47,000	
Subtotal – 2005		305,555	$ 75,000	$ 3,750	$ 1,000	$ 70,250	$ 0.25
7/19/2006	7/28/2006	83,491	53,000	2,500	500	50,000	
8/8/2006	8/16/2006	279,486	250,000	12,500	500	237,000	
10/18/2006	10/23/2006	167,842	200,000	10,000	500	189,500	
Subtotal – 2006		530,819	$ 503,000	$ 25,000	$ 1,500	$ 476,500	$ 0.95
12/29/2006	1/10/2007	98,522	150,000	7,500	500	142,000	
1/16/2007	1/24/2007	100,053	150,000	7,500	500	142,000	
2/1/2007	2/12/2007	65,902	100,000	5,000	500	94,500	
2/19/2007	2/28/2007	166,611	250,000	12,500	500	237,000	
2/28/2007	3/7/2007	180,963	250,000	12,500	500	237,000	
4/5/2007	4/16/2007	164,777	250,000	12,500	500	237,000	
4/20/2007	4/30/2007	173,467	250,000	12,500	500	237,000	
Subtotal – 2007		950,295	$ 1,400,000	$ 70,000	$ 3,500	$ 1,326,500	$ 1.48
Total Since Inception		1,786,669	$ 1,978,000	$ 98,750	$ 6,000	$ 1,873,250	$ 1.19

(1) Average Selling Price of shares issued.

Private Placement

During the period from May 31, 2007 through June 6, 2007, we sold 2,666,667 shares of our common stock to ten unaffiliated accredited investors (the "Investors") at a price of $1.50 per share in a private placement of our common stock (the "Private Placement"). The Private Placement generated gross proceeds to the Company of $4.0 million, and after estimated transaction costs, the Company received net cash proceeds of approximately $3.8 million. The Company also issued warrants to purchase 98,417 shares of our Common Stock to Noble International Investments, Inc. ("Noble"), in consideration for its services as a placement agent for the Private Placement and paid Noble a cash fee of $147,625. Additionally, the Company issued to Aspen Capital Advisors, LLC ("ACA") warrants to purchase 250,000 shares at $1.50 per share and paid ACA a cash fee of $52,375 in consideration for ACA's services to the Company in connection with the Private Placement. The Private Placement involved the issuance of the aforementioned unregistered securities in transactions that we believed were exempt from registration under the Securities Act. All of the aforementioned stockholders received registration rights ("Registration Rights") for the Private Placement shares so purchased and we filed a registration statement on Form SB-2 on July 12, 2007 to register these shares (the "Registration Statement"). Certain of the Investors also purchased 1,500,000 shares and 500,000 warrants from Aspen in a separate transaction that occurred simultaneously with the Private Placement and the Company agreed to an assignment of Aspen's registration rights for such shares and warrants, and those shares and warrants were included in this Registration Statement.

The Registration Rights contained a provision that if the Registration Statement was not declared effective within 120 days of the Private Placement, we would be responsible for partial relief of the damages resulting from a holder's inability to sell the shares covered by the Registration Statement. Beginning after 120 days from the date that the Private Placement was consummated, the Company is obligated to pay as liquidated damages to each holder of shares covered by the Registration Statement ("Registered Securities") an amount equal to one half percent (0.5%) of the purchase price of the Registered Securities for each thirty (30) day period that the Registration Statement is not effective after the required effective date specified in the Registration Rights Agreement. Such liquidated damages may be paid, at the holder's option, either in cash or shares of our common stock, after demand therefore has been made.

In August, 2007, we received a comment letter from the Accounting Staff of the SEC regarding certain disclosure and accounting questions with respect to our FY 2006 annual report filed on Form 10-KSB. In September 2007, we responded to the SEC Staff and filed an amended Form 10-KSB/A that responded to the matters raised by the Staff. In October 2007, we received a follow up comment letter from the Staff that continued to question the accounting we use in connection with non-cash employee stock-based compensation and warrants issued under the newly adopted SFAS 123(R). We responded to the Staff's October 2007 letter in March 2008, and resolved all open issues in May 2008.

As a result of the aforementioned SEC correspondence, the Company was not able to register the securities issued in the Private Placement within the allowed 120 period, and was thus responsible for damages. Accordingly, as of December 31, 2007, in accordance with FASB Staff Position 00-19-2, "Accounting for Registration Payment Arrangements" we had accrued approximately $282,000 in penalties as liquidated damages from the end of the 120 day period through May 2008. Such penalties are included in Accrued Expenses and Other Liabilities. The Registration Statement registering the Private Placement shares was declared effective by the SEC on July 1, 2008. In September 2008, the Company paid $40,500 in cash and issued 170,088 shares of common stock at $1.00 per share (an aggregate value of $170,088) for a total value of $210,588 to the holders of the Private Placement shares to settle the penalty amounts due. The remaining $71,412 in accrued penalties was reversed in September 2008 as certain shareholders had previously sold their shares, thus forfeiting their rights to any liquidated damages.

On June 6, 2007, the Company issued to Lewis Asset Management ("LAM") 500,000 shares of common stock at a purchase price of $0.26 per share and received gross proceeds of $130,000 upon the exercise by LAM of 500,000 warrants which were purchased by LAM from Aspen on that day.

On June 7, 2007, we used part of the net proceeds of the Private Placement to pay off the $1.7 million principal balance of the Aspen Credit Facility.

On August 15, 2007 our Board of Directors voted to issue warrants to purchase 533,334 shares of our common stock to the investors who purchased shares in the Private Placement. Such warrants have an exercise price of $1.50 per share and are exercisable for a period of two years. Such warrants also have a provision for piggyback registration rights in the first year and demand registration rights in the second year.

Revolving Credit and Security Agreement

On February 1, 2008, we entered into a Revolving Credit and Security Agreement ("Credit Facility" or "Credit Agreement") with CapitalSource Finance LLC ("Lender") pursuant to which the Lender shall make available to us a revolving credit facility in a maximum principal amount at any time outstanding of up to Three Million Dollars ($3,000,000) (the "Facility Cap"). Subject to the provisions of the Credit Agreement, the Lender shall make advances to us from time to time during the three year term following the closing date, and the revolving Credit Facility may be drawn, repaid and redrawn from time to time as permitted under the Credit Agreement. Interest on outstanding advances under the Credit Facility shall be payable monthly in arrears on the first day of each calendar month at an

annual rate of one-month LIBOR plus 3.25% in accordance with the terms of the Credit Agreement, subject to a LIBOR floor of 3.14%. As of September 30, 2008, the effective annual interest rate of the Credit Agreement was 6.5%. To secure the payment and performance in full of the Obligations (as defined in the Credit Agreement), we granted to the Lender a continuing security interest in and lien upon, all of our rights, title and interest in and to our Accounts (as such term is defined in the Credit Agreement), which primarily consist of accounts receivable. Furthermore, pursuant to the Credit Agreement, the Parent Company guaranteed the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all of our obligations. The Parent Company's guaranty is a continuing guarantee and shall remain in force and effect until the indefeasible cash payment in full of the Guaranteed Obligations (as defined in the Credit Agreement) and all other amounts payable under the Credit Agreement.

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

Common Stock Purchase Agreement

On November 5, 2008, we entered into the Purchase Agreement with 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. On October 10, 2008, we issued to Fusion Capital 17,500 shares of our common stock and $17,500 as a due diligence expense reimbursement. In addition, on November 5, 2008, we issued to Fusion Capital 400,000 shares of our common stock as a non-refundable commitment fee. Concurrently with entering into the Purchase Agreement, we entered into the Registration Rights Agreement with Fusion Capital. Under the Registration Rights Agreement, we agreed to file a registration statement with the SEC covering the 417,500 shares that have already been issued to Fusion Capital and at least 3.0 million shares that may be issued to Fusion Capital under the Purchase Agreement.

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

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

Equipment Lease Line

On November 5, 2008, our wholly-owned subsidiary entered into a master lease agreement with Leasing Technologies International, Inc. (“LTI”). The master lease agreement establishes the general terms and conditions pursuant to which the subsidiary may lease equipment pursuant to a $1,000,000 lease line. Advances under the lease line may be made for one year by executing equipment schedules for each advance. The lease term of any equipment schedules issued under the lease line will be for 36 months. The lease rate factor applicable for each equipment schedule is 0.0327/month. If the subsidiary makes use of the entire lease line, the monthly rent would be $32,700. Monthly rent for the leased equipment is payable in advance on the first day of each month. The obligations of the subsidiary are guaranteed by the Parent Company. At the end of the term of each equipment schedule the subsidiary may:

(a) Renew the lease with respect to such equipment for an additional 12 months at fair market value;

(b) Purchase the equipment at fair market value, which price will not be less than 10% of cost nor more than 14% of cost;

(c) Extend the term for an additional six months at 35% of the monthly rent paid by lessee during the initial term, equipment may then be purchased for the lesser of fair market value or 8% of cost; or

(a) Return the equipment subject to a remarketing charge equal to 6% of cost.

Recent Accounting Pronouncements

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 was effective for the Company as of January 1, 2008 for financial assets and financial liabilities within its scope and 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), to 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 February 2007, the FASB issued SFAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115” (“SFAS 159”). SFAS 159 permits an entity to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The Company adopted this statement as of January 1, 2008 and has elected not to apply the fair value option to any of its financial instruments.

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 is effective for the Company as of January 1, 2009 and currently, we do not expect it to have a material impact on the Company’s financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS No. 141R”), which replaces SFAS No 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS 141 (revised) is effective for periods beginning on or after January 1, 2009, and currently, we do not expect it to have a material impact on the Company’s financial statements unless we engage in any business combinations.

In May 2008, the FASB issued SFAS No. 163, “Accounting for Financial Guarantee Insurance Contracts—an interpretation of FASB Statement No. 60” (“SFAS No. 163”). This Statement interprets FASB Statement No. 60 and amends existing accounting pronouncements to clarify their application to the financial guarantee insurance contracts included within the scope of this Statement.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”). SFAS 161 requires expanded disclosures regarding the location and amount of derivative instruments in an entity’s financial statements, how derivative instruments and related hedged items are accounted for under SFAS 133, “Accounting for Derivative Instruments and Hedging Activities,” and how derivative instruments and related hedged items affect an entity’s financial position, operating results and cash flows. SFAS 161 is effective for periods beginning on or after November 15, 2008, and currently, 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. This statement will be effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.” SFAS 162 is not currently expected to have a material impact on the Company’s financial statements.

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US Labs Settlement

On April 23, 2008, the Company and US Labs entered into the Settlement Agreement; whereby, both parties agreed to settle and resolve all claims asserted in and arising out of US Labs' lawsuit against the Company and certain of its officers and employees. Pursuant to the Settlement Agreement, we are required to pay $500,000 to US Labs, of which $250,000 was paid on May 1, 2008 with funds from the Company's insurance carrier and the remaining $250,000 shall be paid by the Company on the last day of each month in equal installments of $31,250 commencing on May 31, 2008. Under the terms of the Settlement Agreement, there are certain provisions agreed to in the event of default. As of October 31, 2008, the remaining amount due was $62,500, and no events of default had occurred.

FCCI Litigation

A civil lawsuit is currently 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.

Employment Contracts

On March 12, 2008, we entered into an employment agreement with Robert Gasparini, our President and Chief Scientific Officer to extend his employment with the Company for an additional four year term. This employment agreement was retroactive to January 1, 2008 and provides that it will automatically renew after the initial four year term for one year increments unless either party provides written notice to the other party with their intention to terminate the agreement 90 days before the end of the initial term. The employment agreement specifies an initial base salary of $225,000/year with specified salary increases tied to meeting revenue goals. Mr. Gasparini is also entitled to receive cash bonuses for any given fiscal year in an amount equal to 30% of his base salary if he meets certain targets established by the Board of Directors. In addition, Mr. Gasparini was granted 784,000 stock options that have a seven year term so long as Mr. Gasparini remains an employee of the Company. These options are scheduled to vest according to the passage of time and the meeting of certain performance-based milestones. Mr. Gasparini's employment agreement also specifies that he is entitled to four weeks of paid vacation per year and other insurance benefits. In the event that Mr. Gasparini is terminated without cause by the Company, the Company has agreed to pay Mr. Gasparini's base salary and maintain his employee benefits for a period of twelve months.

On June 24, 2008, we entered into an employment agreement with Jerome J. Dvonch, our Director of Finance and Principle Accounting Officer, to extend his employment with the Company for an additional four year term. This employment agreement became effective on July 1, 2008 and provides that it will automatically renew after the initial four year term for one year increments unless either party provides written notice to the other party of their intention to terminate the agreement at least one month before the end of the initial term (or any renewal term). The employment agreement specifies an initial base salary of $150,000/year. Mr. Dvonch is also eligible to receive an annual performance based cash bonus at the discretion of the Compensation Committee of the Board of Directors. In addition, Mr. Dvonch was granted an option to purchase 100,000 shares of our common stock at an exercise price of $1.01 per share. These options are scheduled to vest according to the passage of time and the meeting of certain

performance-based milestones. Mr. Dvonch's employment agreement also specifies that he is entitled to four weeks of paid vacation per year and other insurance benefits. In the event that Mr. Dvonch is terminated without cause by the Company, the Company has agreed to pay Mr. Dvonch's base salary and maintain his benefits for a period of six months.

DESCRIPTION OF BUSINESS

NeoGenomics operates a network of cancer-focused genetic testing laboratories. The Company's growing network of laboratories currently offers the following types of testing services to pathologists, oncologists, urologists, hospitals, and other laboratories throughout the United States:

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; and

d) 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 and prognosis of various types of cancer.

The medical testing laboratory market can be broken down into three segments: clinical lab testing, anatomic pathology testing, and genetic and molecular testing. Clinical lab testing is typically done by laboratories that specialize 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 base pairs of DNA or RNA 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 average revenue per test of the three market segments. The estimated size of this market and the related parts of the AP testing market that we address is approximately $4-$5 Billion.

Our primary focus is to provide high complexity laboratory testing for the community-based pathology and oncology marketplace. Within these key market segments, we currently provide our services to pathologists and oncologists in the United States that perform bone marrow and/or peripheral blood sampling for the diagnosis of blood and lymphoid tumors (leukemias and lymphomas) and archival tissue referral for analysis of solid tumors such as breast cancer. A secondary strategic focus targets community-based urologists due to a new FISH-based test for the initial diagnosis of bladder cancer and early detection of recurrent disease. 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, not in academic centers, due to ease of local access. Moreover, within the community-based pathologist segment it is not our intent to willingly compete with our customers for testing services that they may seek to perform themselves. Fee-for-service pathologists for example, derive a significant portion of their annual revenue from the interpretation of biopsy specimens. Unlike other larger laboratories, which strive to perform 100% of such testing services themselves, we do not intend to compete with our customers for such specimens. Rather, our high complexity cancer testing focus is a natural extension of and complementary to many of the services that our community-based customers often perform within their own practices. As such, we believe our relationship as a non-competitive

consultant, empowers these physicians 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 continue to make progress growing our testing volumes and revenue beyond our historically focused effort in Florida due to our expanding field sales footprint. As of December 31, 2008, NeoGenomics' sales and marketing organization had 14 territory business managers, three regional managers, a National Director of Sales and three team members in business development and marketing, and we have received business from 30 states throughout the country. Recent, key hires included various territory business managers (sales representatives) in the Northeastern, Southeastern, and Western states. 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 which is generated within the state.

We are successfully competing in the marketplace based on the quality and comprehensiveness of our test results, and our innovative flexible levels of service, industry-leading turn-around times, regionalization of laboratory operations and ability to provide after-test support to those physicians requesting consultation.

2007 saw the refinement of our industry leading NeoFISHTM technical component-only FISH service offering. Upon the suggestion of our installed customer base, we made numerous usability and technical enhancements throughout last year. The result has been a product line for NeoGenomics that continues to resonate very well with our client pathologists. Utilizing NeoFISHTM, such clients are empowered to extend the outreach efforts of their practices and exert a high level of sign out control over their referral work in a manner that was previously unobtainable.

NeoFLOWTM tech-only flow cytometry was launched as a companion service to NeoFISHTM in late 2007. NeoFLOWTM has been a key growth driver in 2008. Moreover, the combination of NeoFLOWTM and NeoFISHTM serves to strengthen the market differentiation of each product line for NeoGenomics and allows us to compete more favorably against larger, more entrenched competitors in our testing niche.

We increased our professional level staffing for global requisitions requiring interpretation in 2007 and 2008. We currently employ three full-time MDs as our medical directors and pathologists, two PhDs as our scientific directors and cytogeneticists, and three part-time MDs acting as consultants and backup pathologists for case sign out purposes. We have plans to hire several more hematopathologists as our product mix continues to expand beyond tech-only services and more sales emphasis is focused on our ability to issue consolidated reporting with case interpretation under our Genetic Pathology Solutions (GPSTM) product line.

We believe NeoGenomics' average 3-5 day turn-around time for our cytogenetics services continues to remain an industry-leading benchmark for national laboratories. The timeliness of results continues to increase the usage patterns of cytogenetics and acts as a driver for other add-on testing requests by our referring physicians. Based on anecdotal information, we believe that typical cytogenetics labs have 7-14 day turn-around times on average with some labs running as high as 21 days. Traditionally, longer turn-around times for cytogenetics tests have resulted in fewer FISH and other molecular tests being ordered since 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 available. We believe our turn-around times result in our referring physicians requesting more of our testing services in order to augment or confirm other diagnostic tests, thereby giving us a significant competitive advantage in marketing our services against those of other competing laboratories.

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. Informal surveys of customers and prospects uncovered a desire to do business with a laboratory with national breadth but with a more local presence. In such a scenario, specimen integrity, turnaround-time of results, client service support, and interaction with our medical staff are all enhanced. We currently operate three laboratory locations in Fort Myers, Florida, Irvine, California and Nashville, Tennessee, each of which has received the appropriate state, Clinical Laboratory Improvement Amendments ("CLIA"), and College of American Pathologists ("CAP") licenses and accreditations. As situations dictate and opportunities arise, we will continue to develop and open new laboratories, seamlessly linked together by our optimized Laboratory Information System ("LIS"), to better meet the regionalized needs of our customers.

2007 brought progress in the NeoGenomics Contract Research Organization ("CRO") division based at our Irvine, California facility. 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. The CRO division will also act as a development conduit for the validation of new tests which can then be transferred to our clinical laboratories and be offered to our clients. We envision the CRO as a way to infuse some intellectual property into the mix of our services and in time create a more "vertically integrated" laboratory that can potentially offer additional clinical services of a more proprietary nature. 2007

brought the first revenue to NeoGenomics' CRO division. This initial revenue stream was small due to the size of the contracts closed. During 2008 we began to scale revenues from the CRO division and we currently expect to grow this business significantly during 2009.

During 2008, we began offering additional tests that broaden our focus from genetic and molecular testing to more traditional types of anatomic pathology testing (i.e. immunohistochemistry) that are complementary to our current test offerings. At no time do we expect to intentionally compete with fee-for-service pathologists for services of this type, and Company sales efforts will operate under a strict "right of first refusal" philosophy that supports rather than undercuts the practice of community-based pathology. We believe that by adding additional types of tests to our product offering we will be able to capture increases in our testing volumes through our existing customer base as well as more easily attract new customers via the ability to package our testing services more appropriately to the needs of the market.

The above market strategy continues to bear fruit for the Company, resulting in strong year over year growth of 78% in FY 2007 versus FY 2006. For the nine months ended September 30, 2008, we experienced even stronger year over year revenue growth of 83% versus the comparable period in FY 2007. Our average revenue/requisition in FY 2007 was approximately $702, which was an increase of approximately 4% from FY 2006. For the nine months ended September 30, 2008, our average revenue/requisition was approximately $803 which was an increase of approximately 16% from the comparable period in 2007. Our average revenue/test in FY 2007 was approximately $548, which was an increase of approximately 9% over FY 2006. Our average revenue/test for the nine months ended September 30, 2008 was approximately $612, which was an increase of approximately 14% over the comparable period in FY 2007. FY 2007 saw a slight erosion of average tests per requisition due to the overwhelming success of our bladder cancer FISH product line, which tends to be a singly ordered test request. New sales hires and a new focus on global workups with interpretation and our integrated GPS product line allowed us to increase average number of tests per requisition for the nine months ended September 30, 2008 from the comparable period in FY 2007. For the three months ended September 30, 2008, average number of tests per requisition was 1.33 and we expect this number to continue to increase during 2009.

For the twelve months ended December 31		FY 2007		FY 2006	% Inc (Dec)
Customer Requisitions Received (Cases)		16,385		9,563	71.3%
Number of Tests Performed		20,998		12,838	63.6%
Average Number of Tests/Requisition		1.28		1.34	(4.5)%
Total Testing Revenue	$	11,504,725	$	6,475,996	77.7%
Average Revenue/Requisition	$	702.15	$	677.19	3.7%
Average Revenue/Test	$	547.90	$	504.44	8.6%

For the nine months ended September 30		FY 2008		FY 2007	% Inc (Dec)
Customer Requisitions Received (Cases)		17,758		11,123	59.7%
Number of Tests Performed		23,049		14,332	60.8%
Average Number of Tests/Requisition		1.31		1.29	1.6%
Total Testing Revenue	$	14,094,959	$	7,709,408	82.8%
Average Revenue/Requisition	$	802.77	$	693.01	15.8%
Average Revenue/Test	$	611.52	$	537.91	13.7%

We believe this bundled approach to testing represents a clinically sound practice that is medically valid. Within the subspecialty field of hematopathology, such a bundled approach to the diagnosis and prognosis of blood and lymph node diseases has become the standard of care throughout the country. In addition, as the average number of tests performed per requisition increases, we believe this should drive increases in our revenue and afford the Company significant synergies and efficiencies in our operations and sales and marketing activities.

Business of NeoGenomics

Services

We currently offer four primary types of testing services: cytogenetics, flow cytometry, FISH testing and molecular testing.

Cytogenetics Testing. Cytogenetics testing involves analyzing chromosomes taken from the nucleus of cells and looking for abnormalities in a process called karyotyping. A karyotype evaluates the entire 46 human chromosomes by number and banding patterns to identify abnormalities associated with disease. In cytogenetics testing, we typically analyze chromosomes from 20 different cells. Examples of cytogenetics testing at NeoGenomics include bone marrow aspirate or peripheral blood analysis to diagnose various types of leukemias and lymphomas.

Cytogenetics testing by large national reference laboratories and other competitors has historically taken anywhere from 7-14 days on average to obtain a complete diagnostic report. We believe that as a result of this timeframe, many practitioners have refrained to some degree from ordering such tests because the results traditionally were not returned within an acceptable diagnostic window. NeoGenomics has designed our laboratory operations in order to complete cytogenetics tests for most types of biological samples, produce a final diagnostic report and make it available via fax or online viewing within 3-5 days. We have consistently delivered these turnaround times over the last three years without taking shortcuts that can undermine the quality of the delivered result. These turnaround times are among the best in the industry and we believe that more physicians are incorporating cytogenetics testing into their diagnostic regimens, thus affording NeoGenomics the opportunity to drive the incremental growth of our business via this product line for the foreseeable future.

Flow Cytometry Testing. Flow cytometry testing analyzes clusters of differentiation on cell surfaces. Gene expression of many cancers creates protein-based clusters of differentiation on the cell surfaces that can then be traced back to a specific lineage or type of cancer. Flow cytometry is a method of separating liquid specimens or disaggregated tissue into different constituent cell populations. This methodology is used to determine which of these cell types is abnormal in a patient specific manner. Flow cytometry is important in developing an accurate diagnosis, defining the patient's prognosis, and clarifying what treatment options may be optimal. Flow cytometry testing is performed using sophisticated lasers and will typically analyze over 100,000 individual cells in an automated fashion. Flow cytometry testing is highly complementary with cytogenetics and the combination of these two testing methodologies allows the results from one test to complement the findings of the other methodology, which can lead to a more accurate snapshot of a patient's disease state.

FISH Testing. As an adjunct to traditional chromosome analysis, we offer Fluorescence In Situ Hybridization (FISH) testing to extend our capabilities beyond routine cytogenetics. FISH testing permits identification of the most frequently occurring numerical chromosomal abnormalities in a rapid manner by looking at centromeres or specific genes that are implicated in cancer. During the past 5 years, FISH testing has demonstrated its considerable diagnostic potential. The development of molecular probes by using DNA sequences of differing sizes, complexity, and specificity, coupled with technological enhancements (direct labeling, multicolor probes, computerized signal amplification, and image analysis) make FISH a powerful and diagnostic and prognostic tool.

Molecular Testing. Molecular testing primarily involves the analysis of DNA to diagnose DNA & RNA abnormalities in liquid and solid tumors. There are approximately 1.0 – 2.0 million base pairs of DNA in each of the estimated 20,000 genes located across the 46 chromosomes in the nucleus of every cell. Molecular testing allows us to look for variations in this DNA that are associated with specific types of diseases. Today there are molecular tests for about 500 genetic diseases. However, the majority of these tests remain available under the limited research use only designation and are only offered on a restricted basis to family members of someone who has been diagnosed with a genetic condition. About 50 molecular tests are now available for the diagnosis, prognosis or monitoring of various types of cancers and physicians are becoming more comfortable ordering such adjunctive tests. We currently provide these tests on an outsourced basis. We anticipate in the near future performing some of the more popular tests within our facilities as the number of requests continues to increase. Although reimbursement rates for these new molecular tests still need to improve, we believe that molecular testing is an important and growing market segment with many new diagnostic tests being developed every year. We are committed to providing the latest and most accurate testing to clients and we will invest accordingly when market demand warrants.

Distribution Methods

The Company currently performs 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. The Company currently out sources all of its molecular testing to third parties, but expects to validate some of this testing in-house in FY 2008 and offer it to customers to best meet client demand.

Competition

We are engaged in segments of the medical testing laboratory industry that are highly competitive. Competitive factors in the genetic and molecular testing business generally include reputation of the laboratory, range of services offered, pricing, convenience of sample collection and pick-up, quality of analysis and reporting and timeliness of delivery of completed reports.

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 genetics and molecular testing is divided among approximately 300 laboratories. However, approximately 80% of these laboratories are attached to academic institutions and only provide clinical services to their affiliate university hospitals. We further believe that less than 20 laboratories market their services nationally. We believe that the industry as a whole is still quite fragmented, with the top 20 laboratories accounting for approximately 50% of market revenues.

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. In addition, we have a fully integrated and interactive internet-enabled Laboratory Information System that enables us to report real time results to customers in a secure environment.

Suppliers

The Company orders its laboratory and research supplies from large national laboratory supply companies such as Fisher Scientific, Inc., Invitrogen and Beckman Coulter and does 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 they were to have a disruption and 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 Customers

We currently market our services to pathologists, oncologists, urologists, hospitals and other clinical laboratories. During 2007, we performed 20,998 individual tests. Ongoing sales efforts have decreased dependence on any given source of revenue. Notwithstanding this fact, several key customers still account for a disproportionately large case volume and revenues. Accordingly, for the year ended December 31, 2007, one customer accounted for 25% of total revenue and all others were less than 10% of total revenue individually. During the year ended December 31, 2006, three customers accounted for 26%, 18% and 17% of total revenue, respectively. In the event that we lost one of these customers, we would potentially lose a significant percentage of our revenues. For the year ended December 31, 2007, Medicare and one commercial insurance provider accounted for 44% and 10% of the Company's total accounts receivable balance, respectively.

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 121 full-time employees. In addition, our Acting Principal Financial Officer and three pathologists serve as consultants to the Company on a part-time basis. 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," and "Confidentiality of Health Information" 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 (collectively "CLIA '88") as well as state licensure as required in Florida, Tennessee, and California. CLIA '88 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 '88 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 by 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 by the Company to its customers is of paramount importance to the Company and a distinct differentiator from many of our competitors. As such, 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.

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 in good faith.

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 originally enacted in 1863 and subsequently amended several times 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 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 will seek to structure our arrangements with physicians and other customers 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 there under.

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 we deem 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 also pertains to the proper uses and disclosures of PHI by healthcare providers in written and verbal formats required implementation no later than April 14, 2003 for all covered entities except small health plans which had another year for implementation. The Electronic Health Care Transactions and Code Sets Standards which established standard data content and formats for submitting electronic claims and other administrative healthcare transactions required implementation no later than October 16, 2003 for all covered entities. On April 20, 2005, CMS required compliance with the Security Standards which established standards for electronic uses and disclosures of PHI for all covered entities except small health plans who had an additional year to meet compliance. Currently, the industry, including all of our locations, is working to comply with the National Provider Identification number to replace all previously issued provider (organizational and individual) identification numbers. This number is being issued by CMS and must be used on all covered transactions after May 30, 2007 by all covered entities except small health plans which have an additional year to meet compliance with this rule.

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.

Other

Our operations currently are, or may be in the future, subject to various federal, state and local laws, regulations and recommendations relating to data protection, safe working conditions, laboratory and manufacturing practices and the purchase, storage, movement, use and disposal of hazardous or potentially hazardous substances used in connection with our research work and manufacturing operations, including radioactive compounds and infectious disease agents. Although we believe that our safety procedures comply with the standards prescribed by federal, state and local regulations, the risk of contamination, injury or other accidental harm cannot be eliminated completely. In the event of an accident, we could be held liable for any damages that result and any liabilities could exceed our resources. Failure to comply with such laws could subject an entity covered by these laws to fines, criminal penalties and/or other enforcement actions.

Pursuant to the Occupational Safety and Health Act, laboratories have a general duty to provide a work place to their employees that is safe from hazard. Over the past few years, the Occupational Safety and Health Administration ("OSHA") has issued rules relevant to certain hazards that are found in the laboratory. In addition, OSHA has promulgated regulations containing requirements healthcare providers must follow to protect workers from blood borne pathogens. Failure to comply with these regulations, other applicable OSHA rules or with the general duty to provide a safe work place could subject employers, including a laboratory employer such as the Company, to substantial fines and penalties.

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

In August 2003, we entered into a three year lease for 5,200 square feet at our laboratory facility in Fort Myers, Florida. On June 29, 2006, we signed an amendment to the original lease which extended the lease through June 30, 2011. The amendment included the rental of an additional 4,400 square feet adjacent to our current facility. The lease was further amended on January 17, 2007 but this amendment did not materially alter the terms of the lease. As of December 31, 2007, total payments of approximately $773,000 remained over the remaining life of the lease, including annual increases of rental payments of 3% per year. Such amount excludes estimated operating and maintenance expenses and property taxes.

In November 2007, we entered into a two year sublease, beginning January 1, 2008, for 16,900 square feet of space which is directly adjacent to our main laboratory location in Fort Myers, Florida. Payments under this sublease are expected to total $688,000 over the life of the lease.

As part of the acquisition of The Center for CytoGenetics, Inc. by the Company on April 18, 2006, we assumed the lease of an 850 square foot facility in Nashville, Tennessee, which we subsequently stopped using because the space was not adequate. The lease expired on August 31, 2008. The average monthly rental expense was approximately $1,350 per month. On June 15, 2006, we entered into a lease for a new facility totaling 5,386 square feet of laboratory space in Nashville, Tennessee. This space is adequate to accommodate our current plans for the Tennessee laboratory. As part of the lease, we have the right of first refusal on an additional 2,420 square feet, if needed, directly adjacent to the facility. The lease is a five year lease and results in total payments by us of approximately $340,000.

On April 5, 2007, we entered into a lease for 8,195 square feet of laboratory space in Irvine, California. The lease is a five year lease and results in total payments by the Company of approximately $771,000 including estimated operating and maintenance expenses and property taxes. This lease will expire on April 30, 2012.

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Legal Proceedings

On October 26, 2006, US Labs filed a complaint in the Superior Court of the State of California for the County of Los Angeles (entitled Accupath Diagnostics Laboratories, Inc. v. NeoGenomics, Inc., et al., Case No. BC 360985) (the "Lawsuit") against the Company and Robert Gasparini, as an individual, and certain other employees and non-employees of NeoGenomics (the "Defendants") with respect to claims arising from discussions with current and former employees of US Labs. On March 18, 2008, we reached a preliminary agreement to settle US Labs' claims, and in accordance with SFAS No. 5, Accounting For Contingencies, as of December 31, 2007 we accrued a $375,000 loss contingency, which consisted of $250,000 to provide for the Company's expected share of this settlement, and $125,000 to provide for the Company's share of the estimated legal fees.

On April 23, 2008, the Company and US Labs entered into the Settlement Agreement; whereby, both parties agreed to settle and resolve all claims asserted in and arising out of the aforementioned lawsuit. Pursuant to the Settlement Agreement, the Defendants are required to pay $500,000 to US Labs, of which $250,000 was paid on May 1, 2008 with funds from the Company's insurance carrier and the remaining $250,000 will be paid by the Company on the last day of each month in equal installments of $31,250 commencing on May 31, 2008. Under the terms of the Settlement Agreement, there are certain provisions agreed to in the event of default. As of October 31, 2008, the remaining amount due was $62,500, and no events of default had occurred.

A civil lawsuit is currently 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 as discussed above). 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 January 21, 2009.

Name	Age	Position
Board of Directors:		
Robert P. Gasparini	53	President and Chief Science Officer, Board Member
Steven C. Jones	45	Acting Principal Financial Officer, Board Member
Michael T. Dent	43	Chairman of the Board
George G. O'Leary	46	Board Member
Peter M. Peterson	52	Board Member
Marvin E. Jaffe	72	Board Member
William J. Robison	73	Board Member
Other Executives:		
Robert J. Feeney	40	Vice President of Business Development
Matthew William Moore	34	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, that, among other provisions, gives Aspen, our largest stockholder, the right to elect three out of the seven 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.

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

Mr. Gasparini has served as our 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 Acting Principal Financial Officer and Director since October 2003. He is Chairman of the Board of Aspen Capital Group, a diversified financial services firm. He also serves as managing member of the general partner of Aspen Select Healthcare, LP, a private equity fund established to make investments in the healthcare industry. Prior to forming Aspen Capital Group, Mr. Jones served as the President and Managing Director of Aspen Capital Advisors. 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. Mr. Jones also serves on the Board of Directors of Disc Motion Technologies, Inc. and T3 Communications, Inc.

Michael T. Dent M.D. - Chairman of the Board

Dr. Dent is our founder and Chairman of the Board. 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 also serves on the Boards of NeoMedia (OTC:NEOM.OB), Smartire (OTC:SMTR.OB), NS8 (OTC:NSEO.OB) and Futuremedia (NASDAQ: FMDA). 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. He also serves on the Board of Directors of Pericor Therapeutics, Inc. and MWI Supply Veterinary Inc. (NASDAQ GM: MWIV)

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. (NASDAQ Global Market: IMMU). 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.

Robert J. Feeney, Ph.D. - Vice President of Business Development

Mr. Feeney has served as Vice President of Business Development since March 2008. Prior to that, he served as our Vice President of Sales and Marketing from January 2006 to March 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 acting 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 has extensive experience in strategic planning, SEC reporting and accounting in the life science industry. He also has experience in mergers and acquisitions and with debt/equity financing transactions. 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.

Executive Compensation

The following Summary Compensation Table sets forth all compensation earned and accrued, in all capacities, during the fiscal years ended December 31, 2007 and 2006, 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	2007	$ 209,061	$ 10,000	$ -	$ 46,000	$ -	$ -	$ -	$ 265,061
President and Chief Science Officer	2006	183,500	-	-	18,271	-	-	-	201,771
Robert J. Feeney	2007	161,192	12,375	-	39,593	-	-	-	213,160
V.P. of Business Development	2006	-	-	-	-	-	-	-	-
Matthew W. Moore	2007	167,221	-	-	9,534	-	-	-	176,755
V. P. of Research	2006	66,635	-	-	3,884	-	-	-	70,519

and Development									
Jerome J. Dvonch	2007	123,077	6,000	-	31,759	-	-	-	160,836
Principal	2006	92,846	-	-	4,936	-	-	-	97,782
Accounting Officer									
Steven C. Jones	2007	-	-	-	-	-	-	127,950(2)	127,950
Acting Principal									
Financial	2006	-	-	-	-	-	-	71,000(2)	71,000
Officer and Director									

(1) See Note F to our Consolidated Financial Statements included herein for a description on the valuation methodology of stock option awards. Pursuant to Regulation SK, Item 402, Paragraph (c)(2)(v), amounts indicated are the portion of the grant date fair value of options that are recognized under SFAS 123 (R) for the year indicated.

(2) Mr. Jones acts as a consultant to the Company and the amounts indicated represent the consulting expense accrued for the periods indicated for his services as our Acting Principal Financial Officer.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information with respect concerning outstanding equity awards held by our named executive officers as of December 31, 2007.

Name and Principal Position	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards-Number of Securities Underlying Unexercised & Unearned Options	Option Exercise Price	Option Expiration Date
Robert P. Gasparini	635,000	-	-	0.25	1/1/2015
President and Chief	100,000	-	-	1.47	2/13/2017
Science Officer					
Robert J. Feeney	34,375	221,875	-	1.50	12/31/2016
V.P. of Business Development					
Matthew W. Moore	25,000	62,500	-	0.71	8/1/2016
V.P. of Research	8,125	-	-	1.47	2/13/2017
and Development					
Jerome J. Dvonch	26,650	6,000	-	0.37	7/28/2015
Principal	11,667	23,333	-	1.00	9/15/2016
Accounting Officer	19,167	-	-	1.47	2/13/2017
	25,000	25,000	-	1.49	3/15/2017
Steven C. Jones	-	-	-	NA	
Acting Principal Financial Officer and Director					

Director Compensation

Each of our non-employee directors is entitled to receive cash compensation. As of November 25, 2008, the reimbursement was as follows:

- $20,000/year
- Additional $5,000/year for committee chairmen
- $1,000 for each board meeting physically attended
- $500 for each board meeting attended via conference call

We also reimburse our directors for out of pocket expenses incurred in connection with attendance at board and committee meetings. The following table provides information concerning the compensation of our directors for the year ended December 31, 2007.

Name	Fees Earned or Paid in Cash	Stock Awards	Warrant/ Option Awards(1)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Michael T. Dent (2)	$ 3,200	$ -	$ 24,438	$ -	$ -	$ -	$ 27,638
Steven Jones (2)	3,200	-	24,438	-	-	127,950(4)	155,588
George O'Leary (2)	2,600	-	52,563(5)	-	-	9,500	64,663
Peter Peterson (2)	1,400	-	24,438	-	-	-	25,838