

NEOGENOMICS INC
Form 10-Q
August 02, 2013
[Table of Contents](#)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013.

or

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

For the transition period from _____ to _____

Commission File Number: 001-35756

NEOGENOMICS, INC.

(Exact name of registrant as specified in its charter)

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Nevada (State or other jurisdiction of incorporation or organization)	74-2897368 (I.R.S. Employer Identification No.)
12701 Commonwealth Drive, Suite 9, Fort Myers,	
Florida (Address of principal executive offices)	33913 (Zip Code)
(239) 768-0600 (Registrant's telephone number, including area code)	

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

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

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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

As of July 29, 2013, the registrant had 48,890,106 shares of Common Stock, par value \$0.001 per share outstanding.

Table of Contents

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

<u>Item 1. Financial Statements (unaudited)</u>	4
--	---

<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
---	----

<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	27
--	----

<u>Item 4. Controls and Procedures</u>	27
---	----

PART II OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	27
---	----

<u>Item 1A. Risk Factors</u>	27
-------------------------------------	----

<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
---	----

<u>Item 3. Defaults Upon Senior Securities</u>	28
---	----

<u>Item 4. Mine Safety Disclosures</u>	28
---	----

<u>Item 5. Other Information</u>	28
---	----

<u>Item 6. Exhibits</u>	29
--------------------------------	----

SIGNATURES

Table of Contents

FORWARD-LOOKING STATEMENTS

The information in this Quarterly Report on Form 10-Q contains forward-looking statements and information within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act) relating to NeoGenomics, Inc., a Nevada corporation (the Parent or the Parent Company), and its subsidiary, NeoGenomics Laboratories, Inc., a Florida corporation (NEO , NeoGenomics Laboratories or the Subsidiary) (collectively referred to as we , us , our , NeoGenomics , or the Company), which are subject to the safe harbor created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management. The words anticipates, believes, estimates, expects, intends, may, plans, projects, will, and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the risks set forth in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on February 21, 2013.

Forward-looking statements include, but are not limited to, statements about:

Our ability to implement our business strategy;

The expected reimbursement levels from governmental payers and private insurers and proposed changes to those levels;

The application, to our business and the services we provide, of existing laws, rules and regulations, including without limitation, Medicare laws, anti-kickback laws, Health Insurance Portability and Accountability Act of 1996 (HIPAA) regulations, state medical privacy laws, federal and state false claims laws and corporate practice of medicine laws;

Regulatory developments in the United States;

Our ability to maintain our license under the Clinical Laboratory Improvement Amendments of 1988 (CLIA);

Our ability to expand our operations and increase our market share;

Our ability to expand our service offerings by adding new testing capabilities;

Our ability to meet our future capital requirements;

The impact of internalization of testing by customers;

Our ability to compete with other diagnostic laboratories;

Our ability to hire and retain sufficient managerial, sales, clinical and other personnel to meet our needs;

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Our ability to successfully scale our business, including expanding our facilities, our backup systems and infrastructure; and

The accuracy of our estimates regarding reimbursement, expenses, future revenues and capital requirements.

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

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

	June 30, 2013	December 31, 2012
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,636	\$ 1,868
Accounts receivable (net of allowance for doubtful accounts of \$4,147 and \$3,002 respectively)	16,005	14,034
Inventories	1,738	1,859
Other current assets	784	820
Total current assets	23,163	18,581
PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$12,341 and \$10,289, respectively)	8,437	8,607
INTANGIBLE ASSETS (net of accumulated amortization of \$293 and \$182, respectively)	2,689	2,800
OTHER ASSETS	170	83
TOTAL ASSETS	\$ 34,459	\$ 30,071
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 3,387	\$ 3,611
Accrued compensation	2,291	2,808
Other accrued expenses and liabilities	631	669
Short-term portion of equipment capital leases	2,554	2,212
Revolving credit line	3,193	8,458
Total current liabilities	12,056	17,758
LONG TERM LIABILITIES		
Long-term portion of equipment capital leases	2,963	3,097
TOTAL LIABILITIES	15,019	20,855
COMMITMENTS (Note H)		
STOCKHOLDERS' EQUITY		
Common stock, \$.001 par value, (100,000,000 shares authorized; 48,888,215 and 45,280,280 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively)	49	45
Additional paid-in capital	41,686	31,742
Accumulated deficit	(22,295)	(22,571)

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Total stockholders' equity	19,440	9,216
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 34,459	\$ 30,071

See notes to unaudited consolidated financial statements.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
NET REVENUE	\$ 15,603	\$ 15,611	\$ 31,260	\$ 30,771
COST OF REVENUE	8,446	8,244	16,857	16,261
GROSS PROFIT	7,157	7,367	14,403	14,510
OPERATING EXPENSES				
General and administrative	4,064	4,066	8,239	7,816
Research and development	616	528	1,451	1,025
Sales and marketing	1,972	1,934	3,903	3,969
Total operating expenses	6,652	6,528	13,593	12,810
INCOME FROM OPERATIONS	505	839	810	1,700
INTEREST AND OTHER INCOME (EXPENSE) NET	(232)	(288)	(517)	(546)
INCOME BEFORE TAXES	273	551	293	1,154
INCOME TAXES			17	
NET INCOME	\$ 273	\$ 551	\$ 276	\$ 1,154
NET INCOME PER SHARE				
- Basic	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
- Diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING				
- Basic	48,793	44,954	47,529	44,827
- Diluted	53,744	47,650	52,297	47,501

See notes to unaudited consolidated financial statements.

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

	For the Six Months Ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 276	\$ 1,154
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for bad debts	1,387	1,735
Amortization of intangibles	111	70
Depreciation of property and equipment	2,052	1,605
Amortization of debt issue costs	24	19
Stock-based compensation options	384	258
Stock-based compensation warrants and restricted stock	262	84
Changes in assets and liabilities, net:		
(Increase) decrease in accounts receivable, net of write-offs	(3,360)	(5,168)
(Increase) decrease in inventories	121	(324)
(Increase) decrease in other current assets	12	98
(Increase) decrease in other assets	(87)	6
Increase (decrease) in accounts payable and other liabilities	(649)	479
NET CASH PROVIDED BY OPERATING ACTIVITIES	533	16
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets		(1,013)
Purchases of property and equipment	(608)	(1,037)
NET CASH USED IN INVESTING ACTIVITIES	(608)	(2,050)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted cash		200
Advances (payments) on credit facility, net	(5,264)	2,495
Repayment of capital leases	(1,194)	(1,104)
Issuance of common stock and warrants for cash, net of transaction expenses	9,301	381
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,843	1,972
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,768	(62)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,868	2,628
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 4,636	\$ 2,566
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 495	\$ 529

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Income taxes paid	\$	17	\$
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NON-CASH INVESTING AND FINANCING ACTIVITIES

Equipment leased under capital leases	\$	1,402	\$	2,140
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Non-cash intangible asset purchase	\$		\$	1,945
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See notes to unaudited consolidated financial statements.

Table of Contents

NEOGENOMICS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2013

NOTE A NATURE OF BUSINESS AND BASIS OF FINANCIAL STATEMENT PRESENTATION

Nature of Business

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

Basis of Presentation

The accompanying interim consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. These financial statements include the accounts of the Parent and the Subsidiary. All intercompany transactions and balances have been eliminated in the accompanying financial statements.

Certain information and footnote disclosures normally included in the Company's annual audited consolidated financial statements and accompanying notes have been condensed or omitted in these interim financial statements. Accordingly, the unaudited consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission on February 21, 2013.

The results of operations presented in this quarterly report on Form 10-Q is not necessarily indicative of the results of operations that may be expected for any future periods. In the opinion of management, these unaudited consolidated financial statements include all adjustments and accruals, consisting only of normal recurring adjustments that are necessary for a fair statement of the results of all interim periods reported herein.

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year presentation.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Table of Contents

Research and Development

Research and development (R&D) costs are expensed as incurred. R&D expenses consist of cash and equity compensation and benefits for R&D personnel, amortization of intangibles, related supplies, inventory and payment for samples to complete validation studies. These expenses were incurred to develop new genetic tests.

Intangible Assets

Intangible assets with finite useful lives are recorded at fair value which is our cost, less accumulated amortization. Amortization is recognized over the estimated useful lives of the assets. We have three classes of intangible assets and each class of intangible assets is amortized over its estimated service period from service date through the weighted average patent expiration date of each class of patents or the period of economic benefit. We continually review the estimated pattern in which the economic benefits will be consumed and adjust the amortization period and our pattern to match our estimate. The Company's intangible assets are related to our license agreement with Health Discovery Corporation.

Recoverability and Impairment of Long-Lived Assets

We review our long-lived assets for recoverability if events or changes in circumstances indicate the assets may be impaired. This circumstance exists when the carrying amount of the asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. At June 30, 2013, we believe the carrying value of our long-lived assets is recoverable.

Concentrations of Credit Risk

Concentrations of credit risk with respect to revenue and accounts receivable are primarily limited to certain clients to whom the Company provides a significant volume of its services, and to specific payers of our services such as Medicare and individual insurance companies. The Company's client base consists of a large number of geographically dispersed clients diversified across various customer types. For the three months ended June 30, 2013, all of the affiliated client office locations from an oncology practice combined represented approximately 16.5% of our revenue compared to 15.3% of revenue for the three months ended June 30, 2012. For the six months ended June 30, 2013, all of the affiliated client office locations from this oncology practice combined represented approximately 15.4% of our revenue compared to 16.6% of revenue for the six months ended June 30, 2012. All other clients were less than 5% of total revenue individually.

Net Income Per Common Share

We compute net income per share in accordance with ASC Topic 260 Earnings Per Share. Under the provisions of ASC 260, basic net income per share is computed using the treasury stock method by dividing the net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common shares outstanding during the applicable period, plus the dilutive effect of potential common stock. Potential common stock consists of shares issuable pursuant to stock options and warrants.

Income Taxes

Deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Also, the effect on deferred taxes of a change in tax rates is recognized in income in the period that included the enactment date. Temporary differences between financial and tax reporting arise primarily from the use of different depreciation and amortization methods for intangibles and property and equipment, stock based compensation expense and the timing of recognition of bad debts.

We evaluate tax positions that have been taken or are expected to be taken in our tax returns, and record a liability for uncertain tax positions. We follow a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be

Table of Contents

sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax or tax benefit that has a greater than 50% likelihood of being recognized or realized upon settlement. We recognize interest and penalties related to unrecognized tax benefits in the provision for income taxes in the accompanying consolidated financial statements. During the six months ended June 30, 2013 we recognized approximately \$17,000 in income tax expense, which primarily resulted from payment of taxes to various states with minimum income tax requirements as well as the federal alternative minimum corporate tax.

NOTE C REVOLVING CREDIT AND SECURITY AGREEMENT

On March 26, 2012, the Parent Company, NeoGenomics Laboratories (Borrower), and CapitalSource Finance LLC (Capital Source) entered into a First Amendment (the Amendment) to the Amended and Restated Revolving Credit and Security Agreement, dated April 26, 2010 (the Amended and Restated Credit Agreement or the Credit Facility). The Amended and Restated Credit Agreement amended and restated the original Revolving Credit and Security Agreement dated February 1, 2008, as amended, among the Parent Company, Borrower and CapitalSource (the Original Credit Agreement). The terms of the Amendment and the Amended and Restated Credit Agreement are substantially similar except that the Amendment, among other things:

- I.) Increased the maximum principal amount of the revolving credit facility (the Facility Cap) to \$8.0 million from \$5.0 million; provided, that the Borrower may request to increase the Facility Cap twice during the term of the Amended and Restated Credit Agreement in increments of \$1.0 million to a maximum of \$10,000,000;

 - II.) Extended the term of the Amended and Restated Credit Agreement to March 26, 2015;

 - III.) Revised the definition of Minimum Termination Fee to be:
 - a. 2.5% of the Facility Cap if the Revolver Termination (as defined in the Agreement) is at any time before March 26, 2013;

 - b. 1.5% of the Facility Cap if the Revolver Termination is after March 26, 2013 but before March 26, 2014;

 - c. 0.5% of the Facility Cap if the Revolver Termination is on or after March 26, 2014; and

 - d. That there shall be no Minimum Termination Fee if the Revolver Termination occurs within five (5) days of the end of the term.

 - IV.) Modified the definition of Permitted Indebtedness and Fixed Charge Coverage Ratio ; and

 - V.) Amended Section 3.1 of the Amended and Restated Credit Agreement by deleting the LIBOR shall be not less than 2.0% and replacing it with the LIBOR shall be not less than 1.0% .
- We paid Capital Source a commitment fee of \$80,000 in connection with the Amendment.

On January 25, 2013 the Borrower and CapitalSource entered into the Second Amendment to the Amended and Restated Revolving Credit and Security Agreement, dated April 26, 2010. The Second Amendment:

I.)

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Increased the Facility Cap to \$10.0 million from \$9.0 million; provided, that the Borrower may request to increase the Facility Cap twice during the term of the Amended and Restated Credit Agreement in increments of \$1.0 million to a maximum of \$12,000,000 on or after January 31, 2013;

II.) Amended Annex 1 of the Credit Facility as follows:

a) Deleted Section 2 of the Annex 1 in its entirety and replaced it with the following:

2. Minimum Cash Velocity

For each Test Period, measured as of the last day of each calendar month ending on or after December 31, 2012, Collections of Accounts of Borrowers collectively shall not be less than the Cash Velocity Percentage of Borrowers net revenue for the Revenue Period less the bad debt expense recognized on the income statement for such Revenue Period.

b) Added the following definition to the definitions set forth in such Annex in the appropriate alphabetic order:

Cash Velocity Percentage means (a) 80% for the period beginning December 31, 2012 and ending on March 31, 2013 and (b) 87.5% at all other times.

Table of Contents

We paid Capital Source a commitment fee of \$10,000 in connection with the Second Amendment.

Interest on outstanding advances under the Credit Facility are payable monthly in arrears on the first day of each calendar month. At June 30, 2013, the effective rate of interest was 5.25%, the available credit under the Credit Facility was approximately \$6.8 million and the outstanding borrowing was \$3.2 million after netting compensating cash on hand.

NOTE D INTANGIBLE ASSETS

Intangible assets as of June 30, 2013 and December 31, 2012 consisted of the following (in thousands):

	Weighted Average Amortization Period	COST	June 30, 2013 Accumulated Amortization	Net
Support Vector Machine (SVM) technology	108 months	\$ 500	\$ 84	\$ 416
Laboratory developed test (LDT) technology	164 months	\$ 1,482	\$ 134	\$ 1,348
Flow Cytometry and Cytogenetics technology	202 months	\$ 1,000	\$ 75	\$ 925
Total		\$ 2,982	\$ 293	\$ 2,689

	Weighted Average Amortization Period	COST	December 31, 2012 Accumulated Amortization	Net
Support Vector Machine (SVM) technology	108 months	\$ 500	\$ 56	\$ 444
Laboratory developed test (LDT) technology	164 months	\$ 1,482	\$ 81	\$ 1,401
Flow Cytometry and Cytogenetics technology	202 months	\$ 1,000	\$ 45	\$ 955
Total		\$ 2,982	\$ 182	\$ 2,800

We recorded approximately \$55,000 and \$56,000 in straight-line amortization expense of intangibles for the three months ended June 30, 2013 and 2012, respectively, and approximately \$111,000 and \$70,000 in straight-line amortization expense of intangibles for the six months ended June 30, 2013 and 2012, respectively, as research and development expenses in the consolidated statement of operations. We will record all amortization of intangibles in that category until the time that we have products, services or cost savings directly attributable to these intangible assets that would require that it be recorded in cost of goods sold.

Table of Contents

The estimated amortization expense related to amortizable intangible assets for each of the five succeeding fiscal years and thereafter as of June 30, 2013 is as follows (in thousands):

Year Ending December 31,	
Remainder of 2013	\$ 112
2014	223
2015	223
2016	223
2017	223
2018	223
Thereafter	1,462
Total	\$ 2,689

NOTE E NET INCOME PER SHARE

The following table provides the computation of basic and diluted net income per share for the three and six month periods ending June 30, 2013 and 2012: (in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income	\$ 273	\$ 551	\$ 276	\$ 1,154
Basic weighted average shares outstanding	48,793	44,954	47,529	44,827
Effect of potentially dilutive securities	4,951	2,696	4,768	2,674
Diluted weighted average shares outstanding	53,744	47,650	52,297	47,501
Basic net income per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
Diluted net income per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02

For the three and six months ended June 30, 2013, 2,500 and 119,000 outstanding options were excluded from the calculation of diluted earnings per share due to anti-diluted affects as compared to 884,499 and 904,499 shares of options for the three and six months ended June 30, 2012 were excluded in the calculation of diluted earnings per share due to anti-diluted affects.

NOTE F EQUITY**Public Offering of Common Stock**

In March 2013, the Company completed an offering of 3,322,500 shares of registered common stock, at a price of \$3.00 per share, for gross proceeds of \$10.0 million. The Company received approximately \$9.2 million in net proceeds after deducting underwriting fees and offering costs of approximately \$0.8 million.

Stock Options

As of June 30, 2013, options to purchase 5,654,842 shares of our common stock were outstanding. The exercise prices of these options range from \$0.25 to \$3.98 per share.

Table of Contents

Common Stock Warrants

As of June 30, 2013, warrants to purchase 1,358,333 shares of our common stock were outstanding. The exercise prices of these warrants range from \$0.75 to \$1.50 per share.

NOTE H COMMITMENTS

During the six months ended June 30, 2013 we entered into a lease agreement with Wells Fargo Equipment Finance, Inc. (Wells Fargo Equipment Finance) to lease approximately \$200,000 of laboratory and computer equipment. The lease agreement has a five year term with a \$1 buyout option at the end of the term and an interest rate of approximately 6% per year.

During the first quarter of 2013, we also entered into an Installment Payment Agreement with Wells Fargo Equipment Finance for the purchase of a new billing system for approximately \$145,000. During the three months ended June 30, 2013 we converted the Installment Payment Agreement into a lease agreement. The lease has a 36 month term with a \$1 buyout option at the end of the term and an interest rate of approximately 5.5%. There will be a separate loan agreement for the final portion of the billing system when it is finished in the second half of 2013.

During the three and six months ended June 30, 2013 we also entered into lease schedules with several vendors for approximately \$360,000 and \$945,000 for the purchase of laboratory and computer equipment that we have received. The leases have a 36 month term with \$1 buyout options at the end of the term and interest rates in the range between 4.5% and 13.5%.

During the three months ended June 30, 2013 we entered into lease schedules with several vendors for the purchase of approximately \$1.3 million of laboratory equipment that we have not yet received. The leases have a 36 month term with \$1 buyout options at the end of the term and interest rates in the range between 11.5% and 13.5%.

NOTE I OTHER RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2013 and 2012, Steven C. Jones, a director of the Company, earned approximately \$62,500 and \$50,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance. During the six months ended June 30, 2013 and 2012, Steven C. Jones, a director of the Company, earned approximately \$125,000 and \$100,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance. Mr. Jones received a \$25,000 bonus for his work with respect to the \$9.2 million equity raise during the three months ended June 30, 2013. Mr. Jones also received \$80,000 and \$55,000 during the six months ended June 30, 2013 and 2012 for his work on the equity raise described above and as payment of his annual bonus compensation for the previous fiscal years, respectively.

Table of Contents

NOTE J SUBSEQUENT EVENTS

On July 8, 2013 the Centers for Medicare and Medicaid Services (CMS) released a new proposed rulemaking entitled Medicare Program; Revisions to Payment Policies under the Physician Fee Schedule, Clinical Laboratory Fee Schedule & Other Revisions to Part B for CY 2014 . This 652 page proposed rule contains a number of provisions that may adversely impact the level of reimbursement for a variety of tests for which NeoGenomics receives reimbursement from the Medicare program beginning in 2014. Among other things, CMS has proposed examining approximately 1,200 laboratory tests that appear on the Clinical Lab Fee Schedule (CLFS) over a period of five years to determine whether advances in technology may have reduced the cost of providing such tests and whether or not the level of reimbursement should be revised. NeoGenomics is currently performing cytogenetics and molecular testing which are reimbursed using CPT codes that fall on the CLFS. CMS has also proposed changing the methodology used to determine reimbursement rates for the technical component of certain tests reimbursed off of the Physician Fee Schedule (PFS). Among other provisions, CMS has proposed limiting the Relative Value Units (RVUs) ascribed to the Practice Expense component of their reimbursement formula for tests performed in Non-Facilities (which would include most clinical laboratories like NeoGenomics) to the RVUs that have been ascribed for the same procedures under the Hospital Outpatient Prospective Payment System, or the Ambulatory Payment Classification (APC) system which are used to reimburse Facilities (such as hospitals and ambulatory surgery centers). NeoGenomics is currently performing FISH, Flow Cytometry, Immunohistochemistry, and morphology testing, which may be impacted by this PFS rule change if it is enacted. CMS has not yet proposed any specific rates for CY 2014 and NeoGenomics is examining the potential impact that this type of rule change may have on its operations. CMS has asked for comments on the proposed rules until September 7, 2013, and we are in the process of preparing a comment letter with our feedback. We are also collaborating with the American Clinical Laboratory Association and the College of American Pathology to respond to the proposed rule. The final CLFS and PFS for CY 2014 are not expected to be issued until November 2013, and it is likely we will not know the rates for 2014 until that time. Although we are unable to quantify the impacts of the proposed rules at this time, if they are enacted without any changes, it will likely have a material adverse impact to NeoGenomics.

END OF FINANCIAL STATEMENTS.

Table of Contents

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

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

Introduction

The following discussion and analysis should be read in conjunction with the unaudited 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 facts, are forward-looking statements subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements. For a discussion on forward-looking statements, see the information set forth in the introductory note to this Quarterly Report on Form 10-Q under the caption "Forward Looking Statements", which information is incorporated herein by reference.

Overview

We operate a network of cancer-focused testing laboratories whose mission is to improve patient care through exceptional genetic and molecular testing services. Our vision is to become America's premier cancer testing laboratory by delivering uncompromising quality, exceptional service and innovative products and services. The Company has laboratory locations in Ft. Myers and Tampa, Florida; Irvine, California; and Nashville, Tennessee, and currently offers the following types of testing services:

- a) Cytogenetics testing - the study of normal and abnormal chromosomes and their relationship to disease. Cytogenetic studies are often utilized to assist in refining treatment options for hematopoietic cancers such as leukemia and lymphoma;
- b) Fluorescence In-Situ Hybridization (FISH) testing - a branch of cancer genetics that focuses on detecting and locating the presence or absence of specific DNA sequences and genes on chromosomes;
- c) Flow cytometry testing - a rapid way to measure the characteristics of cell populations. Cells from peripheral blood, bone marrow aspirate, lymph nodes, and other areas are labeled with selective fluorescent antibodies and quantified according to their surface antigens. These fluorescent antibodies bind to specific cell surface antigens and are used to identify malignant cell populations. Flow cytometry is typically performed in conjunction with morphology testing which looks at smears on glass slides for abnormal cell populations;
- d) Immunohistochemistry (IHC) testing - the process of identifying cell proteins in a tissue section utilizing the principle of antibodies binding specifically to antigens. Specific surface cytoplasmic or nuclear markers are characteristic of cellular events such as proliferation or cell death (apoptosis). IHC is also widely used to understand the distribution and localization of differentially expressed proteins; and
- e) Molecular testing - a rapidly emerging cancer diagnostic tool focusing on the analysis of DNA and RNA, as well as the structure and function of genes at the molecular level. Molecular testing employs multiple technologies including bi-directional Sanger sequencing analysis, DNA fragment length analysis, and real-time polymerase chain reaction (RT-PCR) RNA analysis.

All of these testing services are widely utilized to determine the diagnosis and prognosis of various types and subtypes of cancer and to help predict a patient's potential response to specific therapies. NeoGenomics offers testing services on both a "tech-only" basis, where NeoGenomics performs the technical component of the testing (specimen set-up, staining, imaging, sorting and categorization of cells, chromosomes, genes or DNA) and the client physician performs the related professional interpretation component (analyzing the laboratory data, developing the diagnosis or prognosis as well as preparing and writing the final report), as well as on a full service or "global" basis where NeoGenomics performs both the technical component and our medical staff provides the professional interpretation component.

Table of Contents

Our Focus

Our primary focus is to provide high complexity, cancer-related laboratory testing services to hospitals, community-based pathology practices, and clinicians throughout the United States. We currently perform analyses for hematopoietic cancers such as leukemia and lymphoma (blood and lymphoid tumors) and solid tumor cancers such as breast, lung, colon, and bladder cancer. For hematopoietic cancers, we typically analyze bone marrow aspirate and peripheral blood specimens. For solid tumor cancers, we typically analyze tissue samples or urine.

The cancer testing services we offer to community-based pathologists are designed to be a natural extension of, and complementary to, the services that they perform within their own practices. We believe our relationship as a non-competitive partner to community-based pathology practices empowers them to expand their breadth of testing and provide a menu of services that matches or exceeds the level of service found in academic centers of excellence around the country. Community-based pathology practices typically order our services on a tech-only basis, which allows them to participate in the diagnostic process by performing the professional interpretation services without having to make the investment in laboratory personnel or equipment needed to perform the technical component of the tests.

In areas where we do not provide services to community-based pathology practices, we may directly serve oncology, dermatology, urology and other clinician practices that prefer to have a direct relationship with a laboratory for cancer-related genetic and molecular testing services. We typically service these types of clients with a global service offering where we perform both the technical and professional components of the tests ordered. Increasingly, however, larger clinician practices have begun to internalize pathology testing, and our tech-only service offering allows these larger clinician practices to also participate in the diagnostic process by performing the professional interpretation services.

We are committed to being a leader in oncology testing, and thus we are also focused on innovation. Our goal is to develop new assays to help physician clients better manage their patients and to enable them to practice evidence-based medicine tailored specifically for each of their patients. During 2012, we introduced 29 new molecular tests, greatly expanding our molecular testing menu. During 2013, we have introduced 30 new molecular tests to our molecular testing menu. We now believe that we have the most comprehensive molecular test menus of any laboratory in the United States. Molecular testing is a rapidly growing part of oncology testing, which allows us to determine specific subtypes of cancer, as well as predict responses to certain therapeutics by isolating certain genetic mutations in DNA and RNA. We also introduced a number of NeoTYPE™ panels that combine multiple molecular tests into panels targeting specific types of cancer to help pathologists and oncologists determine cancer types on difficult cases. We use bi-directional sequencing analysis which we believe is superior to many of the molecular tests being offered by our competitors because we are able to pick up mutations that other methods would not detect. We believe that we are well-positioned to capitalize on this rapidly growing area.

Our 10 color flow cytometry service offering launched in 2012 has been very well received as it provides approximately 60% more data than previous flow cytometry platforms and allows for better operating efficiencies. We believe we are the only cancer genetics laboratory in the United States to offer 10 color flow cytometry on a tech-only basis. In addition, we vastly improved our immunohistochemistry offering, brought up a new digital imaging platform and launched several new FISH tests including a very promising new test to aid in the diagnosis of Barrett's Esophagus that we are offering on a semi-exclusive basis. We expect these new tests to drive substantial growth in the future. We also expect to continue to make investments in R&D that will allow us commercialize a number of new and innovative genetic tests as we move forward.

With the recent advances in genomics, proteomics and digital pathology, frequently large amounts of data are generated and managing this data is difficult without the aid of computer-based algorithms and pattern recognition. We believe that the best system for pattern recognition and data analysis is a technology known as Support Vector Machine or SVM, especially when combined with a technology called Recursive Feature Elimination or RFE. Health Discovery Corporation (HDC) has an extensive array of pending and issued patents surrounding SVM and RFE technology. In January 2012, we entered into a Master License Agreement (the License Agreement) with HDC, pursuant to which we were granted an exclusive worldwide license to utilize HDC's intellectual property portfolio, including some 84 issued and pending patents related to SVM and RFE as well as certain patents relating to digital image analysis, biomarker discovery, and gene and protein-based diagnostic, prognostic, and predictive testing, to develop and commercialize laboratory developed tests (LDTs) and other products relating to hematopoietic and solid tumor cancers.

Under the terms of the License Agreement, we may, subject to certain limitations, use, develop, make, have made, modify, sell, and commercially exploit products and services in the fields of laboratory testing, molecular diagnostics,

Table of Contents

clinical pathology, anatomic pathology and digital image analysis relating to the development, marketing, production or sale of any LDTs or other products used for diagnosing, ruling out, predicting a response to treatment, and/or monitoring treatment of any hematopoietic and solid tumor cancers excluding cancers affecting the retina and breast cancer; provided, that the exclusion for breast cancer shall be in effect only so long as that certain license agreement between HDC and the licensee of the technology for breast cancer applications is in full force and effect and such licensee is not in material breach of any its obligations under that agreement.

By licensing this technology and combining the expertise that already existed at HDC with our expertise in genomics, proteomics and digital imaging, we believe we are well-positioned to begin developing innovative and proprietary new products. SVM-RFE techniques will allow us to combine and analyze data from genomics, proteomics and digital imaging to develop practical, cost-effective and reliable new assays. Using this technology, we believe we will be able to offer a whole line of advanced tests that will help physicians better manage the treatment options for cancer patients. We have prioritized the development of better tests for the diagnosis and prediction of clinical behavior in prostate cancer, pancreatic cancer, breast cancer, leukemia/lymphoma and other solid tumors as part of the License Agreement.

Competitive Strengths

Turnaround Times

We strive to provide industry leading turnaround times for test results to our clients nationwide. By providing information to physicians in a rapid manner, they can begin treating their patients as soon as possible. We believe our average 4-5 day turnaround time for our cytogenetics testing services, our average 3-4 day turnaround time for FISH testing services, our 5-7 day turnaround time for molecular testing and our average 1 day turnaround time for flow cytometry testing services are industry-leading benchmarks for national laboratories. Our consistent timeliness of results is a competitive strength and a driver of additional testing requests by our referring physicians. Quick turnaround times allow for the performance of other adjunctive tests within an acceptable diagnosis window in order to augment or confirm results and more fully inform treatment options. We believe that our rapid turnaround times are a key differentiator of NeoGenomics versus other national laboratories, and our clients often cite them as a key factor in their relationship with us.

Medical Team

Our team of medical professionals and Ph.Ds. are specialists in the field of genetics and oncology. Our medical team is led by our Chief Medical Officer, Dr. Maher Albitar, a renowned hematopathologist with extensive experience in molecular and genetic testing. Prior to joining NeoGenomics, Dr. Albitar was Medical Director for Hematopathology and Oncology at the Quest Nichols Institute and Chief R&D Director for Hematopathology and Oncology for Quest Diagnostics. He also served as Section Chief for Leukemia at the University of Texas M. D. Anderson Cancer Center. In addition to Dr. Albitar, we employ several other full-time M.D.s and Ph.Ds.

Extensive Tech-Only Service Offerings

We launched the first tech-only FISH testing services in the United States in 2006, and we currently have the most extensive menu of tech-only FISH services in the country. We also offer tech-only flow cytometry and immunohistochemistry testing services. These types of testing services generally allow the professional interpretation component of a test to be billed separately from the technical component. Our NeoFISH™, NeoFLOW™ and other tech-only service offerings allow properly trained and credentialed community-based pathologists to extend their own practices by performing professional interpretations services, which allows them to better service the needs of their local clientele without the need to invest in the lab equipment and personnel required to perform the technical component of genetic and molecular testing.

Our tech-only services are designed to give pathologists the option to choose, on a case by case basis, whether they want to order just the technical information and images relating to a specific test so they can perform the professional interpretation, or order global services and receive a comprehensive test report which includes a NeoGenomics Pathologist's interpretation of the test results. Our clients appreciate the flexibility to access NeoGenomics' medical staff for difficult or complex cases or when they are otherwise unavailable to perform professional interpretations. We believe this innovative approach to serving the needs of pathology clients results in longer term, more committed client relationships that are more akin to strategic partnerships. Our extensive tech-only service offerings have differentiated NeoGenomics and allowed us to compete more effectively against larger, more entrenched competitors in our niche of the industry.

Table of Contents

Global Service Offerings

We also offer a full set of global services to meet the needs of those clients who are not credentialed and trained in interpreting genetic tests and who are looking for specialists to interpret the testing results for them. In our global service offerings, our lab performs the technical component of the tests and our M.D.s and Ph.Ds. provide the interpretation services. Our professional staff is also available for post testing consultative services. These clients rely on the expertise of our medical team to give them the answers they need in a timely manner to help inform their diagnoses and treatment decisions. Many of our tech-only clients also rely on our medical team for difficult or challenging cases by ordering our global testing services on a case by case basis or our medical team can serve as a backup to our clients who need overflow or weekend coverage. Our Genetic Pathology Solutions (GPS) report summarizes all relevant case data from our global services on one summary report. When providing global services, NeoGenomics performs both the technical and professional component of the test, which results in a higher reimbursement level.

Client Education Programs

We believe we have one of the most extensive client education programs in the genetic and molecular testing industry. We train pathologists how to use and interpret genetic testing services so that they can then participate in our tech-only service offerings. Our educational programs include an extensive library of on-demand training modules, online courses, and custom tailored on-site training programs that are designed to prepare clients to utilize our tech-only services. Each year, we also regularly sponsor seminars and webinars on emerging topics of interest in our field. Our medical staff is involved in many aspects of our training programs.

Superior Testing Platforms

We use some of the most advanced testing platforms in the laboratory industry. Our 10 color flow cytometry platform was launched and we are the first national laboratory to offer this service on a tech-only basis. Most of our competitors only offer between 5 and 8 color Flow Cytometry testing. We believe that this allows us to provide more and better data to our clients, particularly when dealing with limited sample quantities. The use of bi-directional sequencing in our molecular testing allows us to detect multiple mutations which can be missed with single point mutation analysis. Many laboratories rely on more limited kits which only look at single points on a gene. Our automated FISH and Cytogenetics tools allow us to deliver the highest quality testing to our clients.

Laboratory Information System (LIS)

We believe we have a state-of-the-art Laboratory Information System (LIS) that interconnects our locations and provides flexible reporting solutions to clients. This system allows us to standardize testing and deliver uniform test results and images throughout our network, regardless of the location that any specific portion of a test is performed within our network. This allows us to move specimens and image analysis work between locations to better balance our workload. Our LIS also allows us to offer highly specialized and customizable reporting solutions to our tech-only clients. For instance, our tech-only NeoFISH™ and NeoFLOW™ applications allow our community-based pathologist clients to tailor individual reports to their specifications and incorporate only the images they select and then issue and sign-out such reports from our system with their own logos at the top. Our customized reporting solution even allows our clients to incorporate test results performed on ancillary tests not performed at NeoGenomics into summary report templates. This feature has been well-received by clients.

National Direct Sales Force

Our direct sales force has been trained extensively in cancer genetic testing and consultative selling skills to service the needs of clients. Our sales representatives (Territory Business Managers) are organized into three regions (Northeast, Central and West). These sales representatives all utilize our custom Customer Relationship Management System to manage their territories, and we have integrated all of the important customer care functionality within our LIS into Salesforce.com so that our Territory Business Managers can stay informed of emerging issues and opportunities within their regions. As of June 30, 2013, we had 16 Territory Business Managers, 3 Oncology Business Development Managers, one Managed Care Specialist, and three Regional Managers.

Table of Contents

Geographic Locations

Many high complexity laboratories within the cancer testing niche have frequently operated a core facility on either the West Coast or the East Coast of the United States to service the needs of their customers around the country. We believe our clients and prospects desire to do business with a laboratory with national breadth and a local presence. We have four facilities, two large laboratory locations in Fort Myers, Florida and Irvine, California and two smaller laboratory locations in Nashville, Tennessee and Tampa, Florida. Our objective is to operate one lab with four locations in order to deliver standardized test results. We intend to continue to develop and open new laboratories and/or expand our current facilities as market situations dictate and business opportunities arise.

Scientific Pipeline

In the past few years our field has experienced a rapid increase in tests that are tied to specific genomic pathways. These predictive tests are typically individualized for a small sub-set of patients with a specific subtype of cancer. The therapeutic target in the genomic pathways is typically a small molecule found at the level of the cell surface, within the cytoplasm and/or within the nucleus. These genomic pathways, known as the Hallmarks of Cancer, contain a target-rich environment for small-molecule anti-therapies. These anti-therapies target specific mutations in the major cancer pathways such as the Proliferation Pathway, the Apoptotic Pathway, the Angiogenic Pathway, the Metastasis Pathway, and the Signaling Pathways and Anti-Signaling Pathways.

As an example, the FDA approved a small molecule anti-therapy drug (Xalkori) that targets a mutation in the ALK gene for a small sub-set of patients with Non-Small Cell Lung Cancer (NSCLC). Between 50-61% of patients with an ALK gene rearrangement will respond to this therapy. To identify patients eligible for this specific small-molecule therapy, an FDA-approved FISH test that NeoGenomics and certain other laboratories offer, must be performed. This ALK FISH test is considered a companion diagnostic test and it is critical that this test be performed and the patient found to have an ALK mutation before therapy can be administered. Tests such as the ALK FISH test allow our clients to direct individualized treatments to each cancer patient in a timely manner. We are increasingly focused on developing similar predictive tests as part of our new product development pipeline. In the first six months of 2013, we have added 30 new molecular tests to further advance our testing menu. In addition, we expanded our IHC menu and our digital pathology platform, complementary services we believe will help to drive future growth.

We are working with the technology we licensed from HDC to develop new proprietary cancer tests, streamline our workflow, and reduce our costs.

Seasonality

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

Critical Accounting Policies

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

While many operational aspects of our business are subject to complex federal, state and local regulations, the accounting for our business is generally straightforward with net revenues primarily recognized upon completion of the testing process. Our revenues are primarily comprised of laboratory tests, and approximately one-half of total operating costs and expenses consist of employee compensation and benefits. Due to the nature of our business, several of our accounting policies involve significant estimates and judgments. These accounting policies have been described in our Annual Report on Form 10-K for the year ended December 31, 2012.

Table of Contents**Results of Operations for the Three and Six Months Ended June 30, 2013 as Compared to the Three and Six Months Ended June 30, 2012**

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

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
NET REVENUE	100.0%	100.0%	100.0%	100.0%
COST OF REVENUE	54.1%	52.8%	53.9%	52.8%
GROSS PROFIT	45.9%	47.2%	46.1%	47.2%
OPERATING EXPENSES:				
General and administrative	26.0%	26.0%	26.4%	25.4%
Research and development	4.0%	3.4%	4.6%	3.3%
Sales and marketing	12.6%	12.4%	12.5%	12.9%
TOTAL OPERATING EXPENSES	42.6%	41.8%	43.5%	41.6%
INCOME FROM OPERATIONS	3.3%	5.4%	2.6%	5.6%
INTEREST AND OTHER INCOME (EXPENSE) NET	(1.5)%	(1.9)%	(1.6)%	(1.8)%
NET INCOME BEFORE INCOME TAXES	1.8%	3.5%	1.0%	3.8%
INCOME TAXES	0.0%	0.0%	0.1%	0.0%
NET INCOME	1.8%	3.5%	0.9%	3.8%

Technical Component Grandfather Clause Expiration

On February 22, 2012, the Middle Class Tax Relief Act (MCTRA) was enacted. The MCTRA included a provision that specified that the Centers for Medicare and Medicaid Services (CMS) Technical Component Grandfather Clause (TC Grandfather) would expire on June 30, 2012. The TC Grandfather clause had allowed independent laboratories like us to bill Medicare directly for the technical component of certain hospital in-patient and out-patient laboratory tests reimbursable off of the Medicare Physician Fee Schedule for hospitals that had a relationship with an independent pathology lab prior to July 22, 1999. As a result of this regulatory change, since becoming effective July 1, 2012, we are now required to bill hospitals directly for these technical component services. Our hospital clients, however, receive no incremental reimbursement for in-patient tests and only limited incremental reimbursement for out-patient tests. Thus, the expiration of the TC Grandfather clause created price competition in approximately 18% of our revenue base, where previously there had been none. We estimate that this resulted in a negative impact of approximately \$1.3 million of revenue for the three months ended June 30, 2013 versus the three months ended June 30, 2012. We estimate that this resulted in a negative impact of approximately \$2.6 million of revenue for the six months ended June 30, 2013 versus the six months ended June 30, 2012. This impact to revenue also directly impacted gross margin and net income. We believe that over time we can return to the gross margins we experienced before the TC Grandfather expiration as we continue to grow our business and improve the efficiencies of our laboratory operations as evidenced by the fact that our gross profit margin is only approximately 1% lower for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. The requirement to submit claims to our clients directly, instead of Medicare, has also had an impact on the time it takes for us to collect on the receivables for the tests in question. Medicare typically pays each claim filed within 3 to 4 weeks of filing, however, clients typically get billed only once a month for all claims, and the collection cycle time from clients is generally 30-90 days or more from the time they receive our bill. While we could bill Medicare on a daily basis, many of our hospital clients want only one cumulative bill at the end of the month.

Table of Contents**Revenue****Supplemental Information on Customer Requisitions Received and Tests Performed**

(in thousands, except test and requisition amount)

	For the three months ended June 30,			For the six months ended June 30,		
	2013	2012	% Inc (Dec)	2013	2012	% Inc (Dec)
Requisitions Received (cases)	20,875	18,561	12.5%	41,479	35,495	16.9%
Number of Tests Performed	32,519	28,846	12.7%	64,607	55,778	15.8%
Avg. # of Tests / Requisition	1.56	1.55	0.2%	1.56	1.57	(0.9)%
Total Testing Revenue	\$ 15,603	\$ 15,611	(0.1)%	\$ 31,260	\$ 30,771	1.6%
Avg Revenue/Requisition	\$ 747	\$ 841	(11.1)%	\$ 754	\$ 867	(13.1)%
Avg Revenue/Test	\$ 480	\$ 541	(11.3)%	\$ 484	\$ 552	(12.3)%

Our increase in test counts for the three and six months ended June 30, 2013 when compared to the three and six months ended June 30, 2012 was primarily the result of adding new client accounts. We have been able to gain market share due to our expanded testing menu and better service levels compared to other labs. Revenue remained flat for the three months ended June 30, 2013 when compared to the comparable period in 2012, but included an approximate \$1.3 million revenue reduction related to the expiration of the TC Grandfather Clause last year and an approximate \$0.3 million revenue reduction related to the reduction in the fee schedules for the Medicare molecular CPT codes in 2013. Revenue for the six months ended June 30, 2013 increased slightly when compared with the comparable period last year, but included an approximate \$2.6 million reduction related to the expiration of the TC Grandfather Clause last year and approximate \$0.45 million revenue reduction related to the reduction of Medicare molecular CPT codes in 2013. Testing volumes for the first six months of 2013 were up 15.8%, however overall unit price declined 12.3%. The price decline is primarily related to the expiration of the TC Grandfather clause. All of the office locations of a large oncology practice combined represented approximately 16.5% and 15.6% of our revenue for the three and six months ended June 30, 2013 compared to 15.4% and 16.6% of our revenue for the three and six months ended June 30, 2012.

Cost of Revenue and Gross Profit

Cost of revenue includes payroll and payroll related costs for performing tests, depreciation of laboratory equipment, rent for laboratory facilities, laboratory reagents, probes and supplies, and delivery and courier costs relating to the transportation of specimens to be tested. Our cost of revenue, gross profit and test metrics for the three and six months ended June 30, 2013 and 2012 are as follows:

	For the three months ended June 30,			For the six months ended June 30,		
	2013	2012	Change	2013	2012	Change
Cost of revenue	\$ 8,446,000	\$ 8,244,000	\$ 202,000	\$ 16,857,000	\$ 16,261,000	\$ 596,000
Cost of revenue as a % of revenue	54.1%	52.8%		53.9%	52.8%	
Gross Profit	\$ 7,157,000	\$ 7,367,000	\$ (210,000)	\$ 14,403,000	\$ 14,510,000	\$ (107,000)
Gross Profit as a % of revenue	45.9%	47.2%		46.1%	47.2%	
Cost of Revenue per Test	\$ 260	\$ 286	\$ (26)	\$ 261	\$ 292	\$ (31)
Gross Profit per Test	\$ 220	\$ 255	\$ (35)	\$ 223	\$ 260	\$ (37)

Overall cost of revenue increased due to the increases in our testing volumes. Cost as a percentage of revenue increased by 1.3 margin points for the three months ended June 30, 2013 and by 1.1 margin points for the six months ended June 30, 2013. The declines in average cost per test for these periods are a result of improved productivity in our laboratory, as we saw an increase in the amount of tests processed per laboratory FTE (full time equivalent). This was driven by improved capacity planning and utilization along with several process improvements in the laboratory. We also experienced a sharp reduction in test send-outs to other laboratories as a result of our expanded Molecular test services menu and a reduction in our contract labor due to our expanded medical staff. We have also been able to lower our

Table of Contents

supplies costs and improve supply utilization. We also saw rapid growth in lower priced and lower cost molecular tests. We continue to focus on improving our laboratory operations in order to continue to drive further improvements in our cost per test. We have best practice teams in place in several laboratory areas and we are working with consultants to implement lean processes into our laboratories to further reduce our costs. We believe that we will continue to see a reduction in average cost per test in future periods based on the activities of our best practices teams.

Sales and Marketing

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

	For the three months ended June 30,			For the six months ended June 30,		
	2013	2012	Change	2013	2012	Change
Sales and marketing	\$ 1,972,000	\$ 1,934,000	\$ 38,000	\$ 3,903,000	\$ 3,969,000	\$ (66,000)
As a % of revenue	12.6%	12.4%		12.5%	12.9%	

Sales and marketing expenses increased approximately 2%, or \$38,000 for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012 as a result of increased sales salaries and other sales costs from growing our sales team partially offset by decreased commissions. Sales and marketing expenses decreased approximately 2% for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 as a result of decreases in commission and marketing costs partially offset by increases in salaries and sales related costs as a result of increasing our sales team in 2013.

We are expanding our sales force and are adding more sales representatives. We expect our overall sales and marketing expenses to increase modestly with increased test volumes in 2013. Our Sales and Marketing expenses will go up as a percentage of revenue for the rest of 2013.

General and Administrative Expenses

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

	For the three months ended June 30,			For the six months ended June 30,		
	2013	2012	Change	2013	2012	Change
General and administrative	\$ 4,064,000	\$ 4,066,000	\$ (2,000)	\$ 8,239,000	\$ 7,816,000	\$ 423,000
As a % of revenue	26.0%	26.0%		26.4%	25.4%	

General and administrative expenses were flat for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. General and administrative expenses increased approximately 5.4% for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. The increase in general and administrative expenses is primarily a result of adding information technology and billing personnel to support the increase in our testing volumes as well as increases in professional and corporate fees and travel expenses partially offset by decreases in bad debt expense.

Bad debt expense decreased by approximately 27.9%, or approximately \$250,000 to \$645,000 for the three months ended June 30, 2013 as compared to approximately \$895,000 for the three months ended June 30, 2012. This decrease was primarily a result of the changes related to the TC Grandfather Clause expiration and the fact that we have more client bill (typically Hospitals or Pathology Groups) accounts receivable which has a much lower bad debt rate than other categories. Bad debt expense decreased by approximately 20%, or approximately \$348,000 to \$1,387,000 for the six months ended June 30, 2013 as compared to approximately \$1,735,000 for the six months ended June 30, 2012 as a result of changes related to the TC Grandfather Clause expiration and the fact that we have more client bill accounts receivable which have a much lower bad debt rate than other payer categories.

Table of Contents

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

Research and Development Expenses

Research and development expenses relate to cost of developing new proprietary and non-proprietary genetic tests as well as cost related to our licensing agreement with Health Discovery Corporation, including amortization of the licensed technology.

	For the three months ended June 30,			For the six months ended June 30,		
	2013	2012	Change	2013	2012	Change
Research and development	\$ 616,000	\$ 528,000	\$ 88,000	\$ 1,451,000	\$ 1,025,000	\$ 426,000
As a % of revenue	4.0%	3.4%		4.6%	3.3%	

Research and development expenses increased approximately 16.7% for the three months ended June 30, 2013 as compared to the three months ended June 30, 2012. Research and development expenses increased approximately 41.6% for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. The increase in research and development expenses is primarily a result of \$68,000 and \$238,000 of incremental stock compensation expense for non-employee stock options and warrants for the three and six months ended June 30, 2013.

We expect our research and development expenses in future quarters to increase modestly from the level of our expenses incurred for the three months ended June 30, 2013. We are investing more into R&D to develop new proprietary tests for our laboratory.

Interest and Other (Income) Expense

Interest and other (income) expense primarily consists of the interest expense we incur on our borrowing arrangements (primarily comprised of interest payable on advances under our revolving credit facility with Capital Source and interest paid on capital lease obligations) offset by the interest income we earn on cash deposits. Net interest expense decreased from approximately \$288,000 for the three months ended June 30, 2012 to \$232,000 for the three months ended June 30, 2013. Net interest expense decreased from approximately \$546,000 in for the six months ended June 30, 2012 to \$517,000 for the six months ended June 30, 2013. This reflects the impact of the pay down of our revolving credit facility in March 2013, after our equity raise.

Net Income

As a result of the foregoing, we reported net income of \$273,000, or \$0.01/share, for the three months ended June 30, 2013 as compared to a net income of \$551,000, or \$0.01/share, for the three months ended June 30, 2012. For the six months ended June 30, 2013 we reported net income of \$276,000, or \$0.01/share, as compared to a net income of \$1,154,000, or \$0.03/share, for the six months ended June 30, 2012.

Non-GAAP Measures

Adjusted EBITDA is defined by NeoGenomics as net income from continuing operations before (i) interest expense, (ii) tax expense, (iii) depreciation and amortization expense, (iv) non-cash stock-based compensation and warrant amortization expense and (v) other extraordinary or non-recurring charges. NeoGenomics believes that Adjusted EBITDA provides a more consistent measurement of operating performance and trends across reporting periods by excluding these cash and non-cash items of expense not directly related to ongoing operations from income. Adjusted EBITDA also assists investors in performing analysis that is consistent with financial models developed by research analysts.

Adjusted EBITDA as defined by NeoGenomics is not a measurement under GAAP and may differ from non-GAAP measures used by other companies. There are limitations inherent in non-GAAP financial measures such as Adjusted EBITDA because they exclude a variety of charges and credits that are required to be included in a GAAP presentation,

Table of Contents

and do not therefore present the full measure of NeoGenomics recorded costs against its net revenue. Accordingly, investors should consider non-GAAP results together with GAAP results in analyzing NeoGenomics financial performance.

The following is a reconciliation of GAAP net income to Non-GAAP EBITDA and Adjusted EBITDA for the three and six months ending June 30, 2013 and 2012:

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2012	2013	2012
Net income (Per GAAP)	\$ 273,000	\$ 551,000	\$ 276,000	\$ 1,154,000
<i>Adjustments to Net Income:</i>				
Interest expense (income), net	232,000	288,000	517,000	546,000
Income taxes			17,000	
Amortization of intangibles	55,000	56,000	111,000	70,000
Depreciation and amortization	1,063,000	856,000	2,052,000	1,605,000
EBITDA	1,623,000	1,751,000	2,973,000	3,375,000
<i>Further Adjustments to EBITDA:</i>				
Non-cash stock-based compensation	202,000	192,000	646,000	343,000
Adjusted EBITDA (non-GAAP)	\$ 1,825,000	\$ 1,943,000	\$ 3,619,000	\$ 3,718,000

Trade Accounts Receivable and Allowance for Doubtful Accounts

The following tables present the dollars and percentage of the Company's gross accounts receivable from customers outstanding by aging category at June 30, 2013 and December 31, 2012:

NEOGENOMICS AGING OF RECEIVABLES BY PAYER GROUP

June 30, 2013

Payer Group	0-30	%	31-60	%	61-90	%	91-120	%	>120	%	Total	%
Client	\$ 2,036,643	10%	\$ 1,918,708	10%	\$ 1,310,872	7%	\$ 1,035,494	5%	\$ 1,173,463	5%	\$ 7,475,180	37%
Commercial												
Insurance	867,488	4%	780,526	4%	571,053	3%	598,429	3%	3,706,609	19%	6,524,105	32%
Medicaid	52,276	0%	101,484	1%	86,904	0%	64,880	0%	289,500	2%	595,044	3%
Medicare	866,620	5%	1,051,415	5%	455,570	2%	273,476	2%	2,113,734	10%	4,760,815	24%
Private Pay		0%	13,488	0%	5,455	0%	1,903	0%	21,464	0%	42,310	0%
Unbilled												
Revenue	754,367	4%		0%		0%		0%		0%	754,367	4%
Total	\$ 4,577,394	23%	\$ 3,865,621	19%	\$ 2,429,854	12%	\$ 1,974,182	10%	\$ 7,304,770	36%	\$ 20,151,821	100%

December 31, 2012

Payer Group	0-30	%	31-60	%	61-90	%	91-120	%	>120	%	Total	%
Client	\$ 2,481,019	15%	\$ 1,903,574	11%	\$ 1,824,849	11%	\$ 660,358	4%	\$ 517,784	3%	\$ 7,387,584	44%

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Commercial

Insurance	913,997	5%	789,529	5%	714,336	4%	590,288	3%	2,496,344	15%	5,504,494	32%
Medicaid	27,664	0%	33,094	0%	59,349	0%	46,358	0%	326,838	3%	493,303	3%
Medicare	836,619	5%	541,790	3%	451,912	3%	291,509	2%	1,350,217	7%	3,472,047	20%
Private Pay		0%	8,194	0%	17,339	0%		0%	287	0%	25,820	0%
Unbilled												
Revenue	152,253	1%		0%		0%		0%		0%	152,253	1%
Total	\$ 4,411,552	26%	\$ 3,276,181	19%	\$ 3,067,785	18%	\$ 1,588,513	9%	\$ 4,691,470	28%	\$ 17,035,501	100%

Table of Contents

We have established allowances for doubtful accounts which are estimated based on the aging of accounts receivable within each payer category and our historical data on bad debts in these aging categories. In addition, the allowances are adjusted periodically for other relevant factors, including regularly assessing the state of our billing operations in order to identify issues which may impact the collectability of receivables or allowance estimates. Revisions to the allowances are recorded as an adjustment to bad debt expense within general and administrative expenses. After appropriate collection efforts have been exhausted, specific receivables deemed to be uncollectible are charged against the allowance in the period they are deemed uncollectible. Recoveries of receivables previously written-off are recorded as credits to the allowance. Total adjustments for incremental revenue from tests in which we underestimated the revenue in previous years from collections we received in the current year are not material to the Company's results of operations in any period presented. Our estimates of net revenue are subject to change based on the contractual status and payment policies of the third party payers with whom we deal. We regularly refine our estimates in order to make our estimated revenue as accurate as possible based on our most recent collection experience with each third party payer.

	June 30, 2013	December 31, 2012	Change
Allowance for doubtful accounts	\$ 4,147,000	\$ 3,002,000	\$ 1,145,000
As a % of total accounts receivable	20.6%	17.6%	

The \$1,145,000 increase in the allowance for doubtful accounts is partially the result of leaving claims open longer in an attempt to collect on them before writing them off resulting in an 8% increase in accounts receivable aged of 120 days which are reserved for at a greater level. Bad debt expense as a percentage of revenue was 4.2% for the three month period ended June 30, 2013 as compared to 5.7% of revenue for the three months ended June 30, 2012. For the six month period ended June 30, 2013 bad debt expense as a percentage of revenue was 4.4% as compared to 5.6% of revenue for the six month period ended June 30, 2012.

Liquidity and Capital Resources

The following table presents a summary of our cash flows provided by (used in) operating, investing and financing activities for the six months ended June 30, 2013 and 2012 as well as the period ending cash and cash equivalents and working capital.

	For the six months ended June 30,	
	2013	2012
Net cash provided by (used in):		
Operating activities	\$ 533,000	\$ 16,000
Investing activities	(608,000)	(2,050,000)
Financing activities	2,843,000	1,972,000
Net increase (decrease) in cash and cash equivalents	2,768,000	(62,000)
Cash and cash equivalents, beginning of period	\$ 1,868,000	\$ 2,628,000
Cash and cash equivalents, end of period (1)	\$ 4,636,000	\$ 2,566,000
Working Capital (2), end of period	\$ 11,107,000	\$ 1,460,000

(1) Excludes restricted cash of \$0.3M in 2012.

(2) Defined as current assets minus current liabilities.

Our net cash provided by operating activities is driven primarily by our positive net income from operations.

We used approximately \$608,000 in cash to purchase or develop property and equipment during the six months ended June 30, 2013 compared to \$1.0 million for the comparable period in 2012.

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Our cash provided from financing activities for the six months ended June, 2013 consisted primarily of net cash proceeds (after costs) of \$9.2 million from the equity raise we completed in the first quarter of 2013 partially offset by the partial pay-down on our revolving credit facility with Capital Source.

Table of Contents

On March 26, 2012, the Parent Company, NeoGenomics Laboratories (together with the Parent Company, the Borrower), and CapitalSource Finance LLC (Capital Source) entered into a First Amendment (the Amendment) to the Amended and Restated Revolving Credit and Security Agreement, dated April 26, 2010 (the Amended and Restated Credit Agreement or the Credit Facility). The Amended and Restated Credit Agreement amended and restated the original Revolving Credit and Security Agreement dated February 1, 2008, as amended, by and among the Parent Company, Borrower and CapitalSource (the Original Credit Agreement). The terms of the Amendment and the Amended and Restated Credit Agreement are substantially similar except that the Amendment, among other things:

- I.) Increased the maximum principal amount of the revolving credit facility (the Facility Cap) to \$8.0 million from \$5.0 million; provided, that the Borrower may request to increase the Facility Cap twice during the term of the Amended and Restated Credit Agreement in increments of \$1.0 million to a maximum of \$10,000,000;
- II.) Extended the term of the Amended and Restated Credit Agreement to March 26, 2015;
- III.) Revised the definition of Minimum Termination Fee to be:
 - a. 2.5% of the Facility Cap if the Revolver Termination (as defined in the Agreement) is at any time before March 26, 2013;
 - b. 1.5% of the Facility Cap if the Revolver Termination is after March 26, 2013 but before March 26, 2014;
 - c. 0.5% of the Facility Cap if the Revolver Termination is on or after March 26, 2014; and
 - d. That there shall be no Minimum Termination Fee if the Revolver Termination occurs within five (5) days of the end of the term.
- IV.) Modified the definition of Permitted Indebtedness and Fixed Charge Coverage Ratio; and
- V.) Amended Section 3.1 of the Amended and Restated Credit Agreement by deleting the LIBOR shall be not less than 2.0% and replacing it with the LIBOR shall be not less than 1.0%.

We paid Capital Source a commitment fee of \$80,000 in connection with the Amendment.

On July 27, 2012 the Facility Cap was increased from \$8.0 million to \$9.0 million.

Interest on outstanding advances under the Credit Facility is payable monthly in arrears on the first day of each calendar month at an effective rate of interest of 5.25%.

During 2012, SunTrust Bank agreed to remove the requirement of restricted cash with our equipment leases and \$500,000 of our cash became unrestricted.

On December 31, 2012 the available credit under the Credit Facility was approximately \$0.5 million and the outstanding borrowing was \$8.5 million after netting compensating cash on hand.

On January 25, 2013 the Borrower and CapitalSource entered into a Second Amendment (the Second Amendment) to the Amended and Restated Credit Agreement. The terms of the Second Amendment:

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- I.) Increased the Facility Cap to \$10.0 million from \$9.0 million; provided, that the Borrower may request to increase the Facility Cap twice during the term of the Amended and Restated Credit Agreement in increments of \$1.0 million to a maximum of \$12,000,000 on or after January 31, 2013;

- II.) Amended Annex 1 of the Credit Facility as follows:

- a) Deleted Section 2 of the Annex 1 in its entirety and replaced it with the following:

2. Minimum Cash Velocity

For each Test Period, measured as of the last day of each calendar month ending on or after December 31, 2012, Collections of Accounts of Borrowers collectively shall not be less than the Cash Velocity Percentage of Borrowers net revenue for the Revenue Period less the bad debt expense recognized on the income statement for such Revenue Period.

Table of Contents

b) Added the following definition to the definitions set forth in such Annex in the appropriate alphabetic order:

Cash Velocity Percentage means (a) 80% for the period beginning December 31, 2012 and ending on March 31, 2013 and (b) 87.5% at all other times.

We paid Capital Source a commitment fee of \$10,000 in connection with the Second Amendment.

As of June 30, 2013 we are in compliance with all covenants to the Credit Facility.

In March 2013, the Company completed an offering of 3,322,500 shares of registered common stock at a price of \$3.00 per share, for gross proceeds of \$10.0 million. The Company received approximately \$9.2 million in net proceeds after deducting underwriting fees and offering costs of approximately \$0.8 million.

As of June 30, 2013, we had unrestricted cash on hand of \$4.6 million as of June 30, 2013, and the available credit under the Credit Facility was approximately \$6.8 million. We had positive cash flow from operations over the first six months of 2013. The outstanding borrowing under our credit facility was \$3.2 million after netting compensating cash on hand. As such, we believe we have adequate resources to meet our operating commitments.

Capital Expenditures

We currently forecast capital expenditures in order to execute on our business plan. The amount and timing of such capital expenditures will be determined by the volume of business, but we currently anticipate that we will need to purchase approximately \$5.5 million to \$6.5 million of additional capital equipment during the next year. We plan to fund these purchases primarily through capital lease financing arrangements. If we are unable to obtain such funding, we will need to borrow on our revolving credit facility or pay cash for these items.

Related Party Transactions

Consulting Agreements

During the three months ended June 30, 2013 and 2012, Steven C. Jones, a director of the Company, earned approximately \$62,500 and \$50,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance. During the six months ended June 30, 2013 and 2012, Steven C. Jones, a director of the Company, earned approximately \$125,000 and \$100,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance. Mr. Jones received a \$25,000 bonus for his work with respect to the \$9.2 million equity raise during the three months ended June 30, 2013. Mr. Jones also received \$80,000 and \$55,000 during the six months ended June 30, 2013 and 2012 for his work on the equity raise described above and as payment of his annual bonus compensation for the previous fiscal years, respectively.

Subsequent Event Proposed FY 2014 Medicare Cuts

On July 8, 2013 the Centers for Medicare and Medicaid Services (CMS) released a new proposed rulemaking entitled Medicare Program; Revisions to Payment Policies under the Physician Fee Schedule, Clinical Laboratory Fee Schedule & Other Revisions to Part B for CY 2014 . This 652 page proposed rule contains a number of provisions that may adversely impact the level of reimbursement for a variety of tests for which NeoGenomics receives reimbursement from the Medicare program beginning in 2014. Among other things, CMS has proposed examining approximately 1,200 laboratory tests that appear on the Clinical Lab Fee Schedule (CLFS) over a period of five years to determine whether advances in technology may have reduced the cost of providing such tests and whether or not the level of reimbursement should be revised. NeoGenomics is currently performing cytogenetics and molecular testing which are reimbursed using CPT codes that fall on the CLFS. CMS has also proposed changing the methodology used to determine reimbursement rates for the technical component of certain tests reimbursed off of the Physician Fee Schedule (PFS). Among other provisions, CMS has proposed limiting the Relative Value Units (RVUs) ascribed to the Practice Expense component of their reimbursement formula for tests performed in Non-Facilities (which would include most clinical laboratories like NeoGenomics) to the RVUs that have been ascribed for the same procedures under the Hospital Outpatient Prospective Payment System, or the Ambulatory Payment Classification (APC) system which are used to reimburse Facilities (such

Table of Contents

as hospitals and ambulatory surgery centers). NeoGenomics is currently performing FISH, Flow Cytometry, Immunohistochemistry, and morphology testing, which may be impacted by this PFS rule change if it is enacted. CMS has not yet proposed any specific rates for CY 2014 and NeoGenomics is examining the potential impact that this type of rule change may have on its operations. CMS has asked for comments on the proposed rules until September 7, 2013, and we are in the process of preparing a comment letter with our feedback. We are also collaborating with the American Clinical Laboratory Association and the College of American Pathology to respond to the proposed rule. The final CLFS and PFS for CY 2014 are not expected to be issued until November 2013, and it is likely we will not know the rates for 2014 until that time. Although we are unable to quantify the impacts of the proposed rules at this time, if they are enacted without any changes, it will likely have a material adverse impact to NeoGenomics.

ITEM 3 Quantitative and Qualitative Disclosures About Market Risk

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

ITEM 4 Controls and Procedures

Disclosure Controls and Procedures

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

As required by SEC Rule 15d-15, our management carried out an evaluation, under the supervision and with the participation of our principal executive officer, principal financial officer, and principal accounting officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our principal executive officer, principal financial officer, and principal accounting officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

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

ITEM 1A RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide information under this item. However current and prospective investors are encouraged to review the risks set forth in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on February 21, 2013.

Table of Contents

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4 MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5 OTHER INFORMATION

None

Table of Contents

ITEM 6 EXHIBITS

EXHIBIT NO.	DESCRIPTION
31.1	Certification by Principal Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by Principal Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	Certification by Principal Accounting Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows and (iv) related notes.

Table of Contents

SIGNATURES

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

Date: August 2, 2013

NEOGENOMICS, INC.

By: */s/ Douglas M. VanOort*

Name: Douglas M. VanOort

Title: Chairman and Chief Executive Officer

By: */s/ George Cardoza*

Name: George Cardoza

Title: Chief Financial Officer

By: */s/ Edwin F. Weidig III*

Name: Edwin F. Weidig III

Title: Director of Finance and Principal Accounting Officer