

Great Ajax Corp.
Form DEF 14A
April 06, 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant: Filed by a party other than the Registrant:
Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Great Ajax Corp.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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Title of each class of securities to which transaction applies:

(2)

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Fee paid previously with preliminary materials.

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(1)
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(2)
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(3)
Filing Party:

(4)
Date Filed:

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April 6, 2018

Dear Fellow Stockholders:

You are cordially invited to attend the 2018 Annual Meeting of Stockholders (the “Annual Meeting”) of Great Ajax Corp., which will be held at the offices of Mayer Brown LLP, 1221 Avenue of the Americas, New York, New York 10020-1001, on May 22, 2018, at 9:00 a.m. Eastern Time.

All holders of our common stock at the close of business on the Record Date (April 2, 2018), or their duly appointed proxies, are authorized to attend the Annual Meeting. Admission to the meeting will be on a first-come, first-served basis. Because of security reasons at the venue, we request that you provide us with notice of your intention to attend the meeting at least 24 hours before the scheduled time of the Annual Meeting.

The matters expected to be acted upon at the meeting are described in detail in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

In accordance with U.S. Securities and Exchange Commission rules, we are using the Internet as our primary means of furnishing proxy materials to stockholders. Accordingly, on or about April 12, 2018, we will send our stockholders a notice with instructions for accessing the proxy materials and voting via the Internet or by telephone. This notice also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. Because we are using the Internet, most stockholders will not receive paper copies of our proxy materials. We believe the use of the Internet and telephone makes the proxy distribution process more efficient and less costly, and helps in conserving natural resources.

The Proxy Statement, the Notice of Annual Meeting of Stockholders and the Annual Report on Form 10-K for the year ended December 31, 2017 (the “2017 Annual Report”) are available at <http://www.proxyvote.com> and may also be accessed through our website at www.great-ajax.com under the “Financial Information — SEC Filings” section. If you would like to receive a paper or e-mail copy of these documents, you must request one. There is no charge to you for requesting a copy.

Your vote is important. Please cast your vote as soon as possible over the Internet, by telephone, or by completing and returning the proxy card to ensure that your shares are represented. Your vote by written proxy will ensure your representation at the Annual Meeting regardless of whether or not you attend in person. Returning the proxy does not deprive you of your right to attend the Annual Meeting and to vote your shares in person.

On behalf of our Board of Directors and our employees, we thank you for your continued interest in and support of our company. We look forward to seeing you on May 22, 2018.

Sincerely,

Lawrence Mendelsohn
Chairman and Chief Executive Officer

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GREAT AJAX CORP.

9400 SW Beaverton-Hillsdale Hwy
Suite 131
Beaverton, OR 97005

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 22, 2018

NOTICE IS GIVEN that the 2018 Annual Meeting of Stockholders (the “Annual Meeting”) of Great Ajax Corp. will be held at the offices of Mayer Brown LLP, 1221 Avenue of the Americas, New York, New York 10020-1001, on May 22, 2018, at 9:00 a.m. Eastern Time, for the following purposes:

1.
to re-elect the seven director nominees named in the Proxy Statement;
2.
to ratify the appointment of Moss Adams LLP to serve as our registered independent public accounting firm for the year ending December 31, 2018; and
3.
to transact such other business as may properly come before the Annual Meeting or any adjournment(s) or postponement(s) of the Annual Meeting.

The Proxy Statement accompanying this notice describes each of these items of business in detail. The Board of Directors has fixed the close of business on April 2, 2018 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements of the Annual Meeting. Accordingly, only stockholders of record at the close of business on that date are entitled to notice of and to vote at the Annual Meeting and any adjournments or postponements of the Annual Meeting. Your vote is important. Whether or not you expect to attend the meeting, please vote via the Internet, by telephone, or complete, date, sign and promptly return the proxy so that your shares may be represented at the meeting.
By Order of the Board of Directors,

Irving Potter
Secretary
Beaverton, OR
April 6, 2018

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 22, 2018.

This Notice of Annual Meeting, the Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2017 are available at www.proxyvote.com.

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GREAT AJAX CORP.

9400 SW Beaverton-Hillsdale Hwy
Suite 131
Beaverton, OR 97005

PROXY STATEMENT

2018 Annual Meeting of Stockholders

FREQUENTLY ASKED QUESTIONS ABOUT THE ANNUAL MEETING

Why am I receiving this Proxy Statement?

This Proxy Statement contains information related to the solicitation of proxies for use at our 2018 Annual Meeting of Stockholders (the “Annual Meeting”), to be held at the offices of Mayer Brown LLP, 1221 Avenue of the Americas, New York, New York 10020-1001, on May 22, 2018, at 9:00 a.m. Eastern Time, for the purposes stated in the accompanying Notice of Annual Meeting of Stockholders (the “Notice of Annual Meeting”). This solicitation is made by Great Ajax Corp. on behalf of our Board of Directors (the “Board”). “We,” “our,” “us,” and the “Company” refer to Great Ajax Corp.

We have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the “Notice”) to our stockholders of record on April 2, 2018. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or to request to receive a printed set of the proxy materials. Instructions on how to request a printed copy by mail or electronically may be found on the Notice and on the website referred to in the Notice, including an option to request paper copies on an ongoing basis. On or about April 12, 2018, we intend to make this Proxy Statement available on the Internet and to mail the Notice to all stockholders entitled to vote at the Annual Meeting. We intend to mail this Proxy Statement, together with a proxy card, to those stockholders entitled to vote at the Annual Meeting who have properly requested paper copies of such materials, within three business days of such request.

This Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the “2017 Annual Report”) are available at <http://www.proxyvote.com>. This website address contains the following documents: the Notice, the Proxy Statement and proxy card sample, and the 2017 Annual Report. You are encouraged to access and review all of the important information contained in the proxy materials before voting.

What am I being asked to vote on?

You are being asked to vote on the following proposals:

- Proposal 1 (Re-election of Directors): The re-election of the seven director nominees named in this Proxy Statement, each for a term expiring at the 2019 annual meeting of stockholders;

- Proposal 2 (Ratification of Moss Adams LLP): The ratification of the appointment of Moss Adams LLP to serve as our registered independent public accounting firm for the year ending December 31, 2018; and

- To transact any other business that may properly come before the Annual Meeting or any adjournment(s) or postponements of the Annual Meeting.

What are the Board’s voting recommendations?

The Board recommends that you vote as follows:

- Proposal 1 (Re-election of Directors): “FOR” each of the Board nominees for re-election as directors; and

-

Proposal 2 (Ratification of Moss Adams LLP): “FOR” the ratification of Moss Adams LLP as our registered independent public accounting firm for the year ending December 31, 2018.

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Who is entitled to vote at the Annual Meeting?

Only holders of record of our common stock at the close of business on April 2, 2018, the record date for the Annual Meeting (the “Record Date”), are entitled to receive notice of the Annual Meeting and to vote at the meeting. Our common stock constitutes the only class of securities entitled to vote at the meeting. As of April 2, 2018, there were 19,306,688 shares of common stock outstanding (assuming exchange of 624,106 limited partnership units of our operating partnership (“OP Units”) purchased by one such investor on a 1-for-1 basis into shares of our common stock) (see “Principal Stockholders”).

What are the voting rights of stockholders?

Each share of our common stock outstanding on the record date entitles its holder to cast one vote on each matter to be voted on. No dissenters’ rights are provided under the Maryland General Corporation Law, our Articles of Amendment and Restatement or our Amended and Restated Bylaws (the “Bylaws”) with respect to any of the proposals described in this Proxy Statement.

Who can attend the Annual Meeting?

All holders of our common stock at the close of business on the Record Date (April 2, 2018), or their duly appointed proxies, are authorized to attend the Annual Meeting. Admission to the meeting will be on a first-come, first-served basis. Because of security reasons at the venue, we request that you provide us with notice of your intention to attend the meeting at least 24 hours before the scheduled time of the Annual Meeting. If you attend the meeting, you may be asked to present valid photo identification, such as a driver’s license or passport, before being admitted. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

Please also note that if you are the beneficial owner of shares held in “street name” (that is, through a bank, broker or other nominee), you will need to bring a copy of the brokerage statement reflecting your share ownership as of the Record Date.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Many stockholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

- Stockholder of record. If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLP, you are considered the stockholder of record of those shares and the Notice is being sent directly to you by us.

- Beneficial owner of shares held in the street name. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the “beneficial owner” of shares held in “street name,” and the Notice is being forwarded to you by your broker or nominee, which is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker how to vote your shares and are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you bring with you a legal proxy from the organization that holds your shares.

What will constitute a quorum at the Annual Meeting?

The presence at the meeting, in person or by proxy, of the holders of a majority of our common stock outstanding on the Record Date (April 2, 2018) will constitute a quorum, permitting the stockholders to conduct business at the meeting. We will include abstentions and broker non-votes in the calculation of the number of shares considered to be present at the meeting for purposes of determining the presence of a quorum at the meeting. As of the Record Date, there were 19,306,688 shares of our common stock outstanding (assuming exchange of 624,106 OP Units purchased by one such investor on a 1-for-1 basis into shares of our common stock) (see “Principal Stockholders”).

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If a quorum is not present to transact business at the Annual Meeting or if we do not receive sufficient votes in favor of the proposals by the date of the Annual Meeting, the persons named as proxies may propose one or more adjournments of the Annual Meeting to permit solicitation of additional proxies. The chairperson of the Annual Meeting shall have the power to adjourn the Annual Meeting.

What are broker non-votes?

Broker non-votes occur when nominees, such as banks and brokers holding shares on behalf of beneficial owners, do not receive voting instructions from the beneficial owners at least ten days before the Annual Meeting. If that happens, the nominees may vote those shares only on matters deemed “routine” by the New York Stock Exchange (“NYSE”), the exchange on which shares of our common stock are listed. On non-routine matters, nominees cannot vote without instructions from the beneficial owner, resulting in a so-called “broker non-vote.”

Under NYSE rules, Proposal 1 (re-election of directors) is considered a non-routine proposal. Consequently, if you do not give your broker or other nominee instructions, your broker or other nominee will not be able to vote on this proposal, and broker non-votes may exist with respect to the re-election of directors.

Proposal 2 (ratification of Moss Adams LLP) is the only proposal that is considered “routine” under the NYSE rules. If you are a beneficial owner and your shares are held in the name of a broker or other nominee, the broker or other nominee is permitted to vote your shares on the ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018, even if the broker or other nominee does not receive voting instructions from you.

How many votes are needed for the proposals to pass?

The proposals have the following voting requirements:

- Proposal 1 (Re-election of Directors): Directors are elected by plurality vote. There is no cumulative voting in the election of directors. Therefore, the seven director nominees receiving the highest number of “FOR” votes will be re-elected. For purposes of the re-election of directors, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum.

- Proposal 2 (Ratification of Appointment of Registered Independent Public Accounting Firm): The affirmative vote of a majority of the votes cast at the Annual Meeting is required to approve this proposal. For purposes of this vote, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote, although they will be considered present for the purpose of determining the presence of a quorum.

Will any other matters be voted on?

As of the date of this Proxy Statement, we are not aware of any matters that will come before the Annual Meeting other than those disclosed in this Proxy Statement. If any other matters are properly brought before the Annual Meeting, the persons named in the accompanying proxy card will vote the shares represented by the proxies on the other matters in the manner recommended by the Board, or, if no such recommendation is given, in the discretion of the proxy holders.

How do I vote?

If you are a registered stockholder, you may submit your proxy by U.S. mail, Internet or telephone by following the instructions in the Notice. If you requested a paper copy of the proxy materials, you also may submit your proxy by mail by following the instructions included with your proxy card. The deadline for submitting your proxy by Internet or telephone is 11:59 a.m. Eastern Time the day before the Annual Meeting date, May 21, 2018. The designated proxy will vote according to your instructions. You may also attend the Annual Meeting and vote in person.

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If you are a street name or beneficial stockholder because your shares are held in a brokerage account or by a bank or other nominee, your broker or nominee firm will provide you with the Notice. Follow the instructions on the Notice to access our proxy materials and vote by Internet or to request a paper or email copy of our proxy materials. If you receive these materials in paper form, the materials include a voting instruction card so that you can instruct your broker or nominee how to vote your shares.

If you sign and submit your proxy without specifying how you would like your shares voted, your shares will be voted in accordance with the Board's recommendations specified above under "What are the Board's voting recommendations?" and in accordance with the discretion of the proxy holders with respect to any other matters that may be voted upon at the Annual Meeting.

If I plan to attend the Annual Meeting, should I still vote by proxy?

Yes. Voting in advance does not affect your right to attend the Annual Meeting. If you send in your proxy card and also attend the Annual Meeting, you do not need to vote again at the Annual Meeting unless you want to change your vote. Written ballots will be available at the meeting for stockholders of record. Beneficial owners who wish to vote in person at the Annual Meeting must request a legal proxy from the organization that holds their shares and bring that legal proxy to the Annual Meeting.

How are proxy card votes counted?

If the accompanying proxy card is properly signed and returned to us, and not subsequently revoked, it will be voted as directed by you. Unless contrary instructions are given, the persons designated as proxy holders on the proxy card will vote: "FOR" the re-election of all nominees for the Board named in this Proxy Statement and "FOR" the ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018; and as recommended by the Board with regard to any other matters that may properly come before the Annual Meeting, or, if no such recommendation is given, in their own discretion.

May I revoke my vote after I return my proxy card?

Yes. You may revoke a previously granted proxy and change your vote at any time before the taking of the vote at the Annual Meeting by (i) filing with our Secretary a written notice of revocation or a duly executed proxy bearing a later date or (ii) attending the Annual Meeting and voting in person.

Who pays the costs of soliciting proxies?

We will pay the costs of soliciting proxies, including preparation and mailing of the Notice, preparation and assembly of this Proxy Statement, the proxy card and the 2017 Annual Report, coordination of the Internet and telephone voting process, and any additional information furnished to you by us. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of shares of our common stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by Internet and mail may be supplemented by telephone, facsimile, or personal solicitation by our directors, officers or other regular employees.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. Final results will be announced in a Current Report on Form 8-K that will be filed with the SEC within four business days after the conclusion of the Annual Meeting and may be accessed from the SEC's website at www.sec.gov.

Whom should I contact if I have any questions?

If you have any questions about the Annual Meeting or these proxy materials, please contact us at Great Ajax Corp., 9400 SW Beaverton-Hillsdale Hwy, Suite 131, Beaverton, OR 97005, Attn: Corporate Secretary, or call (503)-505-5670. If you have questions about your ownership of our common stock, please contact our transfer agent, American Stock Transfer and Trust Company, LLC (www.amstock.com) by dialing 1-800-937-5449, or via e-mail at info@amstock.com.

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Implications of being an “emerging growth company”

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act, enacted on April 5, 2012 (the “JOBS Act”). For as long as we are an “emerging growth company,” we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding stockholder advisory “say-on-pay” votes on executive compensation and stockholder advisory votes on golden parachute compensation.

Under the JOBS Act, we will remain an “emerging growth company” until the earliest of:

- the last day of the fiscal year during which we have total annual gross revenues of \$1.07 billion or more;
- the last day of the fiscal year following the fifth anniversary of our initial public offering (“IPO”);
- the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt; and
- the date on which we are deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (we will qualify as a large accelerated filer as of the first day of the first fiscal year after we have (i) more than \$700 million in outstanding common equity held by our non-affiliates and (ii) been public for at least 12 months; the value of our outstanding common equity will be measured each year on the last day of our second fiscal quarter).

You should rely only on the information provided in this Proxy Statement. We have not authorized anyone to provide you with different or additional information. You should not assume that the information in this Proxy Statement is accurate as of any date other than the date of this Proxy Statement or, where information relates to another date set forth in this Proxy Statement, then as of that date.

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PROPOSAL 1 — RE-ELECTION OF DIRECTORS

The Board is currently comprised of seven directors, all of whom have terms expiring at the 2018 Annual Meeting. The nominees, all of whom are currently serving as our directors, have been recommended by the Board for re-election to serve as directors for one-year terms until the 2019 annual meeting of stockholders and until their successors are duly elected and qualified. Based on its review of the relationships between the director nominees and us, the Board has affirmatively determined that the following directors are “independent” directors under the rules of the NYSE and under applicable rules of the Securities and Exchange Commission (the “SEC”): Messrs. Condas, Friedman, Handley and Ogren.

The Board knows of no reason why any nominee would be unable to serve as a director. If any nominee is unavailable for re-election or service, the Board may designate a substitute nominee and the persons designated as proxy holders on the proxy card will vote for the substitute nominee recommended by the Board. Under these circumstances, the Board may also, as permitted by our Bylaws, decrease the size of the Board.

Nominees for Re-election for a One-Year Term Expiring at the 2019 Annual Meeting

The following table sets forth the name and age of each nominee for director, indicating all positions and offices with us currently held by the director.

Name	Age	Title	Director Since
Lawrence Mendelsohn	57	Chairman of the Board of Directors and Chief Executive Officer (“CEO”); Manager of our Manager	2014
Russell Schaub	54	President and Director; Vice-President and Chief Operating Officer of the Servicer	2015
Steven L. Begleiter	56	Director	2014
John C. Condas	57	Director	2015
Paul Friedman	64	Director	2016
Jonathan Bradford Handley, Jr.	48	Director	2014
J. Kirk Ogren, Jr.	58	Director	2014

Set forth below are descriptions of the backgrounds and principal occupations of each of our directors, and the period during which he has served as a director.

Larry Mendelsohn is a founder, and has been a partner since 1995, of Aspen Capital, a private equity firm with expertise in residential, commercial, distressed securities and hospitality. Mr. Mendelsohn also serves as the manager of Thetis Asset Management LLC, our Manager. Since 2002, Mr. Mendelsohn has been the managing member of Flanders Street Capital Management LLC, which manages distressed corporate debt and equity, financial services and REIT investments through Flanders Street Credit Partners I, L.P., the Alleycat Partnerships and Aspen Uranus LLC. Mr. Mendelsohn is also Chairman of the Board of Directors of Golden Northwest Aluminum Holding Company, Inc., a privately held company primarily owned by the Alleycat Partnerships. From 1998 through 2002, Mr. Mendelsohn was President and a Director of Fog Cutter Capital Group Inc. (formerly Wilshire Real Estate Investment Trust Inc.); from 1994 to 1999, he was President and a Director of Wilshire Financial Services Group Inc. (now known as Seterus, Inc. and owned by IBM); from 1991 to 1993, he was Head of Emerging Markets Debt and Equity Capital Markets at Bankers Trust New York Corporation; and from 1987 to 1991, he was Head of U.S. Equity and Distressed Securities Proprietary Trading at J.P. Morgan Securities. He has an A.B. in Economics from the University of Chicago, an M.A. in International Politics from the University of Texas and completed all but his dissertation for a Ph.D. in Finance from the University of Southern California. From 1984 to 1987, Mr. Mendelsohn also taught Corporate Finance and Investments at the University of Southern California Marshall School of Business. Mr. Mendelsohn’s over 25 years of experience in the mortgage markets and his experience since 1995 with Aspen Capital focusing on residential and commercial mortgages qualify Mr. Mendelsohn to serve as the Chairman of our Board and to lead the Company as its CEO.

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Russell Schaub has been with Aspen Capital since 2010, and has been Vice President and Chief Operating Officer of Gregory Funding LLC (the “Servicer” or “Gregory”), since June 2011. Mr. Schaub also serves on the internal investment committee of Thetis Asset Management LLC, our Manager. He became a member of our Board upon our IPO in February 2015. Mr. Schaub has served on the Board of Directors of High Desert Bank since 2013. In June 2008, Mr. Schaub was the founder and managing member of Shackleton Capital Partners, a private equity firm specializing in mortgage and real estate opportunities. From June 2003 to May 2008 Mr. Schaub held executive positions at Chase Home Finance and Citibank Credit Cards. From March 2001 through December 2002 Mr. Schaub was the President and CEO of TrueCredit, a Lehman Brothers-funded venture that he sold to TransUnion. Prior thereto, Mr. Schaub was with Citigroup and Chemical Bank for 16 years in their mortgage, home equity, credit card and banking businesses. He was the President and Chief Operating Officer of Citibank’s Home Equity business from July 1998 to February 2001 and was the Chief Financial Officer (“CFO”) of CitiMortgage and then Citibank Consumer Assets from January 1995 to June 1998. Mr. Schaub has an A.B. in Economics from the University of Chicago and an M.B.A. in Finance and Marketing from the University of Chicago Booth School of Business. Mr. Schaub has over 25 years of experience in the mortgage market, including experience as the Chief Operating Officer of our Servicer, experience as an investor in mortgage-related assets, and as an executive officer of various mortgage businesses. We believe that, based on these various roles, he is well positioned to provide valuable advice to the Company as its President and serve on our Board.

Steven L. Begleiter has been a member of our Board since June 30, 2014. Mr. Begleiter is a Managing Director of Flexpoint Ford, a private equity group focused on investments in financial services and healthcare, since October 2008. Prior to joining Flexpoint Ford, Mr. Begleiter spent 24 years at Bear, Stearns & Co., serving first as an investment banker in the Financial Institutions Group and then as Senior Managing Director and member of its Management and Compensation Committee from 2002 to September 2008. Mr. Begleiter also served as head of Bear, Stearns’ Corporate Strategy Group. Mr. Begleiter has been a director of WisdomTree Investments, Inc. (NASDAQ: WETF), an exchange-traded fund sponsor and asset manager since 2011. Mr. Begleiter received his B.A. in Economics with honors from Haverford College. Mr. Begleiter’s investment banking and private equity experience, all of which has been concentrated on the financial services sector, enables him to contribute important skill sets to the Board.

John C. Condas became a member of our Board upon our IPO in February 2015. Mr. Condas has been a Partner in the Real Estate and Land Use group at Allen Matkins Leck Gamble Mallory & Natsis LLP since March 2008. Prior to joining Allen Matkins LLP, Mr. Condas was a partner at Nossman, LLP from 2003 to February 2008. Mr. Condas received his J.D. from the University of Southern California, Gould School of Law, his M.A. in Urban Planning from the University of California, Los Angeles and his A.B., with general honors, from the University of Chicago.

Mr. Condas’ background as a real estate lawyer will enable him to offer valuable guidance and advice to the Board. Paul Friedman has been a member of our Board since July 7, 2016. Mr. Friedman has served on the Board of Directors of Oppenheimer Holdings Inc. since July 2015 and is currently Chairman of its Compliance Committee and a member of its Special and Compensation Committees. Mr. Friedman has also served on the Board of Directors of Tiptree Inc. since August 2016. From November 2009 to March 2015, Mr. Friedman served as the Senior Managing Director and Chief Operating Officer of Guggenheim Securities LLC. From June 2008 to October 2009, Mr. Friedman served as the Managing Director of Mariner Investment Group. Mr. Friedman spent 27 years at Bear Stearns & Co. Inc. from 1981 to 2008, most recently holding the position of Chief Operating Officer of its Fixed Income Division. Mr. Friedman is a Certified Public Accountant and has a M.S. in Finance and Accounting from New York University, Stern School of Business, and a B.A. in Economics from Colgate University. Mr. Friedman brings an extensive amount of operational and risk management experience to the Board as well as a deep knowledge of the financial services industry.

Jonathan Bradford Handley, Jr. has been a member of our Board since June 30, 2014. Mr. Handley co-founded and served as Managing Director of Swander Pace Capital (“SPC”), a consumer products-focused private equity firm, from 1996 – 2013. During his years co-managing SPC, the firm raised four private funds with over \$1 billion in equity capital and completed 36 investments, the majority being

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control-buyouts of consumer products companies. Prior to co-founding SPC, Mr. Handley was a Vice-President with The Shansby Group (now called “TSG Consumer Ventures”), a consumer-focused private equity fund. Earlier, he was an Associate Consultant with Swander Pace & Company, a strategic management consulting firm, where he worked with Fortune 500 consumer products companies. Mr. Handley has served as a Chairman or Director of more than a dozen private companies, including ReNew Life Formulas, Inc.; International Fiber Corporation; Reef Holdings Corp.; Totes-Isotoner Corporation; and Fleischmann’s Vinegar Company, Inc. Mr. Handley received dual BA degrees in Economics and East Asian Studies with honors from Stanford University. Mr. Handley’s private equity and consulting experience, together with his experience as a director of various companies, enables him to provide valuable guidance and advice to the Board in many important areas.

J. Kirk Ogren, Jr. has been a member of our Board since June 30, 2014. Mr. Ogren was co-founder, Partner, and Portfolio Manager of TPG Credit Management (now known as Castlake), a multi-billion dollar global alternative investment firm focused upon distressed credit and special situations from 2005 until 2013. Mr. Ogren served on the firm-wide Investment Committee and was actively involved in investing and managing capital in North America, Latin America and Asia. From 1993 until 2005, Mr. Ogren was a senior member and Managing Director with Cargill Value Investment (now known as CarVal Investors), where he managed distressed and special situations investments in North America and Emerging Markets. From 1985 until 1993, Mr. Ogren was a Vice President with Bankers Trust Company and worked in the Latin America Merchant Banking Group with assignments in New York and Santiago, Chile. Mr. Ogren received his B.B.A. in Finance from the University of Notre Dame and a M.I.B.S. from the University of South Carolina. Mr. Ogren also holds the Chartered Financial Analyst designation. Mr. Ogren’s broad-based commercial and investment banking experience, combined with his asset management expertise, qualify him to serve as a director.

Vote Required and Recommendation

The affirmative vote of a plurality of all the votes cast at the Annual Meeting is necessary for the re-election of a director. Therefore, the seven individuals with the highest number of affirmative votes will be re-elected to the seven directorships. For purposes of the vote on this proposal, abstentions and other shares not voted (whether by broker non-vote or otherwise) will not be counted as votes cast and will have no effect on the result of the vote. There is no cumulative voting with respect to the re-election of directors.

THE BOARD RECOMMENDS A VOTE “FOR” EACH OF THE NOMINEES SET FORTH ABOVE.

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PROPOSAL 2 — RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board, which is comprised entirely of independent directors, has appointed Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018. After careful consideration of the matter and in recognition of the importance of this matter to our stockholders, the Board has determined that it is in the best interests of the Company and our stockholders to seek the ratification by our stockholders of our Audit Committee’s selection of our independent registered public accounting firm. A representative of Moss Adams LLP will be present at the Annual Meeting by conference phone, will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Vote Required and Recommendation

The affirmative vote of the holders of a majority of all the votes cast at the Annual Meeting with respect to the matter is necessary for the approval of the ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm. For purposes of vote on this proposal, abstentions and other shares not voted will not be counted as votes cast and will have no effect on the result of the vote. Even if the appointment of Moss Adams LLP as our independent registered public accounting firm is ratified, the Audit Committee may, in its discretion, change that appointment at any time during the year should it determine such a change would be in our and our stockholders’ best interests. In the event that the appointment of Moss Adams LLP is not ratified, the Audit Committee will consider the appointment of another independent registered public accounting firm, but will not be required to appoint a different firm.

THE BOARD RECOMMENDS A VOTE “FOR” THE RATIFICATION OF THE SELECTION OF MOSS ADAMS LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2018.

Relationship with Independent Registered Public Accounting Firm

Fee Disclosure

Our consolidated financial statements for the period ended December 31, 2017 have been audited by Moss Adams LLP, which served as our independent registered public accounting firm for that year.

The following summarizes the fees billed by Moss Adams LLP for services performed for the year ended December 31, 2017:

	Year Ended December 31, 2017
Audit Fees	\$ 550,550.00
Audit-Related Fees	—
Tax Fees	—
All Other Fees	—
Total	\$ 550,550.00

Audit Fees. Audit Fees consist of fees and expenses billed for professional services rendered for the audit of the consolidated financial statements, review of registration statements and services that are normally provided by accountants in connection with statutory and regulatory filings or engagements.

Audit-Related Fees. Audit-Related Fees consist of fees and expenses for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements that are not “Audit Fees.”

Tax Fees. Tax Fees consist of fees and related expenses billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal and state tax compliance and tax planning and structuring.

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All Other Fees. All Other Fees consist of fees and expenses for products and services that are not “Audit Fees,” “Audit-Related Fees” or “Tax Fees.”

On February 21, 2018, the Audit Committee selected Moss Adams LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2018. Moss Adams LLP has served as our independent registered public accounting firm since our inception.

Pre-Approval Policies and Procedures

The Audit Committee’s policy is to review and pre-approve, pursuant to the Audit Committee Pre-Approval Policy, any engagement of the Company’s independent auditor to provide any permitted non-audit service to the Company. Pursuant to the Audit Committee Pre-Approval Policy, which the Audit Committee will review and reassess periodically, a list of specific services within certain categories of services, including audit, audit-related and tax services, are specifically pre-approved for the upcoming or current fiscal year, subject to an aggregate maximum annual fee payable by us for each category of pre-approved services. Any service that is not included in the approved list of services must be separately pre-approved by the Audit Committee. In addition, the Audit Committee may delegate authority to its chairperson to pre-approve engagements for the performance of audit and non-audit services. The chairperson must report all pre-approval decisions to the Audit Committee at its next scheduled meeting. All audit related, tax and other services provided to us after the IPO were reviewed and pre-approved by the Audit Committee.

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CORPORATE GOVERNANCE AND BOARD MATTERS

Corporate Governance Profile

We have structured our corporate governance in a manner we believe closely aligns our interests with those of our stockholders. Notable features of our corporate governance structure include the following:

- the Board is not classified, with each of our directors subject to re-election annually;
- four of our seven directors satisfy the listing standards for independence of the NYSE and Rule 10A-3 under the Exchange Act;
- at least one of our directors qualifies as an “audit committee financial expert” as defined by the SEC;
- we comply with the requirements of the NYSE listing standards, including having committees comprised solely of independent directors;
- we have opted out of the business combination and control share acquisition statutes in the Maryland General Corporation Law; and

Our directors stay informed about our business by attending meetings of the Board and its committees and through supplemental reports and communications. Our independent directors meet regularly in executive sessions without the presence of our corporate officers or non-independent directors.

Board Committees

The Board has established three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The principal functions of each committee are described below. We comply with the listing requirements and other rules and regulations of the NYSE, as amended or modified from time to time, and each of these committees is comprised exclusively of independent directors. Additionally, the Board from time to time establishes other committees to facilitate the management of the Company.

The table below provides membership information for each of the Board committees as of the date of this Proxy Statement:

Member	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Lawrence Mendelsohn			
Russell Schaub			
Steven L. Begleiter			
John C. Condas		X	X
Paul Friedman	X	X	X
Jonathan Bradford Handley, Jr.*	X (chair)		
J. Kirk Ogren, Jr.	X	X (chair)	X (chair)

*
Audit Committee financial expert.

Audit Committee

Our Audit Committee consists of Mr. Handley, chairperson, Mr. Friedman, and Mr. Ogren. Mr. Handley satisfies the requirements for being designated an audit committee financial expert as defined in SEC regulations because of his financial and accounting expertise derived from his experiences as a founder and managing director of SPC.

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Our Board has adopted an Audit Committee charter. The Audit Committee charter defines its primary duties to include:

- serving as an independent and objective body to monitor and assess the integrity of our consolidated financial statements, our compliance with legal and regulatory requirements, our financial reporting processes and related internal control systems and the performance generally of our internal audit function;
- overseeing the audit and other services of our independent auditors and be directly responsible for the appointment, independence, qualifications, compensation and oversight of our independent auditors, who will report directly to the Audit Committee;
- providing an open means of communication among our independent auditors, accountants, financial and senior management, our internal auditing department, our corporate compliance department and our Board;
- resolving any disagreements between our management and the independent auditors regarding our financial reporting;
- meeting at least quarterly with senior executives, internal audit staff and independent auditors;
- discussing our earnings press releases and our policies with respect to risk assessment and risk management; and
- preparing the audit committee report for inclusion, if required, in our annual proxy statements for our annual stockholders' meetings.

Our Audit Committee charter also mandates that our audit committee approve all audit, audit-related, tax and other services conducted by our independent accountants. In addition, the Audit Committee may delegate authority to its chairperson to pre-approve engagements for the performance of audit and non-audit services. The chairperson must report all pre-approval decisions to the Audit Committee at its next scheduled meeting.

The Audit Committee also is responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. The Audit Committee also prepared the Audit Committee report included in this Proxy Statement.

Compensation Committee

Our Compensation Committee consists of Mr. Ogren, chairperson, Mr. Friedman and Mr. Condas. Our Board has adopted a Compensation Committee charter, which sets forth the Compensation Committee's primary duties, including:

- determining the compensation payable to the directors including the number of shares underlying, and the terms of, restricted common share awards and stock options to be granted to our directors;
- administering and implementing the 2016 Equity Incentive Plan, the 2014 Director Equity Plan and any other equity incentive plan we may implement;

- reviewing and approving any new equity compensation plan, material change to an existing plan, or any stock option or other type of award, if required;
- establishing guidelines and standards for determining the compensation, if any, of our executive officers and recommending to our Board compensation, if any, for them;
- evaluating the objectives of the executive officer compensation programs and the performance of our executive officers;

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- endeavoring to ensure that our, our Manager's, and our Servicer's compensation plans are effective in attracting and retaining key employees and reinforcing business strategies and objectives; and

- preparing a report on executive compensation, if required for inclusion in our annual proxy statement for our annual stockholders' meetings.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of Mr. Ogren, chairperson, Mr. Friedman and Mr. Condas. Our Board has adopted a Nominating and Corporate Governance Committee charter, which defines the Nominating and Corporate Governance Committee's primary duties, including:

- establishing standards for service on our Board;

- identifying individuals qualified to become members of our Board and recommending director candidates for election or re-election to our Board;

- considering and making recommendations to our Board regarding Board size and composition, committee composition and structure and procedures affecting directors, and each director's independence;

- advising the Board and our Manager on candidates for our executive offices, and conducting appropriate investigation of such candidates;

- monitoring our corporate governance principles and practices, our code of business conduct and ethics, our human resource practices, our fulfillment of obligations of fairness in internal and external matters, and the effectiveness of our Board; and

- reviewing changes in legislation, regulations, and other developments impacting corporate governance and making recommendations to the Board with respect to such matters.

Board and Committee Meetings

In 2017, the Board met five times, the Audit Committee met five times, the Compensation Committee met twice and the Nominating and Corporate Governance Committee met twice, each including telephonic meetings. Each director attended all Board and applicable committee meetings on which he served during his period of service. Directors are expected to attend, in person or by telephone, all Board meetings and meetings of committees on which they serve.

Risk Management and Oversight Process

Our Board and each of its committees are involved in overseeing risk associated with our operations and business. The Board and the Audit Committee monitor our credit risk, liquidity risk, regulatory risk, operational risk and enterprise risk by regular reviews with management and independent auditors. In its periodic meetings with independent auditors, the Audit Committee discussed the scope and plan for any internal audit and includes management in its review of accounting and financial controls, assessment of business risks and legal and ethical compliance programs. The Audit Committee also discusses with our independent auditors the external audit scope, the independent auditing firm's responsibility under applicable requirements, including, the Standards of the Public Company Accounting Oversight Board, accounting policies and practices and other required communications. The Audit Committee and,

where appropriate, the independent members of the Board, review and approve related party transactions under our Related Party Transactions Policy. The Board and the Nominating and Corporate Governance Committee monitor our governance and succession risks by regular reviews with management. The Board and the Compensation Committee monitor our compensation policies and related risks by regular reviews with management. In addition, the Board and the investment supervisory committee of the Board (the “Investment Supervisory Committee”) monitor our operations with respect to related party investment transactions, significant investments and overall oversight of our investment strategies, guidelines and policies.

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The Board's role in risk oversight is consistent with our leadership structure, with the CEO and other members of senior management of our Manager, that perform services for us having responsibility for assessing and managing our risk exposure, and the Board and its committees providing oversight in connection with these efforts. See "Board Leadership Structure."

Director Selection Process

The Nominating and Corporate Governance Committee is responsible for, among other things, the selection and recommendation to the Board of nominees for election as directors. In accordance with the Nominating and Corporate Governance Committee charter and our Corporate Governance Guidelines, the Nominating and Corporate Governance Committee develops on an annual basis guidelines and criteria for the selection of candidates for directors of the Board. In considering director candidates and the composition of the Board, the Nominating and Corporate Governance Committee takes into account factors including, but not limited to, the current composition of the Board as a whole; diversity; age and succession considerations; skills and industry and other experience in the context of the Board's needs; the desire for a substantial majority of independent directors; and the commitment of time on the part of directors to their service. The Nominating and Corporate Governance Committee aims to advance the Board's and the company's goal of having a diverse and inclusive Board with directors having different backgrounds, including, but not limited to, geography, race, ethnicity, gender, and age. Applying these criteria, the Nominating and Corporate Governance Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and stockholders. After completing the identification and evaluation process described above, the Nominating and Corporate Governance Committee selects the nominees for directorship for stockholders to consider and vote upon at the annual stockholders' meeting.

Stockholders wishing to recommend individuals for consideration as directors must follow the procedures described in Article II, Section 11 of the Company's Bylaws, including (among other requirements) the giving of written notice of the nomination to our Secretary no later than the close of business on the 90th nor earlier than the close of business on the 120th day prior to the first anniversary of the date of the proxy statement for the previous year's annual meeting. The stockholder's notice must set forth as to each nominee all information relating to the person that would be required to be disclosed in a solicitation of proxies for election of directors pursuant to Regulation 14A under the Exchange Act if the candidate had been nominated by or on behalf of the Board. Recommendations by stockholders that are made in this manner will be evaluated in the same manner as other candidates. See "Other Matters — Stockholder Proposals and Nominations for the 2019 Annual Meeting."

Code of Business Conduct and Ethics

The Board established a Code of Business Conduct and Ethics that applies to our officers, directors and employees and a Code of Ethics for the CEO, CFO and other senior financial officers that applies to our CEO, CFO and other senior financial officers. Among other matters, our code of business conduct and ethics is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable laws, rules and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code; and
- accountability for adherence to the code of business conduct and ethics.

Any waiver of the Code of Business Conduct and Ethics must be approved by the Compliance Officer or such officer's designee. Any waiver of the Code of Ethics for the CEO, CFO and other senior financial officers must be approved in writing by the Board. Any such waiver shall be promptly disclosed to stockholders as required by law or NYSE regulations.

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Availability of Corporate Governance Materials

Stockholders may view our corporate governance materials, including the charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics and the Code of Ethics for the CEO and CFO, on our website at www.great-ajax.com under the “Investor Relations-Company Information” tab, and these documents are available in print to any stockholder who sends a written request to such effect to Great Ajax Corp., 9400 SW Beaverton-Hillsdale Hwy, Suite 131, Beaverton, OR 97005, Attention: Corporate Secretary. Information at or connected to our website is not and should not be considered a part of this Proxy Statement.

Independence of Directors

NYSE listing standards require NYSE-listed companies to have a majority of independent board members and a nominating/corporate governance committee, compensation committee and audit committee, each comprised solely of independent directors. Under the NYSE listing standards, no director of a company qualifies as “independent” unless the board of directors of the company affirmatively determines that the director has no material relationship with the company (either directly or as a partner, stockholder or officer of an organization that has a relationship with such company).

The Board currently has seven directors, a majority of whom the Board affirmatively has determined, after broadly considering all relevant facts and circumstances, to be “independent” under the listing standards of the NYSE and under applicable rules of the SEC. The Board affirmatively has determined that each of the following directors is independent under these standards: Messrs. Condas, Friedman, Handley and Ogren. Messrs. Mendelsohn and Schaub are not independent as they are executive officers of the Company. Mr. Begleiter is not independent as he is the designee of Flexpoint REIT Investor (as defined below). See “Certain Relationships and Related Party Transactions — Agreements with Anchor Investors — Flexpoint Ford.”

Board Leadership Structure

Mr. Mendelsohn serves as the Chairman of the Board and CEO. The Board has reviewed its current leadership structure and has determined that the combined Chairman and CEO position is currently the most appropriate and effective leadership structure for the Company. Mr. Mendelsohn has been involved with the mortgage markets for more than 25 years. As the individual primarily responsible for the day-to-day management of business operations, he is best positioned to chair regular Board meetings as the directors discuss key business and strategic issues.

Executive Sessions of Non-Management Directors

Pursuant to our Corporate Governance Guidelines and the NYSE listing standards, in order to promote open discussion among non-management directors since our IPO, our non-management directors meet in executive sessions without management participation regularly. The non-management directors determine among themselves which non-management directors will preside over each executive session (the “presiding independent director”), although the same director is not required to preside at all such executive sessions. The presiding independent director approves the meeting agenda items, and serves as a liaison between the Chairman of the Board and the independent directors with respect to matters discussed at each such executive session.

Communications with the Board

Stockholders and other interested parties may communicate with the Board by sending written correspondence to the Corporate Secretary of Great Ajax Corp., 9400 SW Beaverton-Hillsdale Hwy, Suite 131, Beaverton, OR 97005. The independent, non-employee directors have directed our Secretary to act as their agent in processing any communications received. All communications that relate to matters within the scope of the responsibilities of the Board and its standing committees are to be forwarded to the Chairman of the Board. Communications that relate to matters that are within the scope of the

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responsibilities of one of the Board's standing committees are also to be forwarded to the chair of the appropriate committee. Communications that relate to ordinary business matters that are not within the scope of the responsibilities of the Board are to be sent to the appropriate member of management.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is or has been an officer or employee of our Company, and no member has any relationship with us requiring disclosure under Item 404 of SEC Regulation S-K. No member of our Compensation Committee currently serves or has served as a member of any board of directors or compensation committee of any other entity that has one or more executive officers serving as a member of our Board.

Legal Proceedings

The nature of our business exposes our properties, us and our operating partnership, Great Ajax Operating Partnership L.P., to the risk of claims and litigation in the normal course of business. Other than routine litigation arising out of the ordinary course of business, neither we nor our officers and directors are presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against us or any of our officers or directors.

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EXECUTIVE OFFICERS

The following table sets forth information concerning our executive officers. Executive officers are elected annually by the Board and serve at the Board’s discretion.

Name	Age	Title
Lawrence Mendelsohn	57	Chairman of the Board and CEO; Manager of our Manager
Russell Schaub	54	President and Director; Vice-President and Chief Operating Officer of the Servicer
Mary Doyle	53	CFO; CFO of the Manager and the Servicer

Set forth below is a description of the background of our CFO, Ms. Mary Doyle. Messrs. Mendelsohn and Schaub’s backgrounds are described above under “Proposal 1: Re-election of Directors.”

Mary Doyle joined us as our CFO on April 18, 2016. Prior to joining us, Ms. Doyle served as the Senior Vice President of Finance and the Senior Advisor to the CFO at Nationstar Mortgage LLC, one of the largest mortgage servicers in the United States, from 2012 to 2015. Prior to that, she was the Senior Advisor to the CFO and Acting Tax Director at Aurora Bank, FSB, a subsidiary of Lehman Brother Holdings Inc., from 2011 to 2013 and the CFO at Arch Bay Capital, LLC, an investment firm specializing in the real estate and mortgage industries, from 2010 to 2011. Prior to that, she worked at Fannie Mae and Sallie Mae, as well as the international public accounting firms of Arthur Andersen LLP and KPMG LLP. Ms. Doyle has a B.B.A. in Marketing from the University of Texas and a M.S. in Accounting from the University of Houston.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Executive Officer Compensation

We are externally managed by our Manager under the terms of the management agreement, pursuant to which our Manager provides us with all of the personnel required to manage our operations, including our executive officers. Our executive officers are officers or employees of our Manager or Servicer and receive compensation from them as appropriate. Our Manager or the Servicer makes all decisions relating to the compensation of such officers based on factors it deems appropriate. We do not directly or indirectly reimburse our Manager for the compensation paid to our executive officers. We do not provide any of our executive officers with pension benefits or nonqualified deferred compensation plans. We do not have any employment agreements with any person (except with Ms. Doyle as described below) and are not obligated to make any payments to any of our executive officers upon termination of employment or a change in control (except with Ms. Doyle as described below). See “Certain Relationships and Related Party Transactions — Management Agreement.”

Employment Agreement with Ms. Mary Doyle

On March 29, 2016, we, our Manager, our Servicer, and an Aspen Capital affiliate (collectively, the “Companies”) entered into an employment agreement with Mary Doyle, who serves as the CFO of each entity. The employment agreement has a three-year term, which may be extended if agreed to by the parties. The employment agreement provides for a base salary of \$250,000 and an annual target bonus opportunity equal to 60% of Ms. Doyle’s base salary, with the amount actually earned based on the achievement of certain performance objectives. Ms. Doyle is also eligible to participate in any equity plans that may be adopted during her employment term, and she is entitled to participate in and receive such benefits or rights as may be provided to other employees under any group employee benefit plan provided during her employment term.

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The employment agreement provides that, if Ms. Doyle's employment is terminated:

- for cause, by Ms. Doyle for any reason, or due to Ms. Doyle's death or disability, Ms. Doyle will receive salary and benefits through the date of her termination and provision of any vested benefits, which will be provided in accordance with the terms and conditions of the plans or programs under which such vested benefits arise; or

- without cause, Ms. Doyle shall receive the amounts described above and a lump sum severance payment equal to one year of her annual base salary at the time of termination.

The term "cause" is defined to include (a) Ms. Doyle or any of the Companies (as a result of the acts or omissions of Ms. Doyle) having materially breached its Operating Agreement or the Management Agreement between us and our Manager, (b) Ms. Doyle or any of the Companies (as a result of the acts or omissions of Ms. Doyle) being subject to disciplinary action or disqualification by a regulator or self-regulatory organization or an examination, investigation or other inquiry or proceeding by any governmental authority that is reasonably likely to impair our ability to engage in business, (c) commission of a felony or other serious crime or violation of federal or state laws (including any crime of dishonesty or disloyalty), (d) certain actions that caused or are reasonably likely to cause a substantial public disgrace or disrepute or substantial economic harm, or (e) Ms. Doyle's breach of the employment agreement. Ms. Doyle's right to receive the severance payment is subject to her delivery and non-revocation of an effective general release of claims in favor of us and our affiliates and compliance with confidentiality, noncompetition, and nonsolicitation covenants.

Director Compensation

Each of our independent directors receives an annual fee of \$75,000, an increase of \$25,000 over the annual fee paid to our independent directors through December 31, 2016. The fee is payable quarterly, half in shares of our common stock and half in cash. The value of the shares is determined in the same manner as the value of the shares to be paid to our Manager as part of its base management fee (see "Certain Relationships and Related Party Transactions — Management Agreement"). The non-independent directors, including Mr. Begleiter, the designee of Flexpoint REIT Investor, are not entitled to any compensation for serving as a director. We reimburse all our Directors for their reasonable travel expenses incurred in connection with their attendance at board and committee meetings.

In July 2014, pursuant to the 2014 Director Equity Plan (see "Certain Relationships and Related Party Transactions — 2014 Director Equity Plan"), Messrs. Handley and Ogren, members of our Board who are identified as independent directors (see "Corporate Governance and Board Matters — Independence of Directors" above) were each granted restricted stock awards of 2,000 shares of common stock, which were subject to a one-year vesting period. Mr. Condas, who was also identified by our Board as independent (see "Corporate Governance and Board Matters — Independence of Directors" above), received a similar grant when he joined the Board following our IPO in February 2015. In addition, Mr. Friedman, who was also identified by our Board as independent, received a similar grant when he joined the Board in July 2016. The chair of each committee of the Board other than the Audit Committee and the Investment Supervisory Committee also receives an additional cash payment of \$10,000 per year. The chair of the Audit Committee receives an additional cash payment of \$15,000 per year.

In February 2018, each of our independent directors were granted restricted stock awards of 3,000 shares of our common stock, with 1,500 shares subject to a one-year vesting period.

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The following table sets forth information regarding the compensation paid during 2017 to each of our independent directors:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Total (\$)
John C. Condas	28,125	34,373	62,498
Paul Friedman	28,125	62,573	90,698
Jonathan Bradford Handley, Jr.	35,625	34,373	69,998
J. Kirk Ogren, Jr.	43,125	34,373	77,498
	135,000	165,692	300,692

(1)

Includes payment of the quarterly directors' fees which are payable in shares of common stock.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee is currently comprised of Messrs. Friedman, Handley and Ogren, with Mr. Handley serving as its chairperson. The members of the Audit Committee are appointed by and serve at the discretion of the Board. One of the principal purposes of the Audit Committee is to assist the Board in the oversight of the integrity of the Company's consolidated financial statements. The Company's management team has the primary responsibility for the consolidated financial statements and the reporting process, including the system of internal controls and disclosure controls and procedures. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2017 with our management.

The Audit Committee also is responsible for assisting the Board in the oversight of the qualification, independence and performance of the Company's independent auditors. The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited consolidated financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee under the standards of the Public Company Accounting Oversight Board.

The Audit Committee has received both the written disclosures and the letter from Moss Adams LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with Moss Adams LLP its independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the Company's audited consolidated financial statements for 2017 be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for filing with the SEC.

Respectfully submitted,

The Audit Committee of the Board of Directors

Jonathan Bradford Handley, Jr. (Chairman)

Paul Friedman

J. Kirk Ogren, Jr.

The Audit Committee Report above does not constitute "soliciting material" and will not be deemed "filed" or incorporated by reference into any of our filings under the Securities Act of 1933, as amended (the "Securities Act"), that might incorporate SEC filings by reference, in whole or in part, notwithstanding anything to the contrary set forth in those filings.

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PRINCIPAL STOCKHOLDERS

The following table sets forth the total number and percentage of our shares of common stock beneficially owned as of April 2, 2018 (assuming exchange of 624,106 OP Units on a 1-for-1 basis into shares of our common stock) by: (1) each holder of more than 5% of our common stock; (2) each director; (3) our CEO and our other executive officers; and (4) all executive officers and directors as a group. The information with respect to beneficial ownership is based on publicly available information and information provided to us by the holders.

	Shares Beneficially Owned	
	Number	Percent
Wellington Management Company LLP(1)	2,584,176	13.4%
FMR LLC(2)	2,548,108	13.2%
Flexpoint Great Ajax Holdings LLC(3)	1,917,500	9.9%
Ithan Creek Master Investors (Cayman) L.P.(4)	1,671,257	8.7%
American Financial Group, Inc.(5)	1,571,190	8.1%
BlackRock, Inc.(6)	1,158,971	6.0%
Lawrence Mendelsohn(7)(8)(9)(10)	758,433	3.9%
Aspen Yo LLC(10)	726,212	3.8%
AllianceBernstein L.P.(11)	584,630	3.0%
Thetis Asset Management LLC	405,607	2.1%
Russell Schaub(12)	71,712	*
Jonathan Bradford Handley, Jr.	56,811	*
Mary Doyle	26,327	*
J. Kirk Ogren, Jr.(13)	17,169	*
Paul Friedman(14)	8,059	*
John C. Condas	7,807	*
Steven L. Begleiter(15)	—	*
Executive officers and directors as a group (8 persons)(16)	946,318	4.9%

*

Less than 1%.

(1)

As of December 31, 2017, as reported on Schedule 13G. Wellington Management Company LLP is an investment adviser registered under the Investment Advisers Act of 1940, as amended, and is an indirect subsidiary of Wellington Management Group LLP. The shares indicated in the table are held of record by investment advisory clients of Wellington Management Company LLP, (which total includes 624,106 OP Units). Wellington Management Company LLP and Wellington Management Group LLP may be deemed to beneficially own the shares indicated in the table, and have shared voting power and dispositive power with respect to such shares. The business address of Wellington Management Company LLP and Wellington Management Group LLP is 280 Congress Street, Boston, Massachusetts 02210.

(2)

As of December 31, 2017, as reported on Schedule 13G. FMR LLC is a parent holding company. Members of the Johnson family, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. Neither FMR LLC nor

Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act (“Fidelity Funds”) advised by Fidelity Management & Research Company (“FMR Co”), a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds’ Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds’ Boards of Trustees. 2,548,108 shares are held by Abigail P. Johnson and 1,870,982 shares are held by Fidelity Real Estate Income Fund. The business address of FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.

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(3)

The business address of Flexpoint Great Ajax Holdings LLC is c/o Flexpoint Ford, LLC at 676 N. Michigan Avenue, Suite 3300, Chicago, IL 60611. Flexpoint Great Ajax Holdings LLC also owns interests in our Manager and GA-FS, the parent of the Servicer. Flexpoint Great Ajax Holdings LLC is indirectly controlled by Donald J. Edwards who has sole voting and dispositive power with respect to the shares owned by it.

(4)

As of December 31, 2017, as reported on Schedule 13G. The address of Ithan Creek Master Investors (Cayman) L.P. is c/o Wellington Management Company LLP, 280 Congress Street, Boston, MA 02210.

(5)

As of December 31, 2017, as reported on Schedule 13G. American Financial Group, Inc. is a parent holding company or control person of the following subsidiaries which hold the referenced shares: Great American Life Insurance Company, National Interstate Insurance Company and Republic Indemnity Company of America. Each of the subsidiaries is an insurance company. The business address of American Financial Group, Inc. is 301 East Fourth Street, Cincinnati, Ohio 45202.

(6)

As of December 31, 2017, as reported on Schedule 13G. BlackRock, Inc. is a parent holding company. The business address for BlackRock, Inc. is 55 East 52nd Street, New York, New York 10055.

(7)

Includes 210 shares owned by or for the benefit of his spouse and children who live in his home.

(8)

Includes 7,018 shares owned by Flanders Street Capital Partners I., L.P., which is managed by Flanders Street Capital Management which is wholly owned by Mr. Mendelsohn. Mr. Mendelsohn disclaims beneficial ownership of the securities held by Flanders Street Capital Partners I., L.P. except to the extent of his pecuniary interest therein.

(9)

Includes 5,923 shares owned by the Mendelsohn Family Limited Partnership, which is managed by Mr. Mendelsohn and certain members of his family which are partners of Mendelsohn Family Limited Partnership. Mr. Mendelsohn disclaims beneficial ownership of the securities held by Mendelsohn Family Limited Partnership except to the extent of his pecuniary interest therein.

(10)

Includes 405,607 shares owned by our Manager, 274,667 shares owned by our Servicer and 45,938 shares owned by Great Ajax FS LLC. Aspen Yo LLC ("Aspen") is an affiliate of our Manager and the indirect parent of the Servicer. Mr. Mendelsohn controls 50% of the manager of Aspen and has certain economic and/or management rights with respect to 8.5% of the interests in Aspen; Steven Rosenberg, the President of Gregory and the founder of Aspen Capital, controls the other 50% of the manager of Aspen and he or his affiliates own 24.7% of the interests in Aspen. The business address of Aspen is 9400 SW Beaverton-Hillsdale Hwy, Suite 131, Beaverton, Oregon 97005. Mr. Mendelsohn disclaims beneficial ownership of the securities held by our Manager and the Servicer except to the extent of his pecuniary interest therein.

(11)

As of December 31, 2017, as reported on Schedule 13G. AllianceBernstein L.P. is an investment adviser. AllianceBernstein L.P. is a majority owned subsidiary of AXA Financial, Inc. and an indirect majority owned subsidiary of AXA SA. The business address for AllianceBernstein L.P. is 1345 Avenue of the Americas, New York, New York 10105.

- (12)
Includes 3,428 shares owned by or for the benefit of his spouse and children who live in his home.
- (13)
Includes 291 shares owned by or for the benefit of his children who live in his home.
- (14)
Includes convertible senior notes equivalent to 26 shares exercisable now and due on April 30, 2024.
- (15)
Mr. Begleiter is a Managing Director of Flexpoint Ford, LLC, the manager of the investment fund that owns Flexpoint Great Ajax Holdings LLC. However, Mr. Begleiter does not have voting or dispositive power over the shares of common stock owned by Flexpoint Great Ajax Holdings LLC.
- (16)
See notes (7), (8), (9), (10), (12), (13), (14) and (15).

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Ownership of our Manager, Great Ajax FS LLC and Aspen Yo LLC

Our Manager

On July 8, 2014, we closed a private offering of shares of our common stock and OP Units. We commenced operations on July 8, 2014. On August 1, 2014, we closed the sale of additional shares of our common stock and OP Units pursuant to the exercise of the additional allotment option we granted to the initial purchaser and placement agent in connection with the July placement and we refer to these closings as the Original Private Placement. Upon the closing of the Original Private Placement, we received a 19.8% equity interest in our Manager, which is held by GA-TRS LLC, our operating partnership's wholly owned subsidiary ("Thetis TRS"). Our Manager is owned 19.8% by Thetis TRS, 26.73% by Flexpoint REIT Investor, 26.73% by the Wellington Management Institutional Investor (as defined below) and its wholly owned subsidiaries and the balance of 26.74% by Aspen.

Great Ajax FS LLC and Aspen Yo LLC

Flexpoint REIT Investor and the Wellington Management Institutional Investor directly or indirectly each own 9.3% of Great Ajax FS LLC ("GA-FS"), the parent of the Servicer and subsidiary of Aspen. See "— Agreements with Anchor Investors" below.

On January 26, 2018, we, through Thetis TRS, agreed to acquire an 8% ownership interest in GA-FS, the parent of our servicer, Gregory Funding LLC. The acquisition is expected to be completed in two transactions. On January 26, 2018, the initial closing, we acquired a 4.9% interest in GA-FS and three warrants, each exercisable for a 2.45% interest in GA-FS upon payment of additional consideration, in exchange for consideration of \$1.1 million of cash and 45,938 shares of our common stock. At the date of an additional closing, expected to take place approximately 121 days from January 26, we will acquire an additional 3.1% interest in GA-FS, and three warrants, each exercisable for a 1.55% interest in GA-FS in exchange for consideration of \$0.7 million of cash and shares of our common stock with a value of approximately \$0.4 million, with the actual number of shares dependent upon our common stock's price at the close of trading on the day immediately preceding the date of the additional closing.

Aspen is managed by its manager, MARS Development LLC. Mr. Mendelsohn controls 50% of the manager of Aspen and has certain economic and/or management rights with respect to 8.5% of the interests in Aspen. Steven Rosenberg, the President of Gregory and the founder of Aspen Capital (the business trade name for the group of companies using the Aspen name), controls the other 50% of the manager of Aspen, and he or his affiliates own 24.7% of the interests in Aspen; Mr. Schaub owns 2.9% of the interests in Aspen; partners of Aspen Capital who are not involved in the operations of Aspen own 14.2% of the interests in Aspen, another employee of Aspen owns less than 0.2% of the interests in Aspen, and the balance of the interests in Aspen are held by investors not affiliated with Aspen.

In connection with the closing of the Original Private Placement, Aspen entered into an agreement with us pursuant to which Aspen agreed, for itself and on behalf of its subsidiaries, that it may not engage, without our consent, in any business or provide any services to any other entity that invests in the asset classes in which we intend to invest so long as either we have on hand an average of \$25 million in capital available for investment over the previous two fiscal quarters or our independent directors determine that we have the ability to raise capital at or above our most recent book value.

Management Agreement

On July 8, 2014, we entered into a 15-year management agreement (the "Management Agreement") with the Manager, which was amended and restated on October 27, 2015. Under the Management Agreement, the Manager implements our business strategy and manages our business and investment activities and day-to-day operations, subject to oversight by the Board. Among other services, the Manager, directly or through Aspen affiliates, provides us with a management team and necessary administrative and support personnel.

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Under the Management Agreement, we pay a quarterly base management fee based on our stockholders' equity and a quarterly incentive management fee based on our cash distributions to stockholders. We pay our Manager fees as follows: the initial \$1 million of the quarterly base management fee is payable 75% in cash and 25% in shares of our common stock. Any amount of the base management fee in excess of \$1 million is payable in shares of our common stock until payment is 50% in cash and 50% in shares (the "50/50 split"). Any remaining amount of the quarterly base management fee after the 50/50 split threshold is reached is payable in equal amounts of cash and shares. As for the Manager's incentive fee, in the event that the payment of the quarterly base management fee has not reached the 50/50 split, all of the incentive fee is payable in shares of our common stock until the 50/50 split occurs. In the event that the total payment of the quarterly base management fee and the incentive fee has reached the 50/50 split, 20% of the remaining incentive fee is payable in shares of our common stock and 80% of the remaining incentive fee is payable in cash.

Our Manager is entitled to an incentive fee only if our Board declares a dividend from REIT taxable income, which on an annualized basis exceeds 8% of our book value per share, and upon earnings exceeding certain thresholds for a given series of calendar quarters. The incentive fee is payable at the same time that the dividend is payable to our stockholders. Our Manager will not receive any incentive fee in respect of a dividend constituting a return of capital. We also reimburse our Manager for all third party, out of pocket costs incurred by our Manager, including third party diligence and valuation consultants, legal expenses, auditors and other financial services. We or the Manager may terminate the management agreement without cause or in connection with any renewal of the management agreement, subject in certain cases, to payment of a termination fee.

Servicing Agreement

Under the servicing agreement, Gregory receives from us servicing fees ranging from 0.65% – 1.25% annually of the unpaid principal balance ("UPB") (or the fair market value or purchase price of REO we own or acquire). Gregory is reimbursed for all customary, reasonable and necessary out-of-pocket costs and expenses incurred in the performance of its obligations, and the actual cost of any repairs and renovations. The total fees incurred by us for these services is dependent upon the UPB and type of mortgage loans that Gregory services, property values, previous UPB of the relevant loan, and the number of REO properties. The agreement automatically renews for successive one-year terms, subject to prior written notice of non-renewal. In certain cases, we may be obligated to pay a termination fee. The management agreement will automatically terminate at the same time as the servicing agreement if the servicing agreement is terminated for any reason.

Trademark License Agreement

Upon the closing of the Original Private Placement, we entered into a trademark license agreement with Aspen. Under the trademark license, Aspen grants us a non-exclusive, non-transferable, non-sublicensable, royalty-free license to use the name "Great Ajax" and the related logo. We also have a similar license to use the name "Thetis." The agreement has no specified term. If the management agreement expires or is terminated, the trademark license agreement will terminate within 30 days. In the event that this agreement is terminated, all rights and licenses granted thereunder, including, but not limited to, the right to use "Great Ajax" in our name will terminate. Upon the closing of the Original Private Placement, Aspen also entered into a substantially identical trademark license that grants our Manager a non-exclusive, non-transferable, non-sublicensable, royalty-free license to use of the name "Thetis."

2016 Equity Incentive Plan

Our 2016 Equity Incentive Plan (the "Equity Incentive Plan") aims to attract and retain non-employee directors, executive officers, key employees and service providers, including officers and employees of our affiliates, and to stimulate their efforts toward our continued success, long-term growth and profitability. The Equity Incentive Plan authorizes the issuance of up to 5% of our outstanding shares from time to time on a fully diluted basis (assuming, if applicable, the exercise of all outstanding options and the conversion of all warrants and convertible securities, including OP Units and LTIP Units, into shares of common stock). Grants of restricted stock to our officers use grant date fair value of the stock as the basis for

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measuring the cost of the grant. The cost of grants of restricted stock to employees of our affiliates is determined using the stock price as of the date at which the counterparty's performance is complete. Forfeitures are accounted for in the period in which they occur. The shares vest over three years, with one third of the shares vesting on each of the first, second and third anniversaries of the grant date. The shares may not be sold until the third anniversary of the grant date.

Our Board may amend or terminate the Equity Incentive Plan at any time; provided that no amendment may adversely impair the benefits of participants with respect to outstanding awards without the participants' consent or violate the Equity Incentive Plan's prohibition on repricing. Our stockholders must approve any amendment if such approval is required under applicable law or stock exchange requirements. Our stockholders also must approve any amendment that changes the no-repricing provisions of the plan. Unless terminated sooner by our Board, the Equity Incentive Plan will terminate on the tenth anniversary of its approval by stockholders.

2014 Director Equity Plan

Our 2014 Director Equity Plan (the "Director Plan") is designed to promote our interests by attracting and retaining qualified and experienced individuals for service as non-employee directors. The Director Plan is administered by our board of directors. The total number of shares of common stock or other stock-based award, including grants of LTIP units from our operating partnership available for issuance under the Director Plan is 100,000 shares. At the closing of the Original Private Placement, Messrs. Handley and Ogren each were granted restricted stock awards of 2,000 shares of our common stock, and at the closing of our IPO, Mr. Condas was granted 2,000 restricted shares of our common stock. In July 2016, upon joining the Board, Mr. Friedman was also granted restricted stock awards of 2,000 shares of our common stock. In February 2018, each of our independent directors was granted restricted stock awards of 3,000 shares of our common stock, with 1,500 shares subject to a one-year vesting period.

The Director Plan permits the grant of shares of our common stock in the form of restricted stock. A restricted stock award is an award of a specified number of shares of our common stock which may be subject to forfeiture upon the occurrence of specified events. The expiration of any restriction period may be conditioned on continued employment over a period of time or upon any other criteria as determined by the board of directors. During such time as shares awarded under the Director Plan are under restriction, holders of restricted stock have the right to receive any dividends paid on our common stock and to vote the shares of restricted stock. The Director Plan also permits the grant of stock awards that are free of forfeiture provisions, and the grant of awards valued in whole or in part by reference to, or otherwise calculated by reference to or based on, shares of common stock, including, without limitation, interests in a subsidiary of the Company or interests in our operating partnership, such as LTIP units. The Board may condition the expiration of any restriction period on continued service over a period of time with the company or upon any other criteria, as specified in the award agreement.

The Director Plan contains customary provisions to adjust the grants of restricted stock and other awards in the event of any corporate transaction or event such as a stock dividend, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination or other similar corporate transaction or event affecting the common stock, or other interests subject to the awards under the Director Plan. In the event of a Change of Control (as defined in the Director Plan) of the Company, the board of directors may, on a holder by holder basis, take any of the following actions, either singly or in combination: (i) fully vest and/or accelerate the restriction period of any awards; (ii) cancel and/or redeem any outstanding awards with respect to all common stock or other interests for which the award is subject to forfeiture in exchange for a cash payment of an amount determined by the board; (iii) require that the award be assumed by any successor corporation or that awards for shares of other interests in the company or any other entity be substituted for such award; or (iv) take such other action as the Board shall determine to be reasonable under the circumstances.

The Director Plan shall remain in full force and effect until the tenth anniversary of the date of its adoption by the board of directors, or if earlier, the date it is terminated by the board. The Board may amend, suspend or terminate the Director Plan at any time. However, no amendment is permitted without stockholder approval if such approval is required by applicable law or applicable requirements of any

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securities exchange or similar entity. The Board may amend outstanding awards, provided, however, that in the case of amendments adverse to the holder, the board of directors must obtain the holder's consent to any such amendment unless the amendment is required by certain tax laws.

Agreements with Anchor Investors

Wellington Management Institutional Investor

In the Original Private Placement and related investment agreements, an investment fund for which Wellington Management Company LLP is the investment advisor, or the Wellington Management Institutional Investor, acquired the following interests and rights in the aggregate, either directly or through one or more wholly owned subsidiaries:

- Interests in our common stock — 1,645,363 shares of our common stock (inclusive of shares issuable upon redemption of 468,106 OP Units on a 1-for-1 basis);

- Interests in Great Ajax FS LLC — (i) 9.3% of the equity of Great Ajax FS LLC, a subsidiary of Aspen and parent of the Servicer (including the interest-bearing promissory notes from GA-FS in the aggregate principal amount of \$1.05 million that automatically converted into 4.9% equity interest in GA-FS on September 15, 2014), and (ii) two non-transferable ten-year warrants, which each permit the holder to acquire an additional 9.4% equity interest in GA-FS at a premium to the original purchase price, exercisable subject to certain regulatory requirements or in the event of a contemporaneous sale of the equity interests of GA-FS; and

- Interests in our Manager — 26.73% of the equity of our Manager.

In addition, the Wellington Management Institutional Investor and other investment funds sponsored and advised by Wellington Management Company LLP sold a 41% equity interest in Little Ajax II, LLC ("Little Ajax II") to us. On December 16, 2014, we closed an additional private placement pursuant to which we sold 2,725,326 shares of common stock and 156,000 OP Units, which we refer to as the Second Private Placement. The Wellington Management Institutional Investor purchased 650,000 shares of common stock (inclusive of shares issuable upon redemption of 156,000 OP Units on a 1-for-1 basis) in the Second Private Placement.

Flexpoint Ford

In the Original Private Placement and related investment agreements, Flexpoint Great Ajax Holdings LLC, or the Flexpoint REIT Investor, an affiliate of an investment fund managed by Flexpoint Ford LLC, acquired the following interests and rights:

- Interests in our common stock — 1,645,363 shares of our common stock;

- Interests in Great Ajax FS LLC — (i) 9.4% of the equity of Great Ajax FS LLC, a subsidiary of Aspen and parent of the Servicer (including the interest-bearing promissory notes from GA-FS in the aggregate principal amount of \$1.05 million that automatically converted into 4.9% equity interest in GA-FS on September 15, 2014) and (ii) two non-transferable ten-year warrants, which each permit the holder to acquire an additional 9.4% equity interest in GA-FS at a premium to the original purchase price, exercisable subject to certain regulatory requirements or in the event of a contemporaneous sale of the equity interests of GA-FS; and

- Interests in our Manager — 26.73% of the equity of our Manager.

In addition, so long as Flexpoint REIT Investor and/or its affiliates own at least 9.8% of our outstanding shares of common stock, Flexpoint REIT Investor will have the right to nominate a representative for election as a member of our board of directors.

Flexpoint Ford is also the manager of the investment fund whose affiliate sold a 41% equity interest in Little Ajax II to us.

The Flexpoint REIT Investor purchased 192,137 shares of common stock in the Second Private Placement.

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Original Private Placement, Initial Portfolio

Our Manager used \$1 million of the aggregate proceeds from Flexpoint REIT Investor and the Wellington Management Institutional Investor to acquire 66,666 shares of our common stock in the Original Private Placement. GA-FS contributed to the Servicer \$4 million of the aggregate proceeds from Flexpoint REIT Investor and the Wellington Management Institutional Investor, which used such funds to acquire 266,667 shares of our common stock. In addition, we used \$48.8 million of the proceeds in the Original Private Placement offering to acquire our initial portfolio of mortgage-related assets through acquisition of the 82% equity interests in Little Ajax II owned by Flexpoint REIT Investor, the Wellington Management Institutional Investor and affiliated entities.

Governance Matters

In connection with their acquisition of interests in our Manager and GA-FS, Flexpoint REIT Investor and the Wellington Management Institutional Investor entered into an operating agreement with our Manager and Great Ajax FS LLC pursuant to which our Manager and GA-FS agreed not to take certain actions outside of their respective ordinary course of operations without the consent of Flexpoint REIT Investor and the Wellington Management Institutional Investor.

Related Party Transaction Policy

Our Board has adopted a policy and procedure for review, approval and monitoring of transactions involving related persons, including our Manager, the Servicer, directors and executive officers or their immediate family members and stockholders owning 5% or greater of our outstanding stock. Any situation that potentially qualifies as a conflict of interest will immediately be disclosed to the Audit Committee to assess the nature and extent of any concern as well as the appropriate next steps, including whether such situation requires approval of the Board, including a majority of the disinterested directors. Related persons are required to obtain the prior written approval of the Audit Committee before participating in any transaction or situation that may pose a conflict of interest. In considering a transaction, the Audit Committee will consider all relevant factors including (i) whether the transaction is in our best interests; (ii) alternatives to the related person transaction; (iii) whether the transaction is on terms comparable to those available to third parties; (iv) the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; and (v) the overall fairness of the transaction to us. The Audit Committee will periodically monitor any approved transactions to ensure that there are no changed circumstances that would render it advisable for us to amend or terminate the transaction.

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OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC and the NYSE. Executive officers, directors and greater than 10% stockholders are required by the SEC to furnish us with copies of all Forms 3, 4 and 5 that they file. Based solely on our review of copies of such reports, we believe that all Section 16(a) filing requirements applicable to our directors, officers and 10% stockholders were complied with during 2017.

Other Matters to Come Before the 2018 Annual Meeting

No other matters are expected to be presented for action at the Annual Meeting other than as set forth in this Proxy Statement. If other matters properly come before the meeting, however, the persons named in the accompanying proxy card will vote all proxies solicited by this Proxy Statement as recommended by the Board, or, if no such recommendation is given, in their own discretion.

Stockholder Proposals and Nominations for the 2019 Annual Meeting

Any stockholder proposal pursuant to Rule 14a-8 of the rules promulgated under the Exchange Act, to be considered for inclusion in our proxy materials for the 2019 annual meeting of stockholders must be received at our principal executive offices no later than December 13, 2018.

In addition, any stockholder who wishes to propose a nominee to the Board or propose any other business to be considered by the stockholders (other than a stockholder proposal included in our proxy materials pursuant to Rule 14a-8 of the rules promulgated under the Exchange Act) must comply with the advance notice provisions and other requirements of Article II, Section 11 of our Bylaws, which are on file with the SEC and may be obtained from our corporate secretary upon request. These notice provisions require that nominations of persons for election to the Board and the proposal of business to be considered by the stockholders for the 2019 Annual Meeting must be received no earlier than December 13, 2018 and no later than January 11, 2019.

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Householding of Proxy Materials

The SEC has adopted rules that permit companies and intermediaries (such as banks and brokers) to satisfy the delivery requirements for notices of annual meetings, proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as “householding,” potentially means extra convenience for stockholders and cost savings for companies. This year, a single notice of the annual meeting of stockholders, or copy of the proxy statement and annual report, will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your bank or broker that it will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, please notify your bank or broker, and direct your written request to Great Ajax Corp., 9400 SW Beaverton-Hillsdale Hwy, Suite 131, Beaverton, OR 97005, Attention: Corporate Secretary, or contact us by telephone at (503) 505-5670. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request householding of their communications should contact their bank or broker.

By Order of the Board of Directors,

Irving Potter
Secretary
Beaverton, OR
April 6, 2018
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GREAT AJAX CORP. 9400 SW BEAVERTON-HILLSDALE HIGHWAY SUITE 131 BEAVERTON, OR 97005
VOTE BY INTERNET - www.proxyvote.com Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years. VOTE BY PHONE - 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions. VOTE BY MAIL Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: KEEP THIS PORTION FOR YOUR RECORDS THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED. DETACH AND RETURN THIS PORTION ONLY E41935-P07155 For All Withhold All For All Except For Against Abstain To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below. GREAT AJAX CORP. Please indicate if you plan to attend this meeting. For address changes and/or comments, please check this box and write them on the back where indicated. 01) Lawrence Mendelsohn 02) Russell Schaub 03) Steven L. Begleiter 04) John C. Condas 05) Jonathan Bradford Handley, Jr. 06) Paul Friedman 07) J. Kirk Ogren, Jr. 1. Election of Directors (Proposal 1) 2. To ratify the appointment of Moss Adams LLP to serve as our registered independent public accounting firm for the year ending December 31, 2018; and Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer. Nominees: The Board of Directors recommends you vote FOR the following: The Board of Directors recommends you vote FOR Proposal 2: NOTE: We may conduct such other business as may properly come before the meeting or any adjournment thereof. Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date

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E41936-P07155 Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: The Notice of Annual Meeting, the Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2017 are available at www.proxyvote.com. GREAT AJAX CORP. Annual Meeting of Stockholders May 22, 2018, 9:00 AM
 This proxy is solicited by the Board of Directors The stockholder(s) hereby appoint(s) Lawrence Mendelsohn and Irving Potter, or any of them, as proxies, each with the power to appoint their substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of common stock, \$0.01 par value per share, of Great Ajax Corp. at the Annual Meeting of Stockholders to be held at 9:00 AM, Eastern Time, on May 22, 2018, at the offices of Mayer Brown LLP, 1221 Avenue of the Americas, New York, NY 10020-1001, and any adjournment or postponement thereof. This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations. For Proposal 1 (election of directors), you may either vote "FOR" all of the nominees to the Board of Directors or you may "WITHHOLD" your vote for all of the nominees or for any nominee that you specify. For Proposal 2 (ratification of the appointment of Moss Adams LLP), you may vote "FOR" or "AGAINST" such proposal or "ABSTAIN" from voting. The procedures for voting are set forth on the reverse side. The shares represented by this Proxy will be voted as directed by the undersigned. If no direction is given when the duly executed Proxy is returned, such shares will be voted "FOR" all nominees in Proposal 1 and "FOR" Proposal 2. Continued and to be signed on reverse side Address Changes/Comments: (If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

Stockholders' Equity:

Common Stock, \$0.001 par value, (100,000,000 shares authorized; 37,185,078 and 32,117,008 shares issued and outstanding at December 31, 2009 and 2008, respectively)	37	32
Additional paid-in capital		23,762 17,382
Accumulated deficit (18,156) (15,913)		
Total stockholders' equity 5,643 1,501		
Total Liabilities and Stockholders' Equity \$12,945 \$7,295		

RISK FACTORS

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

Risks Related To Our Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

financial condition and prospects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We Are Subject To Security Risks Which Could Harm Our Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

No Foreseeable Dividends

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

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

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

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

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

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

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

Risks Related To This Offering

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

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

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

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

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

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

The Market Price Of Our Common Stock Is Highly Volatile

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

SELLING STOCKHOLDERS

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

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

* Less than one percent (1%).

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

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

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

- (4) William J. Robison is a director of the Company. Mr. Robison's beneficial ownership includes (i) 55,000 shares purchased in the June 2007 Private Placement, (ii) 3,713 shares issued pursuant to a registration rights agreement in connection with the June 2007 Private Placement, (iii) 11,000 shares which were issued upon the exercise of certain warrants granted in conjunction with the June 2007 Private Placement, and (iv) warrants exercisable within 60 days of April 27, 2010 to purchase 75,000 shares.
- (5) Michael T. Dent, M.D. is a director of the Company. Dr. Dent's beneficial ownership includes (i) 900,000 shares held in the Mary S. Dent Gifting Trust (of which Dr. Dent and his attorney are the sole trustees), (ii) warrants and options exercisable within sixty days of April 27, 2010 to purchase 572,992 shares, and (iii) 1,016,170 shares owned directly by Dr. Dent's spouse, Mary S. Dent.
- (6) George O'Leary is a director of the Company. Mr. O'Leary has direct ownership of warrants exercisable within 60 days of April 27, 2010 to purchase 200,000 shares.
- (7) Steven C. Jones, Executive Vice President - Finance and director of the Company, has direct ownership of 391,164 shares and warrants exercisable within 60 days of April 27, 2010 to purchase an additional 127,298 shares. Totals for Mr. Jones also include (i) 129,412 shares owned by Aspen Opportunity Fund, LP, an investment partnership that Mr. Jones and Mr. Peterson control, (ii) 107,143 shares owned by Jones Network, LP, a family limited partnership that Mr. Jones controls, (iii) warrants exercisable within 60 days of April 27, 2010 to purchase 250,000 shares, that are owned by Aspen Capital Advisors, LLC, a company that Mr. Jones controls, (iv) warrants exercisable within 60 days of April 27, 2010 to purchase 83,333 shares that are owned by Gulf Pointe Capital, LLC, a company that Mr. Jones and Mr. Peterson control, and (v) 31,857 shares held in certain individual retirement and custodial accounts. In addition, as a managing member of the general partner of Aspen, he has the right to vote all shares controlled by Aspen, thus all shares and currently exercisable warrants owned by Aspen have been added to his total (see Note 8).
- (8) Marvin Jaffe, M.D. is a director of the Company. Dr. Jaffe's beneficial ownership includes 21,429 shares and 75,000 warrants which are currently exercisable within 60 days of April 27, 2010.
- (9) Peter M. Peterson, a director of the Company, has direct ownership of warrants exercisable within 60 days of April 27, 2010 to purchase 100,000 shares. In addition, as a managing member of the general partner of Aspen, he has the right to vote all shares controlled by Aspen, thus all Aspen shares and currently exercisable warrants have been added to his total (see Note 8). Mr. Peterson's beneficial ownership also includes (i) warrants exercisable within 60 days of April 27, 2010 to purchase an additional 83,333 shares that are owned by Gulf Pointe Capital, LLC, a company that Mr. Jones and Mr. Peterson control, and (ii) 129,412 shares owned by Aspen Opportunity Fund, LP, an investment partnership that Mr. Jones and Mr. Peterson control.
- (10) Aspen Select Healthcare, LP (Aspen) has direct ownership of 5,905,279 shares and has certain warrants to purchase 3,050,000 shares, all of which are exercisable within 60 days of April 27, 2010. Aspen's beneficial ownership also includes 2,710,876 shares to which Aspen has received a voting proxy. The general partner of Aspen is Medical Venture Partners, LLC, an entity controlled by Steven C. Jones and Peter M. Peterson.

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

Shares acquired in Connection with warrants related to 2007 Private Placement

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

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

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

- A. Scott Logan Revocable Living Trust (SL Trust). In connection with the 2007 Private Placement, SL Trust received (i) a warrant to purchase 100,000 shares of our common stock at an exercise price of \$1.50 per share, which was exercised in August 2009, and (ii) 33,750 shares issued pursuant to a registration rights agreement. SL Trust received registration rights for these shares and therefore, we are registering 133,750 shares in this offering. All investment decisions of SL Trust are made by A. Scott Logan, Trustee.
- William J. Robison (Mr. Robison). In connection with the 2007 Private Placement, Mr. Robison, who serves as a member of the Board of Directors of the Company, received (i) a warrant to purchase 11,000 shares of our common stock at an exercise price of \$1.50 per share, which was exercised in August 2009, and (ii) 3,713 shares issued pursuant to a registration rights agreement. Mr. Robison received registration rights for these shares and therefore, we are registering 14,713 shares in this offering.
- 1837 Partners, L.P. (1837P1). In connection with the 2007 Private Placement, 1837P1 received (i) a warrant to purchase 204,210 shares of our common stock at an exercise price of \$1.50 per share, which was exercised in August 2009, and (ii) 59,805 shares issued pursuant to a registration rights agreement. 1837P1 received registration rights for these shares and therefore, we are registering 264,015 shares in this offering. All investment decisions of 1837P1 are made by Frances Tuite and Blair Haarlow.
- 1837 Partners QP, L.P. (1837P2). In connection with the 2007 Private Placement, 1837P2 received (i) a warrant to purchase 53,900 shares of our common stock at an exercise price of \$1.50 per share, which was exercised in August 2009, and (ii) 15,424 shares issued pursuant to a registration rights agreement. 1837P2 received registration rights for these shares and therefore, we are registering 69,324 shares in this offering.
- 1837 Partners, Ltd. (1837P3). In connection with the 2007 Private Placement, 1837P3 received (i) a warrant to purchase 55,710 shares of our common stock at an exercise price of \$1.50 per share, which was exercised in August 2009, and (ii) 15,424 shares issued pursuant to a registration rights agreement. 1837P3 received registration rights for these shares and therefore, we are registering 71,706 shares in this offering. All investment decisions of 1837P3 are made by Frances Tuite.
- Aspen Capital Advisors, LLP (ACA). In connection with the 2007 Private Placement, ACA received a warrant to purchase 250,000 shares of our common stock at an exercise price of \$1.50 per share, which had not yet been exercised as of the date of the registration statement of which this prospectus is a part. ACA received registration rights with respect to the shares underlying this warrant and therefore, we are registering 250,000 shares in this offering. All investment decisions of ACA are made by Steven Jones a member of our Board of Directors and our Executive Vice President of Finance.
- Galt Asset Management (GALT). Galt purchased certain warrants to purchase 259,666 shares of our common stock at an exercise price of \$1.50 per share from Lewis Opportunity Fund L.P (LOF) and Lam Opportunity Fund L.P. (LAM) which were issued to LOF and LAM in connection with the 2007 Private Placement. GALT exercised these warrants into shares of our common stock in August 2009. These warrants contained registration rights for the shares underlying them and therefore, we are registering 259,666 shares in this offering. All investment decisions of GALT are made by Brian Vitale.

Shares acquired in Connection with board warrants

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

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

Other Selling Stockholders

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

- Michael T. Dent, M.D.. In January 2006, we consummated an equity offering of common stock and we needed to get a waiver from Dr. Dent to be in compliance with our shareholder's agreement. As an inducement to sign that waiver we issued a warrant to purchase 72,992 shares of our common stock to Dr. Dent, which had not been exercised as of the date of the registration statement of which this prospectus is a part. We are registering the 72,992 shares underlying this warrant in this offering.
- Aspen Select Healthcare, L.P. (Aspen). In April 2003, we issued 13,927,062 shares of Common Stock to Aspen and certain affiliates of Aspen in connection with an equity financing transaction and entered into a \$1.5 million credit facility with Aspen (the "Initial Transactions"). In March 2005, we extended the terms of the credit facility and issued to Aspen 2,500,000 warrants to purchase common stock (the "Original Warrant"). In January 2006, we amended the terms of the Original Warrant in connection with curing certain defaults which had occurred under the credit facility and we issued 150,000 additional warrants (the "Waiver Warrants") in connection with obtaining a waiver for certain terms of our shareholders' agreement. In March 2006, we issued an additional 900,000 warrants to Aspen in connection with certain debt and equity financings (the "New Financing Warrants"). Aspen received registration rights with respect to the Initial Transactions, the Original Warrants, the Waiver Warrants, and the New Financing Warrants and therefore, we are registering 2,007,991 of the shares issued in the Initial Transactions and 3,050,000 of the warrants issued in conjunction with the various other warrant transactions in this offering. All investment decisions of Aspen are made by Mr. Steven C. Jones, a member of our Board of Directors and our Executive Vice President of Finance.
- Mary S. Dent and Mary S. Dent Gifting Trust (DENT). On February 8, 2007 Michael T. Dent, M.D., our founder, transferred 1,016,171 founder shares to his spouse Mary Dent and transferred 900,000 founder shares to the Mary S. Dent Gifting Trust for the benefit of his children. Dr. Dent received registration rights in connection with these shares and therefore, we are registering 333,312 shares held in the name of Mary Dent and the 900,000 shares held by the Mary S. Dent Gifting Trust in this offering.
- George O'Leary. On March 15, 2007, George O'Leary, a director, received a warrant to purchase 100,000 shares of our common stock at an exercise price of \$1.49 per share as a result of consulting services performed on behalf of the Company, which had not been exercised as of the date of the registration statement of which this prospectus is a part. We are registering the 100,000 shares underlying this warrant in this offering.
- Gulfpointe Capital. In February 2009 as part of a master lease agreement we issued a warrant to purchase 83,333 shares of our common stock at an exercise price of \$0.75 per share to Gulfpointe Capital, LLC, which had not been exercised as of the date of the registration statement of which this prospectus is a part. Gulfpointe Capital received registration rights with respect to the shares underlying this warrant and therefore, we are registering 83,333 shares in this offering.
- Hawk Associates, Inc. In February and May 2006, we issued warrants to purchase an aggregate of 70,000 shares of our common stock to Hawk Associates, Inc. in connection with the provision of certain investor relations services to the Company, which had not yet been exercised as of the date of the registration statement of which this prospectus is a part. We are registering the 70,000 shares underlying these warrants in this offering.

USE OF PROCEEDS

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

PLAN OF DISTRIBUTION

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

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

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

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

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

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

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

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

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

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

Introduction

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements, and the Notes thereto included herein. The information contained below includes statements of management's beliefs, expectations, hopes, goals and plans that, if not historical, are forward-looking statements subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. See "Forward-Looking Statements." Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under the heading "Risk Factors."

Overview

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

- a) cytogenetics testing, which analyzes human chromosomes;
- b) Fluorescence In-Situ Hybridization ("FISH") testing, which analyzes abnormalities at the chromosomal and gene levels;
- c) flow cytometry testing, which analyzes gene expression of specific markers inside cells and on cell surfaces;
- d) immunohistochemistry testing, which analyzes the distribution of tumor antigens in specific cell and tissue types, and
- e) molecular testing which involves analysis of DNA and RNA to diagnose and predict the clinical significance of various genetic sequence disorders.

All of these testing services are widely utilized in the diagnosis, prognosis, and prediction for response to therapy of various types of cancers.

Market Opportunity

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

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

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

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

skin biopsies, and tissue biopsies.

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

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

Our Focus

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

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

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

Competitive Strengths

Turnaround Times

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

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

National Direct Sales Force

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

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Strategic Supply Agreement with Abbott Molecular

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

New FISH Test for Melanoma

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

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

Client Care

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

Geographic Locations

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

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

Laboratory Information System

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

Scientific Pipeline

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

Critical Accounting Policies

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

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

- Revenue Recognition
- Accounts Receivable
- Stock Based Compensation

Revenue Recognition

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

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

Trade Accounts Receivable and Allowance For Doubtful Accounts

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

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

NEOGENOMICS AGING OF RECEIVABLES BY PAYOR GROUP

December 31, 2009

Payor Group	0-30	%	30-60	%	60-90	%	90-120	%	120-150	%	>150	%	Total
Client	\$ 210,672	4%	\$ 425,731	8%	\$ 437,552	8%	\$ 216,692	4%	\$ 52,257	1%	\$ 75,884	1%	\$ 1,168,788
Commercial													
Insurance	581,824	11%	428,340	8%	255,488	5%	152,239	3%	96,916	2%	370,977	7%	1,385,784
Medicaid	18,227	0%	13,312	0%	13,552	1%	11,423	0%	5,544	0%	26,049	0%	68,665
Medicare	895,518	17%	107,357	2%	103,804	2%	41,780	1%	36,293	1%	256,861	5%	1,335,513
Private Pay	78,842	2%	71,059	1%	39,912	1%	12,866	0%	20,809	0%	36,866	1%	169,554
Unbilled													
Revenue	126,564	2%	-	0%	-	0%	-	0%	-	0%	-	0%	126,564
Total	\$ 1,911,647	36%	\$ 1,045,799	19%	\$ 850,308	17%	\$ 435,000	8%	\$ 211,819	4%	\$ 766,637	14%	\$ 5,218,111

December 31, 2008

Payor Group	0-30	%	30-60	%	60-90	%	90-120	%	120-150	%	>150	%	Total
Client	\$ 280,002	9%	\$ 189,811	6%	\$ 285,126	9%	\$ 176,406	5%	\$ 144,897	4%	\$ 26,762	1%	\$ 876,902
Commercial													
Insurance	350,009	11%	217,741	7%	137,210	4%	104,836	3%	70,959	2%	287,272	9%	1,068,027
Medicaid	434	0%	7,312	0%	14,861	1%	12,124	0%	8,078	0%	42,145	1%	74,774
Medicare	530,833	16%	56,334	2%	33,149	1%	12,054	0%	23,378	1%	53,993	2%	659,737
Private Pay	25,341	1%	35,004	1%	29,354	1%	15,969	0%	13,114	0%	27,142	1%	106,820
Unbilled													
Revenue	60,523	2%	-	-	-	-	-	-	-	-	-	-	60,523
Total	\$ 1,247,142	39%	\$ 506,202	16%	\$ 499,700	16%	\$ 321,389	8%	\$ 260,426	7%	\$ 437,314	14%	\$ 3,272,671

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

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

Stock Based Compensation.

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

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

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

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

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

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

Revenue

The Company's specialized testing services are performed based on a written test requisition form and revenues are recognized once the testing services have been performed, the results have been delivered to the ordering physician, the payor has been identified and eligibility and insurance have been verified. Our testing services are billed to various payors, including Medicare, commercial insurance companies, other directly billed healthcare institutions such as hospitals and clinics, and individuals. We report revenues from contracted payors, including Medicare, certain insurance companies and certain healthcare institutions, based on the contractual rate, or in the case of Medicare, published fee schedules. We report revenues from non-contracted payors, including certain insurance companies and individuals, based on the amount expected to be collected. The difference between the amount billed and the amount expected to be collected from non-contracted payors is recorded as a contractual allowance to arrive at the reported revenues. The expected revenues from non-contracted payors are based on the historical collection experience of each payor or payor group, as appropriate. In each reporting period, we review our historical collection experience for non-contracted payors and adjust our expected revenues for current and subsequent periods accordingly.

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

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

Revenues per test are a function of both the type of the test (e.g. FISH, cytogenetics, flow cytometry, etc.) and the payer (e.g., Medicare, Medicaid, third party insurer, institutional client etc.). Average revenue per test is primarily driven by our test type mix and our payer mix. The decrease in average revenue per test for the three months ended March 31, 2010 is primarily the result of decreases in our managed care reimbursements and to a lesser extent from lower priced tests in our test type mix.

We have established a reserve for uncollectible amounts based on estimates of what we will collect from: a) third-party payers with whom we do not have a contractual arrangement or sufficient experience to accurately estimate the amount of reimbursement we will receive, b) payments directly from patients, and c) those procedures that are not covered by insurance or other third party payers. The Company's allowance for doubtful accounts increased 18%, or approximately \$106,000 to \$695,000, as compared to \$589,000 at December 31, 2009. The allowance for doubtful accounts was approximately 11% of accounts receivable on March 31, 2010 and December 31, 2009.

Cost of Revenue

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

Cost of revenue increased approximately 41%, or \$1.2 million, to \$4.3 million for the three months ended March 31, 2010 as compared to \$3.1 million for the three months ended March 31, 2009. The increase was primarily attributable to increases in all areas of costs of revenue as the Company scaled its operations in order to meet increasing demand. Cost of revenue as a percentage of revenue was approximately 52% for the three months ended March 31, 2010 as compared to 45% for the three months ended March 31, 2009.

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

Sales and Marketing

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

	For the three months ended March 31,		% Change
	2010	2009	
Sales and marketing	\$ 1,763,000	\$ 1,334,000	32%
As a % of revenue	21%	19%	

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

We expect our sales and marketing expenses to increase as we hire additional sales management, sales representatives, and marketing personnel as part of our growth strategy. However, we expect these expenses to decline as a percentage of revenue as our case volumes increase and we develop more economies of scale in our sales and marketing

activities.

General and Administrative Expenses

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

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

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

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

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

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

Interest Expense, net

Interest expense net, which represents the interest expense we incur on our borrowing arrangements offset by the interest income we earn on cash deposits. Interest expense, net increased approximately 39%, or \$44,000 to \$159,000 for the three months ended March 31, 2010 as compared to \$115,000 for the three months ended March 31, 2009. Interest expense is primarily related to the amount of our capital leases outstanding and to a lesser extent to the borrowing under our credit facility with CapitalSource Finance, LLC ("CapitalSource"). Interest expense increased over the same period in the prior year primarily as a result of the higher capital lease and working capital facility balances as of March 31, 2010 as compared to March 31, 2009.

Net Income (Loss)

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

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

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

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

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

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Revenue

The Company's specialized testing services are performed based on a written test requisition form and revenues are recognized once the testing services have been performed, the results have been delivered to the ordering physician, the payor has been identified and eligibility and insurance have been verified. Our testing services are billed to various payors, including Medicare, commercial insurance companies, other directly billed healthcare institutions such as hospitals and clinics, and individuals. We report revenues from contracted payors, including Medicare, certain insurance companies and certain healthcare institutions, based on the contractual rate, or in the case of Medicare, published fee schedules. We report revenues from non-contracted payors, including certain insurance companies and individuals, based on the amount expected to be collected. The difference between the amount billed and the amount expected to be collected from non-contracted payors is recorded as a contractual allowance to arrive at the reported revenues. The expected revenues from non-contracted payors are based on the historical collection experience of each payor or payor group, as appropriate. In each reporting period, we review our historical collection experience for non-contracted payors and adjust our expected revenues for current and subsequent periods accordingly.

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

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

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

Cost of Revenue

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

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

Gross Profit

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

Sales and Marketing

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

For the year ended
December 31.

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

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

We expect our sales and marketing expenses to increase as we hire additional sales management, sales representatives, and marketing personnel as part of our growth strategy. However, we expect these expenses to decline as a percentage of revenue as our case volumes increase and we develop more economies of scale in our sales and marketing activities.

General and Administrative Expenses

General and administrative expenses relate to billing, finance, human resources, information technology, and other administrative functions. They primarily consist of employee related costs (such as salaries, fringe benefits, and stock-based compensation expense), professional services, facilities expense, and depreciation and administrative-related costs allocated to general and administrative expenses. In addition, the provision for doubtful accounts is included in general and administrative expenses.

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

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

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

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

Other (Income) Expense

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

Net Loss

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

Commitments

Employment Contracts with named Executive Officers

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

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

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

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

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

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

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

- 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company's common stock has reached or exceeded \$4.00 per share for 20 consecutive trading days,
- (iv) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company's common stock has reached or exceeded \$5.00 per share for 20 consecutive trading days and
- (v) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company's common stock has reached or exceeded \$6.00 per share for 20 consecutive trading days.

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

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

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

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

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

Purchase Commitments

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

Operating Commitments

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

Capital Lease Obligations

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

Wells Fargo Lease Agreement

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

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

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

SunTrust Lease Agreement

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

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

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

Liquidity and Capital Resources

The following table presents a summary of our cash flows provided by (used in) operating, investing and finance activities for the three months ended March 31, 2010 and 2009 as well as the period ending cash and cash equivalents and working capital.

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

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

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

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

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

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

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

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

(1) Defined as current assets less current liabilities.

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

On November 5, 2008, we entered into a common stock purchase agreement (the “Stock Agreement”) with Fusion Capital Fund II, LLC an Illinois limited liability company (“Fusion”). The Stock Agreement, which has a term of 30 months, provides for the future funding of up to \$8.0 million from sales of our common stock to Fusion on a when and if needed basis as determined by us in our sole discretion, depending on, among other things, the market price of our

common stock. As of March 31, 2010, we had not drawn on any amounts under the Fusion Stock Agreement.

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

As of March 31, 2010, we had approximately \$1,661,000 in cash on hand, \$547,000 of availability under our credit facility, and up to \$8.0 million under the Fusion Stock Agreement. As such, we believe we have adequate resources to meet our operating commitments for the next twelve months, and accordingly our consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

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

Capital Expenditures

We currently forecast capital expenditures in order to execute on our business plan. The amount and timing of such capital expenditures will be determined by the volume of business, but we currently anticipate that we will need to purchase approximately \$3.0 million to \$4.0 million of additional capital equipment during the next year. We plan to fund these expenditures with cash, through bank loan facilities, and through capital lease financing arrangements. If we are unable to obtain such funding, we will need to pay cash for these items or we will be required to curtail our equipment purchases, which may have an impact on our ability to continue to grow our revenues. Please see Note K to the consolidated financial statements for further detail with respect to lease financing facilities.

Subsequent Events

SunTrust Lease Agreement

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

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

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

On April 26, 2010, the Parent Company, NeoGenomics Laboratories, Inc., the wholly-owned subsidiary of the Parent Company (“Borrower”), and CapitalSource entered into an Amended and Restated Revolving Credit and Security Agreement (the “Amended and Restated Credit Agreement”). The Amended and Restated Credit Agreement amended and restated the Revolving Credit and Security Agreement dated February 1, 2008, as amended, among the Parent Company, Borrower and CapitalSource (the “Original Credit Agreement”). The terms of the Amended and Restated Credit Agreement and the Original Credit Agreement are substantially similar except that the Amended and Restated Credit Agreement, among other things, (i) increases the maximum principal amount of the revolving credit facility from \$3,000,000 to \$5,000,000, (ii) provides that the term of the Amended and Restated Credit Agreement shall end on February 1, 2013, (iii) increases the amount of the collateral management fee and unused line fees paid by Borrower to CapitalSource, (iv) modifies the definitions of “Minimum Termination Fee” and “Permitted Indebtedness”, (v) provides that the Borrower must maintain a minimum outstanding principal balance under the revolving facility of at least \$2,000,000, (vi) increases the interest rate to LIBOR plus 4.25% (provided that LIBOR shall not be less than 2.0%) and (vii) revises certain covenants and representations and warranties. Borrower paid CapitalSource a commitment fee of \$33,500 in connection with the execution of the Amended and Restated Credit Agreement (CapitalSource credited \$25,000 of the amendment fee previously paid by the Borrower in connection with the March 26, 2010 amendment of the Original Credit Agreement towards the commitment fee).

Recent Accounting Pronouncements

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

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

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

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

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

Related Party Transactions

Consulting Agreements

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

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

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

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

Laboratory Information System

On March 11, 2005, we entered into an agreement with HCSS, LLC and eTelenext, Inc. to enable NeoGenomics to use eTelenext, Inc's Accessioning Application, AP Anywhere Application and CMQ Application. HCSS, LLC is a holding company created to build a small laboratory network for the 50 small commercial genetics laboratories in the United States. HCSS, LLC is owned 66.7% by Dr. Michael T. Dent, a member of our Board of Directors. George O'Leary, a member of our board of directors is Chief Financial Officer of HCSS, LLC.

On June 18, 2009, we entered into a Software Development, License and Support Agreement with HCSS, LLC and eTelenext, Inc. to upgrade the Company's laboratory information system to APvX. . The estimated costs for the development and migration phase are anticipated to be approximately \$75,000 and are expected to be completed in April 2010. This agreement has an initial term of 5 years from the date of acceptance and calls for monthly fees of \$8,000-\$12,000 during the term. During the years ended December 31, 2009 and 2008, HCSS earned approximately \$87,675 and approximately \$99,900, respectively, for transaction fees related to completed tests.

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

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

Gulf Pointe Capital Lease Agreement

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

DESCRIPTION OF BUSINESS

Overview

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

- a) cytogenetics testing, which analyzes human chromosomes;
- b) Fluorescence In-Situ Hybridization ("FISH") testing, which analyzes abnormalities at the chromosomal and gene levels;
- c) flow cytometry testing, which analyzes gene expression of specific markers inside cells and on cell surfaces;
- d) immunohistochemistry testing, which analyzes the distribution of tumor antigens in specific cell and tissue types, and
- e) molecular testing which involves analysis of DNA and RNA to diagnose and predict the clinical significance of various genetic sequence disorders.

All of these testing services are widely utilized in the diagnosis, prognosis, and prediction for response to therapy of various types of cancers.

Market Opportunity

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

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

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

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

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

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

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

Our Focus

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

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

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

Competitive Strengths

Turnaround Times

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

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

National Direct Sales Force

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

Strategic Supply Agreement with Abbott Molecular

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

New FISH Test for Melanoma

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

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

Client Care

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

Geographic Locations

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

Laboratory Information System

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

Scientific Pipeline

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

Competition

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

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

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

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

Global Products

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

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

Tech-Only Products

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

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

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

Sales and Marketing

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

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

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

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

Seasonality

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

Distribution Methods

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

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

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Suppliers

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

Dependence on Major Clients

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

Payor Mix

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

Trademarks

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

Number of Employees

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

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

Government Regulation

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

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

Clinical Laboratory Operations

Licensure and Accreditation

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

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

Quality of Care

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

Compliance Program

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

Hotline

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

Anti-Fraud and Abuse Laws

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

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

Medicare Payment Guidelines

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

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

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

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

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

Physician Self Referral Laws

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

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

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

The False Claims Act

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

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

Confidentiality and Security of Personal Health Information

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

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

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

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

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

History

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

Properties

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

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

Legal Proceedings

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

MANAGEMENT

Officers And Directors

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

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

Family Relationships

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

Legal Proceedings

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

Elections

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

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

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

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

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

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

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

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

Michael T. Dent M.D. – Board Member

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

George G. O’Leary – Board Member

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

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

Peter M. Peterson – Board Member

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

Marvin E. Jaffe, MD – Board Member

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

William J. Robison – Board Member

Mr. Robison, who is retired, spent his entire 40 year career with Pfizer, Inc. At Pfizer, he rose through the ranks of the sales organization and became Senior Vice President of Pfizer Labs in 1986. In 1990, he became General Manager of Pratt Pharmaceuticals, a then new division of the U.S. Pharmaceuticals Group, and in 1992 he became the President of the Consumer Health Care Group. In 1996 he became a member of Pfizer's Corporate Management Committee and was promoted to the position of Executive Vice President and head of Worldwide Corporate Employee Resources. Mr. Robison retired from Pfizer in 2001 and currently serves as a consultant and board member to various companies. Mr. Robison is a board member and an executive committee member of the USO of Metropolitan New York, Inc. He is also on the board of Trustees at the University of Louisiana-Monroe foundation, a member of the Human Resources Roundtable Group, the Pharmaceutical Human Resource Council, the Personnel Round Table, and on the Employee Relations Steering Committee for The Business Round Table.

George Cardoza – Chief Financial Officer

Mr. Cardoza has served as Chief Financial Officer since November 2009. Prior to that from March 2008 to November 2009, Mr. Cardoza served as the Chief Financial Officer of Protocol Global Solutions, Inc., a privately held international marketing company. Mr. Cardoza also served as the Controller of Protocol Global Solutions from March 2006 to March 2008. From April 1991 to March 2006, Mr. Cardoza was employed by Quest Diagnostics Inc., a diagnostic testing, information and services company, in a number of positions, including the position of Controller—Central Region from 2001 to March 2006. At Quest Mr. Cardoza was responsible for overseeing all the

financial operations of the Central Region, which had sales of over \$1.2 billion in 2006. Prior to his time with Quest, he worked for Sony Music Entertainment Inc. and the Continental Grain Company in various financial roles. Mr. Cardoza received his B.S. from Syracuse University in finance and accounting and has received his M.B.A. from Michigan State University.

Jack G. Spitz – Vice President of Laboratory Operations

Mr. Spitz has served as Vice President of Laboratory Operations since December 2009. Prior to that Mr. Spitz most recently served as Executive Director of Operations for DermPath Diagnostics, a division of Quest Diagnostics, and formerly a division of Ameripath, Inc., where he was responsible for running operations of five (5) dermatopathology laboratories across the Southeast United States. Prior to joining Ameripath in 2006, Mr. Spitz was employed by Genova Diagnostics, an international esoteric clinical laboratory, as Director of Laboratory Operations from 2000 to 2006. While at Genova Diagnostics, in addition to operational responsibilities, Mr. Spitz was also involved in many R&D projects, including ground up development of a genetic testing laboratory and he was responsible for the transition of tests from R&D to operations. Mr. Spitz received a B.A. degree in Pharmacy from the Medical University of South Carolina and a B.A. degree in Microbiology from the University of South Florida.

Grant Carlson – Vice President of Sales and Marketing

Mr. Carlson has served as Vice President of Sales and Marketing since July 2009. Mr. Carlson had previously served as a consultant to the Company since December 2008. Prior to that Mr. Carlson served as the President and Chief Executive Officer of Calgenex Corporation, a nutraceutical company which he co-founded, from March 2006 to June 2008. From April 2004 to February 2006, Mr. Carlson served as President and Chief Operating Officer of Nanobac Pharmaceuticals Incorporated, a pharmaceutical and diagnostic company. Mr. Carlson served as Vice President, Marketing and Business Development of Agilix Corporation, a functional genomics company, from April 2001 to April 2004. From January 1989 to April 2001, Mr. Carlson was employed by Dianon Systems, Inc., an anatomic pathology laboratory, lastly in the position of Vice President, Marketing & Business Development. Mr. Carlson received a B.S. degree in Kinesiology from the University of California, Los Angeles.

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

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

Jerome J. Dvnoch – Director of Finance, Principal Accounting Officer

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

Nomination Criteria

Members of our board of directors were nominated to serve as directors based on reasons that included among others, their experience in health related businesses or their business acumen as described above in their biographies.

Audit Committee

Currently, the Audit Committee of the Board of Directors is comprised of Mr. Petersen and Mr. O’Leary. Neither Mr. Petersen nor Mr. O’Leary are considered to be “independent” pursuant to NASDAQ Listing Rule 5605.

Compensation Committee

The Compensation Committee is comprised of Mr. Robison, Mr. Jones, and Dr. Dent. Mr. Jones and Dr. Dent are not considered “independent” as that term is defined by NASDAQ Listing Rule 5605.

Compliance Committee

The Compliance Committee is comprised of Mr. Jones and Dr. Jaffe. Mr. Jones and Dr. Jaffe are not considered “independent” as that term is defined by NASDAQ Listing Rule 5605. Mr. Jones is the chair of the compliance committee.

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Independent Directors

Mr. O’Leary and Mr. Robinson are considered to be “independent” as that term is defined by NASDAQ Listing Rule 5605.

Executive Compensation

Summary Compensation Table

The following Summary Compensation Table sets forth all compensation earned and accrued, in all capacities, during the fiscal years ended December 31, 2009 and 2008, by our Named Executive Officers.

Name and Principal Position	Year	Salary	Bonus	Stock Award	Option Award(1)	Non-Equity Incentive Plan Compensation	Non-qualified Deferred Compensation Earnings	Other Compensation	Total
Douglas VanOort (3) Chief Executive Officer and Chairman of the Board	2009	\$ 218,846	\$ 37,500	\$ -	\$ 203,479	\$ -	\$ -	\$ -	\$ 459,825
R o b e r t P . Gasparini President and Chief Science Officer	2009	\$ 249,968	\$ 20,000	\$ -	\$ 72,372	\$ -	\$ -	\$ -	\$ 342,340
	2008	\$ 235,872	\$ 35,000	\$ -	\$ 89,985	\$ -	\$ -	\$ -	\$ 360,857
Grant Carlson(2) V.P. of Sales and Marketing	2009	\$ 97,569	\$ 12,000	\$ -	\$ 23,570	\$ -	\$ -	\$ 110,802	\$ 243,941
	2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,517	\$ 17,517

(1) See Item 8, Note F for a description on the valuation methodology of stock option awards and warrants. Mr. VanOort was granted warrants to purchase 625,000 shares of common stock and the stock compensation expense related to these warrants has been included in option awards.

(2) Mr. Carlson acted as a consultant to the Company from December 2008 until his hire date in July 2010 and received \$105,102 for those services and he also received a \$4,200 car allowance and a \$1,500 cell phone allowance.

(3) Mr. VanOort began in March 2009 as Executive Chairman and Interim Chief Executive Officer and began as full time Chief Executive Officer in October 2009.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information with respect to outstanding equity awards held by our named executive officers as of December 31, 2009.

Name and Principal Position	Option Awards		Equity Incentive Plan Awards-		
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Un- exercisable	Number of Securities Underlying Unexercised & Unearned Options	Option Exercise Price	Option Expiration Date
Doug VanOort Chief Executive Officer and Chairman of the Board of Directors	200,000	800,000(1)	-	\$ 0.80	3/15/2016
Robert P. Gasparini President and Chief Science Officer	575,000 100,000 292,000 50,000	- - 292,000(2)(3) 100,000(3)	175,000 150,000 200,000 50,000	0.25 1.47 0.80 0.62	1/1/2015 2/13/2017 3/12/2015 2/9/2019
Grant Carlson V.P. of Sales and Marketing	18,750	131,250(1)	-	1.32	7/22/2014

(1) Please see Note G of the consolidated financial statements for a vesting detail.

(2) 288,000 of the options are time-based and vest monthly from January 2009 through December 2011; the remaining 300,000 options have annual performance measures that are tied to each of the next three years.

(3) Relates to a cancelation of certain performance options which resulted in a new option grant of performance options.

Director Compensation

Each of our non-employee directors is entitled to receive cash compensation. As of December 31, 2009 the reimbursement was as follows:

- \$1,000 for each board meeting physically attended
- \$500 for each board meeting attended via conference call
- \$5,000 for each calendar quarter served as director
- \$150 per hour for all hours worked as part of any committee

We also reimburse our directors for out of pocket expenses incurred in connection with attendance at board and committee meetings. The following table provides information concerning the compensation of our directors for the year ended December 31, 2009.

Name	Fees Earned or Paid in Cash	Stock Awards	Warrant/Option Awards(1)	Nonqualified Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Michael T. Dent (2)	\$ 27,800	\$ -	\$ 17,000	\$ -	\$ -	\$ -	\$ 44,800
Steven Jones (2)	26,600	-	17,000	-	-	199,600	243,200
George O'Leary (2)	30,350	-	17,000	-	-	60,200	107,550
Peter Peterson (2)	26,800	-	17,000	-	-	-	43,800
William Robison (3)	31,918	-	17,000	-	-	-	48,918
Marvin Jaffe (3)	26,100	-	17,000	-	-	-	43,100

(1) On June 6, 2007, upon the conclusion of the private placement and sale of 2.67 million shares of our stock at \$1.50/share to disinterested third parties, the board approved certain warrant compensation for each director as an additional incentive to the nominal per meeting fees in place. From the inception of the Company up until this time, no stock-based compensation had ever been awarded to directors. All warrants issued to directors had a strike price equal to the private placement price per share (\$1.50/share), a five year term and a three year vesting period. For those directors who had been a director for at least two years as of the date of the award, 25% of the warrants issued were deemed to have vested upon issue. All of the remaining warrants were deemed to vest ratably over a 36 month period. All of the warrants issued were valued using the Black Scholes option/warrant valuation model with the following assumptions: expected volatility – 35%, expected life – 4 years, risk-free rate – 4.5%, and dividend yield – 0%. The Company is expensing the value of these warrants over the vesting period pursuant to the methodology outlined in SFAS 123(R). Pursuant to Regulation SB, Item 402, Paragraph (f)(2)(iii), amounts indicated are the amounts expensed for such warrants under SFAS 123 (R) for the year ended December 31, 2008.

(2) Awarded on June 6, 2007 a warrant to purchase 100,000 shares of common stock as board member compensation. Such warrants were valued at \$51,000 using the Black-Scholes option/warrant valuation model.

(3) Awarded on June 6, 2007 a warrant to purchase 75,000 shares of common stock as board member compensation on June 6, 2007. Such warrants were valued at \$38,000 using the Black-Scholes option/warrant valuation model.

- (4) Other compensation for Mr. Jones reflects his consulting compensation for serving as our Executive Vice President of Finance and Acting Principal Financial Officer.
- (5) In addition to Mr. O'Leary's Board compensation warrants, Mr. O'Leary was also awarded 100,000 warrants on March 15, 2007 in connection with certain consulting services performed on behalf of the Company. Such warrants have a strike price of \$1.49/share and a five year term. Half of such warrants were deemed vested up front and the remaining half vest ratably over a 24 month period. Such warrants had a value of \$36,000 using the Black Scholes option/warrant valuation model.

Employment Agreements

Please see Note G of the financial statements for disclosures with respect to the employment agreements and offer letters, if applicable, to which certain of the named executive officers described in the above Summary Compensation Table are subject.

Securities Authorized for Issuance Under Equity Compensation Plans (a)

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders:			
Amended and Restated Equity Incentive Plan ("Equity Incentive Plan")	4,861,653	\$ 0.85	1,039,299(d)
Employee Stock Purchase Plan ("ESPP")	-	N/A	275,356
Equity compensation plans not approved by security holders	975,000(b,c)	\$ 0.96	-
Total	5,836,653	\$ 0.87	

(a)

As of December 31, 2009.

- (b) Includes an outstanding option to purchase 350,000 shares of common stock granted to Robert P. Gasparini, our President and Chief Science Officer, outside the Company's Equity Incentive Plan on March 12, 2008. The options have an exercise price of \$0.80 per share and vests based on the achievement of certain performance milestones. In the event of a change of control of the Company, all unvested portions of the option will vest in full. Unless sooner terminated pursuant to the terms of the stock option agreement, the option will terminate on March 12, 2015.
- (c) Includes outstanding warrants to purchase 625,000 shares of common stock at an exercise price of \$1.05 per share granted to Doug VanOort on March 16, 2009. The warrants vest based on the achievement of certain performance milestones. In the event of a change of control of the Company with a share price in excess of \$4.00 per share, all unvested warrants will vest immediately. Unless sooner terminated pursuant to the terms of the warrant agreement, the warrants will terminate on March 15, 2014.
- (d) The Company's Equity Incentive Plan was amended and restated on March 3, 2009, and subsequently approved by shareholders holding a majority of the shares outstanding, to allow for the issuance of an aggregate of up to 6,500,000 shares under the plan.

Currently, the Company's Equity Incentive Plan, as amended and restated on October 31, 2006 and again amended and restated on March 3, 2009, and the Company's ESPP, dated October 31, 2006, are the only equity compensation plans in effect.

PRINCIPAL STOCKHOLDERS

The following table sets forth information as of April 27, 2010, with respect to each person known by the Company to own beneficially more than 5% of the Company's outstanding common stock, each director and officer of the Company and all directors and executive officers of the Company as a group. The Company has no other class of equity securities outstanding other than common stock.

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Title of Class	Name And Address Of Beneficial Owner	Amount and Nature Of Beneficial Ownership (1)	Percent Of Class(1)
Common	Aspen Select Healthcare, LP (2) 1740 Persimmon Drive, Suite 100 Naples, Florida 34109	11,666,155	28.9%
Common	Steven C. Jones (3) c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	12,786,362	31.4%
Common	Michael T. Dent, M.D. (4) c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	2,489,162	6.6%
Common	Douglas M. VanOort (5) c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	1,199,000	3.2%
Common	Robert P. Gasparini (6) c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	1,186,275	3.1%
Common	George O'Leary (7) c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	200,000	*
Common	Peter M. Peterson (8) c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	11,978,900	29.6%
Common	William J. Robison (9) c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	144,713	*
Common	Marvin E. Jaffe, M.D. (10) c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	96,429	*
Common	George Cardoza (11) c/o NeoGenomics, Inc.	9,000	*

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	12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193		
Common	Grant Carlson (12) c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	24,850	*
Common	Matthew W. Moore (13) c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	76,875	*
Common	Jack G. Spitz c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	-	*
Common	Jerome J. Dvonch (14) c/o NeoGenomics, Inc. 12701 Commonwealth Blvd, Suite 5 Fort Myers, FL 33193	165,167	-
Common	Directors and Officers as a Group (13 persons) (15)	18,477,833	42.3%
Common	Abbott Laboratories (16) 100 Abbott Park Road Dept. 322, Bldg. AP6A-2 Abbott Park, Illinois 60064-6049	3,500,000	9.4%
Common	SKL Family Limited Partnership (17) 984 Oyster Court Sanibel, FL 33957	2,900,000	7.6%
Common	1837 Partners, LP., 1837 Partners, QP,LP., and 1837 Partner Ltd. (1837 RMB Managers, LLC) (18) 115 South LaSalle St., 34th Floor Chicago, IL 60603	3,481,175	9.3%
Common	Blair R. Haarlow (19) c/o RMB Capital 115 South LaSalle St., 34th Floor Chicago, IL 60603	3,927,585	10.5%
Common	Francis Tuite (20) c/o RMB Capital 115 South LaSalle St., 34th Floor Chicago, IL 60603	3,524,175	9.5%

* Less than one percent (1%)

- (1) The number and percentage of shares beneficially owned are determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rule, beneficial ownership includes any shares over which the individual or entity has voting power or investment power and any shares of common stock that the individual has the right to acquire within 60 days of April 27, 2010, through the exercise of any stock option or other right. As of April 27, 2010, 37,278,667 shares of the Company's common stock were outstanding.
- (2) Aspen Select Healthcare, LP (Aspen) has direct ownership of 5,905,279 shares and has certain warrants to purchase 3,050,000 shares, all of which are exercisable within 60 days of April 27, 2010. Also includes 2,710,876 shares to which Aspen has received a voting proxy. The general partner of Aspen is Medical Venture Partners, LLC, an entity controlled by Steven C. Jones and Peter M. Peterson.
- (3) Steven C. Jones, Executive Vice President - Finance and director of the Company, has direct ownership of 391,164 shares and warrants exercisable within 60 days of April 27, 2010 to purchase an additional 127,298 shares. Totals for Mr. Jones also include (i) 129,412 shares owned by Aspen Opportunity Fund, LP, an investment partnership that Mr. Jones and Mr. Peterson control, (ii) 107,143 shares owned by Jones Network, LP, a family limited partnership that Mr. Jones controls, (iii) warrants exercisable within 60 days of April 27, 2010 to purchase 250,000 shares, that are owned by Aspen Capital Advisors, LLC, a company that Mr. Jones controls, (iv) warrants exercisable within 60 days of April 27, 2010 to purchase 83,333 shares that are owned by Gulf Pointe Capital, LLC, a company that Mr. Jones and Mr. Peterson control, and (v) 31,857 shares held in certain individual retirement and custodial accounts. In addition, as a managing member of the general partner of Aspen, he has the right to vote all shares controlled by Aspen, thus all Aspen shares and currently exercisable warrants have been added to his total (see Note 2).

- (4) Michael T. Dent, M.D. is a director of the Company. Dr. Dent's beneficial ownership includes (i) 900,000 shares held in the Mary S. Dent Gifting Trust (of which Dr. Dent and his attorney are the sole trustees), (ii) warrants and options exercisable within sixty days of April 27, 2010 to purchase 572,992 shares, and (iii) 1,016,170 shares owned directly by Dr. Dent's spouse, Mary S. Dent.
- (5) Douglas M. VanOort, the Chairman and CEO of the Company, has direct ownership of (i) 636,500 shares, (ii) warrants exercisable within 60 days of April 27, 2010 to purchase 125,000 shares of stock, and (iii) options exercisable within sixty days of April 27, 2010 to purchase 437,500 shares.
- (6) Robert P. Gasparini, President of the Company, has direct ownership of 145,275 shares and options exercisable within 60 days of April 27, 2010 to purchase 1,041,000 shares.
- (7) George O'Leary, a director of the Company, has direct ownership of warrants exercisable within 60 days of April 27, 2010 to purchase 200,000 shares.
- (8) Peter M. Peterson, a director of the Company, has direct ownership of warrants exercisable within 60 days of April 27, 2010 to purchase 100,000 shares. In addition, as a managing member of the general partner of Aspen, he has the right to vote all shares controlled by Aspen, thus all Aspen shares and currently exercisable warrants have been added to his total (see Note 2). Mr. Peterson's beneficial ownership also includes (i) warrants exercisable within 60 days of April 27, 2010 to purchase an additional 83,333 shares that are owned by Gulf Pointe Capital, LLC, a company that Mr. Jones and Mr. Peterson control, and (ii) 129,412 shares owned by Aspen Opportunity Fund, LP, an investment partnership that Mr. Jones and Mr. Peterson control.
- (9) William J. Robison, a director of the Company, has direct ownership of 69,713 shares and warrants exercisable within 60 days of April 27, 2010 to purchase 75,000 shares.
- (10) Marvin E. Jaffe, M.D., a director of the Company, has direct ownership of 21,429 shares and warrants exercisable within 60 days of April 27, 2010 to purchase 75,000 shares.
- (11) George Cardoza, Chief Financial Officer, has direct ownership of 9,000 shares.
- (12) Grant Carlson, Vice President of Sales and Marketing, has direct ownership of 6,100 shares and options exercisable within 60 days of April 27, 2010 to purchase 18,750 shares.
- (13) Matthew W. Moore, Vice President of Research and Development, has options exercisable within 60 days of April 27, 2010 to purchase 76,875 shares.
- (14) Jerome J. Dvovich, Principal Accounting Officer, has options exercisable within 60 days of April 27, 2010 to purchase 165,167 shares.
- (15) The total number of shares listed does not double count the shares that may be beneficially attributable to more than one person.
- (16) Abbott Laboratories has direct ownership of 3,500,000 share.
- (17) SKL Family Limited Partnership has direct ownership of 2,000,000 shares and warrants exercisable within 60 days of April 27, 2010 to purchase 900,000 shares. The general partners of the SKL Family Limited Partnership are the Kent Logan Irrevocable Trust u/t/d 2/6/2008 and the Lance Logan Irrevocable Trust u/t/d 2/6/2008, with Kent Logan and Lance Logan as co-trustees of each trust.

- (18) 1837 RMB Managers, LLC and its affiliates have direct ownership of 3,481,175 shares. 1837 RMB Managers, LLC acts as the general partner and makes all the investment decisions for 1837 Partners LP., 1837 Partners QP, LP and 1837 Partners LTD who own the shares listed.
- (19) Blair R. Haarlow has direct ownership of 80,500 shares and controls certain trusts which own 365,910 shares. In addition, as a managing member of 1837 RMB Managers, LLC, he has the right to vote all shares controlled by 1837 RMB Managers, thus all shares owned or controlled by 1837 RMB Managers, LLC have been added to his total (see Note 18).
- (20) Frances E. Tuite has direct ownership of 43,000 shares. In addition, as a managing member of 1837 RMB Managers, LLC, she has the right to vote all shares controlled by 1837 RMB Managers, thus all shares owned or controlled by 1837 RMB Managers, LLC have been added to her total (see Note 18).

MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND OTHER STOCKHOLDER MATTERS

Our common stock is quoted on the OTC Bulletin Board under the symbol "NGNM". Set forth below is a table summarizing the high and low bid quotations for our common stock during the last two fiscal years.

	HIGH BID	LOW BID
1st Quarter 2010	\$ 1.70	\$ 1.15
4th Quarter 2009	\$ 1.80	\$ 1.41
3rd Quarter 2009	\$ 2.25	\$ 1.32
2nd Quarter 2009	\$ 1.49	\$ 0.92
1st Quarter 2009	\$ 1.19	\$ 0.56
4th Quarter 2008	\$ 1.05	\$ 0.56
3rd Quarter 2008	\$ 1.15	\$ 0.83
2nd Quarter 2008	\$ 1.35	\$ 0.86
1st Quarter 2008	\$ 1.15	\$ 0.72

The above table is based on over-the-counter quotations. These quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions, and may not necessarily represent actual transactions. All historical data was obtained from the www.NASDAQ.com web site. As of April 27, 2010, the last reported price of our common was \$1.42 per share.

As of April 27, 2010, there were 503 stockholders of record of our common stock, excluding stockholders who hold their shares in brokerage accounts in "street name". Of the 37,278,667 shares of common stock outstanding as of April 27, 2010, 26,842,462 shares are freely tradable without restriction, unless held by our "affiliates". The remaining 10,436,205 shares of our common stock which are held by existing stockholders, including the officers and directors, are "restricted securities" and may be resold in the public market only if registered or pursuant to an exemption from registration. Some of these shares may be resold under Rule 144.

Dividend Policy

We have never declared or paid cash dividends on our common stock. We intend to retain all future earnings to finance future growth and therefore, do not anticipate paying any cash dividends in the foreseeable future. In addition, certain financing agreements entered into by the Company may limit our ability to pay dividends in the future.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Consulting Agreements

During 2009, 2008 and 2007, Steven C. Jones, a director of the Company and Executive Vice President of Finance, earned \$199,600, \$176,300 and \$128,000, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance and Acting Principal Financial Officer.

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

During 2009, 2008 and 2007, George O'Leary, a director of the Company, earned \$60,200, \$22,200 and \$9,500, respectively, in cash for various consulting work performed for the Company. On May 13, 2005, Mr. O'Leary received 100,000 warrants to purchase common stock in connection with consulting work performed for the Company. Such warrants had an exercise price of \$0.25 per share and a five year term. On January 18, 2006, Mr. O'Leary received 50,000 stock options for work performed for the benefit of the Company. The stock options had an exercise price of \$0.26 per/share. On March, 15, 2007, Mr. O'Leary received 100,000 warrants for certain consulting services performed for the Company. These warrants had an exercise price of \$1.49 per share and a five year term. Half of the warrants were deemed vested on issuance and the other half vested ratably over a 24 month period. During 2009, Mr. O'Leary exercised the 100,000 warrants issued in May 2005 and the 50,000 stock options issued in January 2006 in a cash-less exercise per the terms of the agreements. The Company issued 85,030 and 42,215 shares to settle these exercises, respectively.

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

On June 6, 2007, we issued to the six non-employee director's of our board of directors a total of 550,000 warrants. Such warrants had an exercise price of \$1.50/share with three year vesting and a five year final term. These warrants were valued at approximately \$280,000 on the date of issuance using the Black-Scholes option pricing model and our being expensed over the vesting period. These warrants expire in June 2012.

Laboratory Information System

On March 11, 2005, we entered into an agreement with HCSS, LLC and eTelenext, Inc. to enable NeoGenomics to use eTelenext, Inc's Accessioning Application, AP Anywhere Application and CMQ Application. HCSS, LLC is a holding company created to build a small laboratory network for the 50 small commercial genetics laboratories in the United States. HCSS, LLC is owned 66.7% by Dr. Michael T. Dent, a member of our Board of Directors. George O'Leary, a member of our board of directors is Chief Financial Officer of HCSS, LLC.

On June 18, 2009, we entered into a Software Development, License and Support Agreement with HCSS, LLC and eTelenext, Inc. to upgrade the Company's laboratory information system to APvX. . The estimated costs for the development and migration phase are anticipated to be approximately \$75,000 and are expected to be completed in April 2010. This agreement has an initial term of 5 years from the date of acceptance and calls for monthly fees of \$8,000-\$12,000 during the term. During the years ended December 31, 2009, 2008 and 2007, HCSS earned approximately \$87,675, \$99,900 and approximately \$77,000, respectively, for transaction fees related to completed tests.

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

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

Gulf Pointe Capital Lease Agreement

On September 30, 2008, we entered into a master lease agreement (the “Master Lease”) with Gulf Pointe Capital, LLC (“Gulf Pointe”) which provided for \$130,000 of lease financing after it was determined that the lease facility with Leasing Technologies International, Inc. would not allow for the leasing of certain used and other types of equipment. Three members of our Board of Directors, Steven Jones, Peter Petersen and Marvin Jaffe, are affiliated with Gulf Pointe and recused themselves from both sides of all negotiations concerning this transaction. The terms under this lease are consistent with the terms of our other lease arrangements and provided for the sale/leaseback of approximately \$130,000 of used laboratory equipment. The lease has a 30 month term and a lease rate factor of 0.0397/month, which equates to monthly payments of \$5,155 during the term. In consideration for entering into the Master Lease, the Company issued 32,475 common stock warrants to Gulf Pointe with an exercise price of \$1.08 and a five year term. The warrants were valued at approximately \$11,000 using the Black-Scholes option pricing model. At the end of the lease term, the Company’s options are as follows: (a) purchase not less than all of the equipment for its then fair market value, not to exceed 15% of the original equipment cost, (b) extend the lease term for a minimum of six months, or (c) return not less than all the equipment at the conclusion of the lease term.

On February 9, 2009, we amended our Master Lease with GulfPointe to increase the maximum size of the facility to \$250,000 and entered into a second schedule under the Master Lease for the sale/leaseback of approximately \$118,000 of used laboratory equipment. This second lease has a 30 month term at the same lease rate factor per month as the first lease, which equates to monthly payments of \$4,690 during the term. As part of this amendment, we terminated the original warrant agreement dated September 30, 2008 and replaced it with a new warrant to purchase 83,333 shares of our common stock. Such new warrants have a five year term, an exercise price of \$0.75 per share and the same vesting schedule as the original warrants. The replacement warrants were valued using the Black-Scholes option pricing model and the value did not materially differ from the valuation of the original warrants they replaced.

Share Purchase by the Douglas M. VanOort Living Trust

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

On March 16, 2009, the Company and Mr. VanOort entered into a Warrant Agreement (the “Warrant Agreement”) pursuant to which Mr. VanOort, subject to the vesting schedule described below, may purchase up to 625,000 shares of the Company’s common stock at an exercise price of \$1.05 per share (the “Warrant Shares”). These warrants had an aggregate fair value of \$160,267. The Warrant Shares vest based on the following vesting schedule:

- (i) 20% of the Warrant Shares vest immediately,
- (ii) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company’s common stock has reached or exceeded \$3.00 per share for 20 consecutive trading days,
- (iii) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company’s common stock has reached or exceeded \$4.00 per share for 20 consecutive trading days,
- (iv) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company’s common stock has reached or exceeded \$5.00 per share for 20 consecutive trading days and
- (v)

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

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

DESCRIPTION OF CAPITAL STOCK

Common Stock

We are authorized to issue 100,000,000 shares of common stock, par value \$0.001 per share, of which 37,278,667 shares were issued and outstanding as of April 27, 2010.

The securities being offered hereby are common stock. The outstanding shares of our common stock are fully paid and non-assessable. The holders of common stock are entitled to one vote per share for the election of directors and with respect to all other matters submitted to a vote of stockholders. Shares of our common stock do not have cumulative voting rights, which means that the holders of more than 50% of such shares voting for the election of directors can elect 100% of the directors if they choose to do so. Our common stock does not have preemptive rights, meaning that the common stockholders' ownership interest in the Company would be diluted if additional shares of common stock are subsequently issued and the existing stockholders are not granted the right, at the discretion of the Board of Directors, to maintain their ownership interest in our Company.

Upon liquidation, dissolution or winding-up of the Company, our assets, after the payment of debts and liabilities and any liquidation preferences of, and unpaid dividends on, any class of preferred stock then outstanding, will be distributed pro-rata to the holders of our common stock. The holders of our common stock do not have preemptive or conversion rights to subscribe for any of our securities and have no right to require us to redeem or purchase their shares. The holders of common stock are entitled to share equally in dividends, if, as and when declared by our Board of Directors, out of funds legally available therefore, subject to the priorities given to any class of preferred stock which may be issued.

Preferred Stock

We are authorized to issue 10,000,000 shares of preferred stock, par value \$0.001 per share (the "Preferred Stock"). Preferred Stock may be issued from time to time in one or more series. The Board of Directors is authorized to fix or alter the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, the liquidation preferences of any wholly unissued series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding and which the Company may be obligated to issue under options, warrants or other contractual commitments. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series. As of April 27, 2010, no such shares had been designated.

Warrants

As of April 27, 2010, warrants to purchase 5,891,750 shares of our common stock were outstanding, 5,391,750 of which were vested. The exercise prices of these warrants range from \$0.26 to \$1.50 per share.

Options

As of April 27, 2010, options to purchase 5,017,336 shares of our common stock were outstanding. The exercise prices of these options range from \$0.16 to \$1.82 per share.

Transfer Agent

The Company's transfer agent is Standard Registrar & Transfer Company located at 12528 South 1840 East Draper, Utah, 84020. The transfer agent's telephone number is (801) 571-8844.

Reports To Stockholders

We file an annual report on Form 10-K with the Securities Exchange Commission each year which describes the nature and scope of our business and operations for the prior year and contains a copy of our audited financial statements for the most recent fiscal year.

Indemnification Of Directors And Executive Officers And Limitation On Liability

The Company's Articles of Incorporation provide that no director or officer of the Company shall be personally liable to the Company or any of its stockholders for damages for breach of fiduciary duty as a director or officer of for any act or omission of any such director or officer; however such indemnification shall not eliminate or limit the liability of a director or officer for (a) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law or (b) the payment of dividends in violation of Section 78.300 of the Nevada Revised Statutes. The Company's Amended and Restated Bylaws (the "Bylaws") provide that any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer, employee or agent of the Company (or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) shall be indemnified and held harmless by the Company to the fullest extent permitted by Nevada law against expenses including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such proceeding.

The Bylaws also provide that the Company must indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against costs incurred by such person in connection with the defense or settlement of such action or suit. Such indemnification may not be made for any claim, issue or matter as to which such person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals, to be liable to the Company or for amounts paid in settlement to the Company, unless and only to the extent that the court determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

The Bylaws provide that the Company must pay the costs incurred by any person entitled to indemnification in defending a proceeding as such costs are incurred and in advance of the final disposition of a proceeding; provided however, that the Company must pay such costs only upon receipt of an undertaking by or on behalf of such person to repay the amount if it is ultimately determined by a court of competent jurisdiction that such person is not entitled to be indemnified by the Company.

The Bylaws provide that the Company may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise in accordance with Section 78.752 of the Nevada Revised Statutes.

Nevada Revised Statutes 78.751 and 78.7502 have similar provisions that provide for discretionary and mandatory indemnification of officers, directors, employees, and agents of a corporation. Under these provisions, such persons may be indemnified by a corporation against expenses, including attorney's fees, judgment, fines and amounts paid in settlement, actually and reasonably incurred by him in connection with the action, suit or proceeding, if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation and with respect to any criminal action or proceeding had no reasonable cause to believe his conduct was unlawful.

To the extent that a director, officer, employee or agent has been successful on the merits or otherwise in defense of any action, suit or proceeding, or in defense of any claim, issue or matter, the Nevada Revised Statutes provide that he must be indemnified by the Company against expenses, including attorney's fees, actually and reasonably incurred by him in connection with the defense.

Section 78.751 of the Nevada Revised Statutes also provides that any discretionary indemnification, unless ordered by a court or advanced by the Company, must be made only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made:

- By the stockholders;
- By the Company's Board of Directors by majority vote of a quorum consisting of directors who were not parties to that act, suit or proceeding;
- If a majority vote of a quorum consisting of directors who were not parties to the act, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion; or

- If a quorum consisting of directors who were not parties to the act, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

Insofar as indemnification for liabilities arising under the Securities Act, as amended, may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person connected with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

LEGAL MATTERS

The validity of the shares offered hereby has been opined on for us by Burton, Bartlett & Glogovac.

EXPERTS

Our consolidated financial statements as of December 31, 2009 and 2008 and for the years then ended included or referred to in this prospectus have been audited by Kingery & Crouse, P.A., independent registered public accountants, and are included in this prospectus in reliance on this firm as experts in accounting and auditing.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the securities offered by this prospectus. This prospectus, which forms a part of the registration statement, does not contain all the information set forth in the registration statement, as permitted by the rules and regulations of the SEC. For further information with respect to us and the securities offered by this prospectus, reference is made to the registration statement.

Statements contained in this prospectus as to the contents of any contract or other document that we have filed as an exhibit to the registration statement are qualified in their entirety by reference to the exhibits for a complete statement of their terms and conditions.

We file annual, quarterly and current reports and other information with the SEC. Such reports, the registration statement and other information may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 on official business days during the hours of 10 a.m. to 3 p.m. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

CONSOLIDATED FINANCIAL STATEMENTS OF NEOGENOMICS, INC.

CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2010	PAGE
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NEOGENOMICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2010 (unaudited)	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,661	\$ 1,631
Restricted cash	1,000	1,000
Accounts receivable (net of allowance for doubtful accounts of \$695 and \$589, respectively)	5,492	4,632
Inventories	582	602
Other current assets	515	655
Total current assets	9,250	8,520
PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$3,202 and \$2,787 respectively)	4,882	4,340
OTHER ASSETS	86	85
TOTAL ASSETS	\$ 14,218	\$ 12,945
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,762	\$ 1,969
Accrued compensation	1,007	1,308
Accrued expenses and other liabilities	439	465
Short-term portion of equipment capital leases	1,823	1,482
Revolving credit line	2,453	552
Total current liabilities	7,484	5,776
LONG TERM LIABILITIES		
Long-term portion of equipment capital leases	1,631	1,526
TOTAL LIABILITIES	9,115	7,302
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, \$.001 par value, (100,000,000 shares authorized; 37,270,055 and 37,185,078 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively)	37	37
Additional paid-in capital	23,972	23,762
Accumulated deficit	(18,906)	(18,156)
Total stockholders' equity	5,103	5,643

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	14,218	\$	12,945
See notes to unaudited condensed consolidated financial statements.				

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

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

See notes to unaudited condensed consolidated financial statements.

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

For the Three Months Ended
March 31,
2010 2009

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

See notes to unaudited condensed consolidated financial statements.

NEOGENOMICS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2010

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

Nature of Business

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

Basis of Presentation

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

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

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

Use of Estimates

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

Revenue Recognition

The Company recognizes revenues in accordance with the Securities and Exchange Commission’s (the “Commission”) Staff Accounting Bulletin Topic 13.A.1 (ASC 605-10-S99-1)No. 104, “Revenue Recognition”, when (a) the price is fixed or determinable, (b) persuasive evidence of an arrangement exists, (c) the service is performed and (d) collectability of the resulting receivable is reasonably assured.

The Company’s specialized diagnostic services are performed based on a written test requisition form and revenues are recognized once the diagnostic services have been performed, the results have been delivered to the ordering physician, the payor has been identified and eligibility and insurance have been verified. These diagnostic services are billed to various payors, including Medicare, commercial insurance companies, other directly billed healthcare

institutions such as hospitals and clinics, and individuals. The Company reports revenues from contracted payors, including Medicare, certain insurance companies and certain healthcare institutions, based on the contractual rate, or in the case of Medicare, published fee schedules. The Company reports revenues from non-contracted payors, including certain insurance companies and individuals, based on the amount expected to be collected. The difference between the amount billed and the amount expected to be collected from non-contracted payors is recorded as a contractual allowance to arrive at the reported revenues. The expected revenues from non-contracted payors are based on the historical collection experience of each payor or payor group, as appropriate. In each reporting period, the Company reviews its historical collection experience for non-contracted payors and adjusts its expected revenues for current and subsequent periods accordingly. As a result of the economic climate in the United States, we have used shorter and more current time horizons in analyzing historical experience.

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NEOGENOMICS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2010

Accounts Receivable and Allowance for Doubtful Accounts

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

Stock-Based Compensation

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

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

Net Income (Loss) Per Common Share

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

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

NEOGENOMICS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2010

NOTE B — REVOLVING CREDIT AND SECURITY AGREEMENT

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

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

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

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

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

On March 26, 2010, we entered into an amendment (the “Third Amendment”) to the credit facility agreement with CapitalSource for which we paid CapitalSource an amendment fee of \$25,000 which was creditable against the commitment fee for our amended and restated Credit Agreement signed on April 26, 2010. The Third Amendment waived events of default relating to our failure to comply with the Fixed Charge Coverage Ratio for the Test Periods ended January 31, 2010 and February 28, 2010. The Third Amendment also revised the Fixed Charge Coverage Ratio calculation for the Test Period ending March 31, 2010 to permit us to add amounts of unrestricted cash, unrestricted cash equivalents and unused availability to Adjusted EBITDA for purposes of the test. For each monthly Test Period after March 31, 2010, the calculation of the Fixed Charge Coverage Ratio will revert to Adjusted EBITDA, without adjustment for such amounts. We were in compliance with our covenants for the period ended March 31, 2010.

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

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NEOGENOMICS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2010

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

NOTE C — COMMON STOCK PURCHASE AGREEMENT

On November 5, 2008, we entered into a common stock purchase agreement (the “Stock Agreement”) with Fusion Capital Fund II, LLC an Illinois limited liability company (“Fusion”). The Stock Agreement, which has a term of 30 months, provides for the future funding of up to \$8.0 million from sales of our common stock to Fusion on a when and if needed basis as determined by us in our sole discretion. In consideration for entering into this Stock Agreement, on October 10, 2008, we issued to Fusion 17,500 shares of our common stock (valued at \$14,700 on the date of issuance) and paid \$17,500 as a due diligence expense reimbursement. In addition, on November 5, 2008, we issued to Fusion 400,000 shares of our common stock (valued at \$288,000 on the date of issuance) as a commitment fee. Concurrently with entering into the Stock Agreement, we entered into a registration rights agreement with Fusion. Under the registration rights agreement, we agreed to file a registration statement with the SEC covering the 417,500 shares that have already been issued to Fusion and at least 3.0 million shares that may be issued to Fusion under the Stock Agreement. Presently, we expect to sell no more than the initial 3.0 million shares to Fusion during the term of this Stock Agreement. The Company filed a registration statement on Form S-1 on November 28, 2008 and on February 5, 2009 the registration statement became effective and on April 28, 2009, we filed Post Effective Amendment No 1 to the registration statement which became effective on May 8, 2009.

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

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

NOTE D — CAPITAL LEASE TRANSACTIONS

Wells Fargo Lease Agreement

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

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

SunTrust Lease Agreement

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

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NEOGENOMICS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2010

NOTE E — RELATED PARTY TRANSACTIONS

Consulting Agreements

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

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

Laboratory Information System

On March 11, 2005, we entered into an agreement with HCSS, LLC and eTelenext, Inc. to enable NeoGenomics to use eTelenext, Inc’s Accessioning Application, AP Anywhere Application and CMQ Application. HCSS, LLC is a holding company created to build a small laboratory network for the 50 small commercial genetics laboratories in the United States. HCSS, LLC is owned 66.7% by Dr. Michael T. Dent, a member of our Board of Directors. George O’Leary, a member of our Board of Directors is Chief Financial Officer of HCSS, LLC.

On June 18, 2009, we entered into a Software Development, License and Support Agreement with HCSS, LLC and eTelenext, Inc. to upgrade the Company’s laboratory information system to APvX. The estimated costs for the development and migration phase are anticipated to be approximately \$75,000 and are expected to be completed in May 2010. This agreement has an initial term of five years from the date of acceptance and calls for monthly fees of \$8,000-\$12,000 during the term.

During 2010, eTelenext and HCSS were merged to form PathCenter, Inc. Dr. Michael T. Dent and Mr. George O’Leary have beneficial ownership of 12.2% and 4.6%, respectively of PathCenter, Inc.

For the three months ended March 31, 2010 and 2009, eTelenext/HCSS earned approximately \$69,000 and \$38,000 respectively.

Gulf Pointe Capital Lease Agreement

On September 30, 2008, the Company entered into a master lease agreement (the “Master Lease”) with Gulf Pointe Capital, LLC (“Gulf Pointe”) which allows us to obtain lease capital from time to time up to an aggregate of \$130,000 of lease financing. The terms under this lease are consistent with the terms of our other lease arrangements. Three members of our Board of Directors Steven Jones, Peter Petersen and Marvin Jaffe, are affiliated with Gulf Pointe and recused themselves from both sides of all negotiations concerning this transaction. In consideration for entering into the Master Lease with Gulf Pointe, the Company issued a warrant to purchase 32,475 shares of common stock to Gulf Pointe with an exercise price of \$1.08 per share and a five year term. Such warrant vests 25% on issuance and then on a pro rata basis as amounts are drawn under the Master Lease. The warrant was valued at approximately \$11,000 using the Black-Scholes option pricing model, and the warrant cost is being expensed as it vests. At the end of the term of any lease schedule under the Master Lease, the Company’s options are as follows: (a) purchase not less than all of the equipment for its then fair market value not to exceed 15% of the original equipment cost, (b) extend the lease term for a minimum of six months, or (c) return not less than all the equipment at the conclusion of the lease term. On September 30, 2008, we also entered into the first lease schedule under the Master Lease which provided for the

sale/leaseback of approximately \$130,000 of used laboratory equipment (“Lease Schedule No. 1”). Lease Schedule No. 1 has a 30 month term and a lease rate factor of 0.0397/month, which equates to monthly payments of \$5,155 during the term.

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

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NEOGENOMICS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2010

NOTE F — SUBSEQUENT EVENTS

SunTrust Lease Agreement

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

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

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

On April 26, 2010, the Parent Company, NeoGenomics Laboratories, Inc., the wholly-owned subsidiary of the Parent Company (“Borrower”), and CapitalSource entered into an Amended and Restated Revolving Credit and Security Agreement (the “Amended and Restated Credit Agreement”). The Amended and Restated Credit Agreement amended and restated the Revolving Credit and Security Agreement dated February 1, 2008, as amended, among the Parent Company, Borrower and CapitalSource (the “Original Credit Agreement”). The terms of the Amended and Restated Credit Agreement and the Original Credit Agreement are substantially similar except that the Amended and Restated Credit Agreement, among other things, (i) increases the maximum principal amount of the revolving credit facility from \$3,000,000 to \$5,000,000, (ii) provides that the term of the Amended and Restated Credit Agreement shall end on February 1, 2013, (iii) increases the amount of the collateral management fee and unused line fees paid by Borrower to CapitalSource, (iv) modifies the definitions of “Minimum Termination Fee” and “Permitted Indebtedness”, (v) provides that the Borrower must maintain a minimum outstanding principal balance under the revolving facility of at least \$2,000,000, (vi) increases the interest rate to LIBOR plus 4.25% (provided that LIBOR shall not be less than 2.0%) and (vii) revises certain covenants and representations and warranties. Borrower paid CapitalSource a commitment fee of \$33,500 in connection with the execution of the Amended and Restated Credit Agreement (CapitalSource credited \$25,000 of the amendment fee previously paid by the Borrower in connection with the March 26, 2010 amendment of the Original Credit Agreement towards the commitment fee).

END OF FINANCIAL STATEMENTS.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of NeoGenomics, Inc.:

We have audited the accompanying consolidated balance sheets of NeoGenomics, Inc. (the "Company"), as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Kingery & Crouse, P.A
Certified Public Accountants
Tampa, FL
March 26, 2010

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NEOGENOMICS, INC.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,631,069	\$ 468,171
Restricted Cash	1,000,000	-
Accounts receivable (net of allowance for doubtful accounts of \$589,012 and \$358,642, respectively)	4,632,219	2,913,531
Inventories	601,802	491,459
Other current assets	655,046	482,408
Total current assets	8,520,136	4,355,569
PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$2,786,704 and \$1,602,594 respectively)	4,339,560	2,875,297
OTHER ASSETS	85,604	64,509
TOTAL ASSETS	\$ 12,945,300	\$ 7,295,375
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 1,968,884	\$ 1,512,427
Accrued compensation	1,308,160	736,552
Accrued expenses and other liabilities	464,830	358,265
Short-term portion of equipment capital leases	1,482,326	636,900
Revolving credit line	552,033	1,146,850
Total current liabilities	5,776,233	4,390,994
LONG TERM LIABILITIES		
Long-term portion of equipment capital leases	1,525,728	1,403,271
TOTAL LIABILITIES	7,301,961	5,794,265
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, \$.001 par value, (100,000,000 shares authorized; 37,185,078 and 32,117,008 shares issued and outstanding at December 31, 2009 and 2008, respectively)	37,185	32,117
Additional paid-in capital	23,761,784	17,381,810
Accumulated deficit	(18,155,630)	(15,912,817)
Total stockholders' equity	5,643,339	1,501,110
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 12,945,300	\$ 7,295,375

See notes to consolidated financial statements.

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NEOGENOMICS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
NET REVENUE	\$ 29,469,054	\$ 20,015,319
COST OF REVENUE	14,254,227	9,353,852
GROSS MARGIN	15,214,827	10,661,467
OPERATING EXPENSES		
General and administrative	10,056,944	8,178,953
Sales and marketing	6,885,396	3,366,503
Total operating expenses	16,942,340	11,545,456
INCOME / (LOSS) FROM OPERATIONS	(1,727,513)	(883,989)
OTHER INCOME / (EXPENSE):		
Other income	17,091	9,926
Interest expense	(532,391)	(308,523)
Loss on investment	-	(200,000)
Other income / (expense) – net	(515,300)	(498,597)
NET LOSS	\$ (2,242,813)	\$ (1,382,586)
NET LOSS PER SHARE - Basic and Diluted	\$ (0.06)	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – Basic and Diluted	34,638,502	31,506,824

See notes to consolidated financial statements.

NEOGENOMICS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total
Balances, December 31, 2007	31,391,660	\$ 31,391	\$ 16,820,954	\$ (14,530,231)	\$ 2,322,114
Common stock issuances for cash	49,260	49	45,094	-	45,143
Transaction fees and expenses	-	-	(8,411)	-	(8,411)
Stock compensation expense - warrants	-	-	132,584	-	132,584
Exercise of stock options	88,500	89	23,656	-	23,745
Shares issued to Fusion Capital, net of issuance costs (Note I)	417,500	418	(48,266)	-	(47,848)
Shares issued for registration penalties	170,088	170	170,019	-	170,189
Stock compensation expense	-	-	246,180	-	246,180
Net loss	-	-	-	(1,382,586)	(1,382,586)
Balances, December 31, 2008	32,117,008	32,117	17,381,810	(15,912,817)	1,501,110
Common stock issuances to Abbott	3,500,000	3,500	4,763,500	-	4,767,000
Common stock issuance ESPP plan	68,672	69	86,721	-	86,790
Transaction fees and expenses	-	-	(236,576)	-	(236,576)
Stock compensation expense - warrants	-	-	67,738	-	67,738
Exercise of stock options	55,215	55	3,055	-	3,110
Exercise of warrants	519,183	519	637,510	-	638,029
Common stock issuance to CEO for cash	625,000	625	499,375	-	500,000
Shares issued for purchase of assets	300,000	300	185,700	-	186,000
Stock compensation expense - options	-	-	372,951	-	372,951
Net loss	-	-	-	(2,242,813)	(2,242,813)
Balances, December 31, 2009	37,185,078	\$ 37,185	\$ 23,761,784	\$ (18,155,630)	\$ 5,643,339

See notes to consolidated financial statements.

NEOGENOMICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (2,242,813)	\$ (1,382,586)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,184,109	740,564
Loss on investments	-	200,000
Amortization of debt issue costs	68,649	54,006
Stock based compensation	372,951	246,180
Non-cash consulting expenses	67,738	132,584
Other non-cash expenses	-	8,862
Provision for bad debts	2,154,567	1,789,577
Changes in assets and liabilities, net:		
(Increase) decrease in accounts receivable, net of write-offs	(3,873,255)	(1,466,357)
(Increase) decrease in inventories	(110,343)	(186,709)
(Increase) decrease in prepaid expenses	(195,793)	(63,057)
(Increase) decrease in other current assets	(21,094)	(3,934)
Increase (decrease) in legal contingency	-	(375,000)
Increase (decrease) in accounts payable and other liabilities	1,094,867	167,564
NET CASH USED IN OPERATING ACTIVITIES	(1,500,417)	(138,306)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(963,740)	(501,781)
NET CASH USED IN INVESTING ACTIVITIES	(963,740)	(501,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (repayments) from/to revolving credit facility	(594,818)	1,146,850
Restricted cash	(1,000,000)	-
Repayment of capital lease obligations	(809,599)	(377,641)
Proceeds from issuance of capital lease on owned assets	273,119	67,999
Issuance of common stock and warrants for cash , net of transaction expenses	5,758,353	60,477
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,627,055	897,685
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,162,898	257,598
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	468,171	210,573
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,631,069	\$ 468,171
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 463,742	\$ 256,323
Equipment leased under capital leases	\$ 1,777,484	\$ 1,207,863
Common stock issued for the purchase of assets	\$ 186,000	\$ -
Income taxes paid	\$ -	\$ -

See notes to consolidated financial statements.

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NEOGENOMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

NOTE A – NATURE OF BUSINESS AND BASIS OF PRESENTATION

NeoGenomics, Inc., a Nevada Company, was formed in 1998 under the name of American Communications Enterprises, Inc. (“ACE”, the “Parent”, or the “Parent Company”).

NeoGenomics Laboratories, Inc., a Florida company (“NEO”, “NeoGenomics” or “Subsidiary”) was formed in June 2001, and agreed to be acquired by ACE in a reverse acquisition in November 2001. On March 3, 2009, we changed the name of the Subsidiary from NeoGenomics Inc, to NeoGenomics Laboratories, Inc. NeoGenomics operates as a certified “high complexity” clinical laboratory in accordance with the federal government’s Clinical Laboratory Improvement Amendments of 1988 (“CLIA”), and is dedicated to the delivery of clinical diagnostic services to pathologists, oncologists, urologists, hospitals, and other laboratories throughout the United States.

ACE succeeded to NEO’s name in January, 2002, and NeoGenomics remains a wholly-owned subsidiary of the Parent Company. (NEO and ACE are collectively referred to as “we”, “us”, “our” or the “Company”).

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

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

FASB Accounting Standards Codification

In June 2009, the FASB issued the FASB Accounting Standards Codification (the “Codification”), which replaced all existing FASB accounting and reporting standards. Effective for financial statements for interim and annual periods ending after September 15, 2009, the Codification is the single source of authoritative U.S. generally accepted accounting principles (GAAP) for non-governmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants and are referenced in the Codification. References to the Codification are identified by their Accounting Standards Codification (“ASC”) Topic number and, as appropriate, their Subtopic, Section and Subsection number. Effective July 1, 2009, changes to authoritative U.S. GAAP are communicated through Accounting Standards Updates (“ASU”). Implementation of the Codification had no effect on the Company’s financial statements, except for changes in the manner in which authoritative guidance is now referenced.

Use of Estimates

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. 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 reserves, contingencies, useful lives and recovery of long-term assets, income and other 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.

Revenue Recognition

The Company recognizes revenues in accordance with the Securities and Exchange Commission's (the "Commission") Staff Accounting Bulletin Topic 13.A.1 (ASC 605-10-S99-1) No. 104, "Revenue Recognition", when (a) the price is fixed or determinable, (b) persuasive evidence of an arrangement exists, (c) the service is performed and (d) collectability of the resulting receivable is reasonably assured.

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NEOGENOMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008 (Continued)

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

Cost of Revenue

Cost of revenue consists primarily of lab related materials and supplies, salaries related to laboratory personnel, transportation of patient samples to and from our laboratories, allocated facility costs, and depreciation of equipment used to deliver the Company's services.

Accounts Receivable and Allowance for Doubtful Accounts

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

Statement of Cash Flows

For purposes of the statement of cash flows, we consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments and Concentrations of Credit Risk

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and other liabilities, amounts outstanding under our revolving credit facility, and other current assets and liabilities are considered reasonable estimates of their respective fair values due to their short-term nature. The Company maintains its cash and cash equivalents with domestic financial institutions that the Company believes to be of high credit standing. The Company believes that, as of December 31, 2009, its concentration of credit risk related to cash and cash equivalents was not significant. The carrying value of the Company's long-term capital lease

obligations approximates its fair value based on the current market conditions for similar instruments.

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 payors 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. The Company continues to focus its sales efforts to decrease the dependency on any given source of revenue and decrease its credit risk from any one large client or payor type, and these efforts decrease our credit risk. For the years ended December 31, 2009 and 2008, one client with multiple locations accounted for 10% and 22% respectively, of total revenue. As a result of this one customer bringing certain tests in-house, this client represented less than 5% of our fourth quarter 2009 revenue. All others were less than 5% of total revenue individually.

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NEOGENOMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008 (Continued)

The Company orders the majority of its FISH probes from one vendor and as a result of their dominance of that marketplace and the absence of any competitive alternatives, if they were to have a disruption and not have inventory available it could have a material effect on our business. This risk cannot be completely offset due to the fact that they have patent protection which limits other vendors from supplying these probes.

Inventories

Inventories, which consist principally of testing supplies, are valued at the lower of cost or market, using the first-in, first-out method (FIFO).

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation and amortization. Property and equipment generally includes purchases of items with a cost greater than \$1,000 and a useful life greater than one year. Depreciation and amortization are computed on a straight line basis over the estimated useful lives of the assets.

Leasehold improvements are amortized over the related lease terms or their estimated useful lives. Property and equipment acquired under capital leases are depreciated over the related lease terms or the useful lives of the assets. The Company periodically reviews the estimated useful lives of property and equipment. Changes to the estimated useful lives are recorded prospectively from the date of the change. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in income (loss) from operations. Repairs and maintenance costs are expensed as incurred.

Income Taxes

We compute income taxes in accordance with ASC Topic 740 Income Taxes. Under ASC-740, 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 methods for property and equipment as well as impairment losses and the timing of recognition of bad debts.

Stock-Based Compensation

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

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

Tax Effects of Stock-Based Compensation

We will only recognize a tax benefit from windfall tax deductions for stock-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes currently available have been utilized.

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NEOGENOMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008 (Continued)

Net Loss Per Common Share

We compute loss per share in accordance with ASC Topic 260 Earnings Per Share. Under the provisions of ASC 260, basic net loss per share is computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and common equivalent shares outstanding during the period. During the years ended December 31, 2009 and 2008, we reported net loss per share and, accordingly, common equivalent shares outstanding as of December 31, 2009 and 2008, which consisted of employee stock options and warrants issued to consultants, providers of financing to the Company and others, were excluded from diluted net loss per common share calculations as of such dates because they were anti-dilutive. As a result, basic and diluted loss per share were equivalent.

Recent Pronouncements

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

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

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

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

NOTE C – LIQUIDITY

Our consolidated financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. On November 5, 2008, we entered into a common stock purchase agreement with Fusion Capital Fund II, LLC. The agreement, which has a term of 30 months, provides for the future funding of up to \$8.0 million from sales of our common stock to Fusion on a when and if needed basis as determined by us in our sole discretion (see Note J). On February 1, 2008, we entered into a revolving credit facility with CapitalSource Finance, LLC, which allows us to borrow up to \$3,000,000 based on a formula which is tied to our eligible accounts receivable that are aged less than 150 days (see Note H). We believe we have adequate resources to meet our operating commitments for the next year and accordingly our consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of

liabilities that might be necessary should we be unable to continue as a going concern.

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NEOGENOMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008 (Continued)

NOTE D – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31, 2009 and 2008:

	2009	2008	Estimated Useful Lives in Years
Equipment	\$ 4,991,886	\$ 3,450,449	3-7
Leasehold improvements	618,876	111,114	3-5
Furniture & fixtures	351,832	247,366	7
Computer hardware	486,852	276,520	3
Computer software	541,948	382,154	3
Assets not yet placed in service	134,870	10,288	-
Subtotal	7,126,264	4,477,891	
Less accumulated depreciation and amortization	(2,786,704)	(1,602,594)	
Property and equipment, net	\$ 4,339,560	\$ 2,875,297	

Depreciation and amortization expense on property and equipment, including leased assets, for the years ended December 31, 2009 and 2008, was \$1,184,109 and \$740,564, respectively.

Property and equipment under capital leases, included above, consists of the following at December 31, 2009 and 2008:

	2009	2008
Equipment	\$ 3,413,595	\$ 2,273,864
Furniture & fixtures	159,864	106,119
Computer hardware	298,305	120,821
Computer software	225,644	142,814
Leasehold Improvements	233,386	-
Assets not yet placed in service	84,347	-
Subtotal	4,415,141	2,643,618
Less accumulated depreciation and amortization	(1,441,234)	(656,797)
Property and equipment under capital leases, net	\$ 2,973,907	\$ 1,986,821

NOTE E – INCOME TAXES

We recognized losses for financial reporting purposes for the years ended December 31, 2009 and 2008, in the accompanying consolidated statements of operations. Accordingly, no provisions for income taxes and/or deferred income taxes payable have been provided in the accompanying consolidated financial statements.

At December 31, 2009 and 2008, we had net operating loss carryforwards of approximately \$9,888,662 and \$7,520,000, respectively. The significant difference between this amount and our accumulated deficit arises primarily from certain stock based compensation that is considered to be a permanent difference. Assuming our net operating loss carryforwards are not disallowed because of certain “change in control” provisions of the Internal Revenue Code, these net operating loss carryforwards expire in various years through the year ending December 31, 2028. However,

we have established a valuation allowance to fully reserve our deferred income tax assets as such assets did not meet the required asset recognition standard established by ASC Topic 740. Our valuation allowance increased by approximately \$1,350,000 during the year ended December 31, 2009.

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NEOGENOMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008 (Continued)

At December 31, 2009 and 2008, our current and non-current deferred income tax assets (assuming an effective income tax rate of approximately 40.5%, which includes 35% for federal taxes and 5.5% for state taxes) consisted of the following:

	2009	2008
Net current deferred income tax asset:		
Allowance for doubtful accounts	\$ 227,200	\$ 138,300
Less valuation allowance	(227,200)	(138,300)
Total	\$ -	\$ -
Net non-current deferred income tax asset:		
Net operating loss carryforwards	\$ 3,856,600	\$ 2,933,000
Accumulated depreciation and impairment	(543,000)	(881,000)
Subtotal	3,313,600	2,052,000
Less valuation allowance	(3,313,600)	(2,052,000)
Total	\$ -	\$ -

NOTE F – EMPLOYEE STOCK OPTIONS, STOCK PURCHASE PLAN AND WARRANTS

Stock Option Plan

On March 3, 2009, the Company’s Board of Directors approved the Amended and Restated Equity Incentive Plan (the “Amended Plan”), which amended and restated the Equity Incentive Plan, originally effective as of October 14, 2003, and previously amended and restated effective as of October 31, 2006. The Amended Plan allows for the award of equity incentives, including stock options, stock appreciation rights, restricted stock awards, stock bonus awards, deferred stock awards, and other stock-based awards to certain employees, directors, or officers of, or key advisers or consultants to, the Company or its subsidiaries. The Amended Plan provides that the maximum aggregate number of shares of the Company’s common stock reserved and available for issuance under the Amended Plan is 6,500,000 and that the Amended Plan will expire on March 3, 2019.

As of December 31, 2009, option and stock awards for 5,161,652 shares were outstanding, including 350,000 options issued outside of the Amended Plan to Robert Gasparini, the Company’s President and Chief Science Officer, and option and stock awards for 641,264 shares had been exercised, leaving a total of 1,047,084 shares available for future option and stock awards. Options typically expire after 5 or 10 years and generally vest over 3 or 4 years, but each grant’s expiration, vesting and exercise price provisions are determined at the time the awards are granted by the Compensation Committee of the Board of Directors or by the Chairman and Chief Executive Officer by virtue of authority delegated to him by the Compensation Committee.

We account for option and stock awards under the Amended Plan in accordance with ASC Topic 718 Compensation – Stock Compensation, which requires the measurement and recognition of compensation expense in the Company’s statement of operations for all share-based option and stock awards, based on estimated grant-date fair values.

ASC Topic 718 requires us to estimate the fair value of stock-based option awards on the date of grant using an option-pricing model. The grant-date fair value of the award is recognized as expense over the requisite service

period using the straight-line method. In accordance with ASC Topic 718, the estimated stock-based compensation expense to be recognized is reduced by an estimate of the annualized rate of stock option forfeitures.

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NEOGENOMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008 (Continued)

We estimate the grant-date fair value of stock-based option awards using a trinomial lattice model. This model is affected by our stock price on the date of the grant as well as assumptions regarding a number of highly complex and subjective variables. These variables include the expected term of the option, expected risk-free rates of return, the expected volatility of our common stock, and expected dividend yield, each of which is more fully described below. The assumptions for expected term and expected volatility are the two assumptions that significantly affect the grant date fair value.

Expected Term: The expected term of an option is the period of time that the option is expected to be outstanding. The average expected term is determined using a trinomial lattice simulation model.

Risk-free Interest Rate: We base the risk-free interest rate used in the trinomial lattice valuation method on the implied yield at the grant date of the U.S. Treasury zero-coupon issue with an equivalent term to the stock-based award being valued. Where the expected term of a stock-based award does not correspond with the term for which a zero coupon interest rate is quoted, we use the nearest interest rate from the available maturities.

Expected Stock Price Volatility: Effective January 1, 2006 until December 31, 2008, we evaluated the assumptions used to estimate volatility and determined that, under SAB 107, we should use a blended average of our volatility and the volatility of certain peer companies. We believe that the use of this blended average peer volatility is more reflective of market conditions and a better indicator of our expected volatility due to the limited trading history available for our Company since its last change of control, prior to which we operated under a different business model. Effective January 1, 2009 since we had sufficient historical data since our last change of control we began to use our own historical weekly volatility because that was more reflective of market conditions.

Dividend Yield: Because we have never paid a dividend and do not expect to begin doing so in the foreseeable future, we have assumed a 0% dividend yield in valuing our stock-based awards.

The fair value of stock option awards granted during the years ended December 31, 2009 and 2008 was estimated as of the grant date using a trinomial lattice model with the following weighted average assumptions:

	2009	2008
Expected term (in years)	4.1	3.5
Risk-free interest rate (%)	1.9%	2.0%
Expected volatility (%)	59%	42%
Dividend yield (%)	0%	0%
Weighted average fair value/share at grant date	\$ 0.42	\$ 0.22

The status of our stock options and stock awards are summarized as follows:

	Number Of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2007	2,796,044	\$ 0.81
Granted	1,405,000	0.87

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Exercised	(88,500)	0.27
Canceled	(388,122)	1.32
Outstanding at December 31, 2008	3,724,422	0.79
Granted	2,371,598	1.00
Exercised	(55,215)	0.26
Canceled	(879,153)	1.01
Outstanding at December 31, 2009	5,161,652	0.86
Exercisable at December 31, 2009	2,982,343	0.73

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NEOGENOMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008 (Continued)

As described in Note G, on March 16, 2009, the Company entered into an employment agreement with Douglas M. VanOort (the "Employment Agreement"). The Employment Agreement provided for the grant to Mr. VanOort of an option under the Amended Plan to purchase 1,000,000 shares of the Company's common stock, at an exercise price of \$0.80 per share (the closing market price of the company's common stock on March 13, 2009, the preceding business day). 500,000 shares of common stock subject to the option will vest according to the following schedule (i) 200,000 shares will vest on March 16, 2010 (provided that if Mr. VanOort's employment is terminated by the Company without "cause" then the pro rata portion of such 200,000 shares up until the date of termination shall vest); (ii) 12,500 shares will vest each month beginning on April 16, 2010 until March 16, 2011; (iii) 8,000 shares will vest each month beginning on April 16, 2011 until March 16, 2012 and (iv) 4,500 shares will vest each month beginning on April 16, 2012 until March 16, 2013. 500,000 shares of common stock subject to the option will vest based on the achievement of certain performance metrics by the Company. Any unvested portion of the option described above will vest in the event of a change in control of the Company.

The following table summarizes information about our options outstanding at December 31, 2009:

Range of Exercise Prices (\$)	Options Outstanding, Expected to Vest			Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
0.00 – 0.30	996,000	4.8	\$ 0.25	996,000	4.8	\$ 0.25
0.31 – 0.46	59,500	5.4	0.35	59,500	5.4	0.35
0.47 – 0.61	113,500	5.8	0.50	113,500	5.8	0.50
0.62 – 0.83	2,178,596	5.8	0.77	888,330	5.7	0.75
0.84 – 1.08	478,996	4.2	0.99	330,039	4.1	0.97
1.09 – 1.47	612,163	5.3	1.36	348,331	6.0	1.40
1.48 – 1.84	722,897	5.5	1.58	246,643	6.7	1.53
	5,161,652	5.4	0.86	2,982,343	5.3	0.73

As of December 31, 2009, the aggregate intrinsic value of all stock options outstanding and expected to vest was approximately \$3,360,000 and the aggregate intrinsic value of currently exercisable stock options was approximately \$2,308,000. The intrinsic value of each option share is the difference between the fair market value of NeoGenomics common stock and the exercise price of such option share to the extent it is "in-the-money". Aggregate intrinsic value represents the value that would have been received by the holders of in-the-money options had they exercised their options on the last trading day of the year and sold the underlying shares at the closing stock price on such day. The intrinsic value calculation is based on the \$1.50 closing stock price of NeoGenomics Common Stock on December 31, 2009, the last trading day of 2009. The total number of in-the-money options outstanding and exercisable as of December 31, 2009 was 2,785,700.

The total intrinsic value of options exercised during the years ended December 31, 2009 and 2008 was approximately \$80,000 and \$44,000, respectively. Intrinsic value of exercised shares is the total value of such shares on the date of exercise less the cash received from the option holder to exercise the options. The total cash proceeds received from the exercise of stock options was approximately \$3,110 and \$24,000 for the years ended December 31, 2009 and 2008, respectively.

NEOGENOMICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008 (Continued)

The total fair value of options granted during the years ended December 31, 2009 and 2008 was approximately \$986,000 and \$310,000, respectively. The total fair value of option shares vested during the years ended December 31, 2009 and 2008 was approximately \$233,000 and \$220,000.

Stock compensation cost recognized for the years ended December 31, 2009 and 2008 was approximately \$373,000 and \$246,000, respectively. We will only recognize a tax benefit from windfall tax deductions for stock-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes currently available have been utilized. As of December 31, 2009, there was approximately \$639,000 of total unrecognized stock-based compensation cost, net of expected forfeitures, related to unvested stock options granted under the Amended Plan. This cost is expected to be recognized over a weighted-average period of 1.7 years.

Employee Stock Purchase Plan

Effective January 1, 2007, the Company began sponsoring an Employee Stock Purchase Plan (“ESPP”), under which eligible employees may purchase Common Stock, by means of limited payroll deductions, at a 5% discount from the fair market value of the Common Stock as of specific dates. In accordance with ASC Topic 718-50 Compensation – Stock Compensation – Employee Share Purchase Plans, the ESPP is considered non-compensatory and does not require the recognition of compensation cost because the discount offered to employees does not exceed 5%. Shares issued pursuant to this plan were 68,443 and 49,260 for the period ended December 31, 2009 and 2008, respectively.

Common Stock Warrants

From time to time, the company issues warrants to purchase its common stock. These warrants have been issued for consulting services, in connection with the company’s credit facilities or in connection with sales of its common stock, and in connection with employment agreements or for compensation of directors. These warrants are valued using an option pricing model and using the volatility, market price, strike price, risk-free interest rate and dividend yield appropriate at the date the warrants were issued. Stock compensation cost recognized for the years ended December 31, 2009 and 2008 was approximately \$68,000 and \$133,000, respectively.

Warrant activity is summarized as follows:

	Shares	Weighted Average Exercise Price
Warrants outstanding, December 31, 2007	5,805,363	\$ 0.59
Granted	32,475	1.08
Warrants outstanding, December 31, 2008	5,837,838	0.61
Granted	738,333	1.00
Exercised	(519,183)	1.27
Expired	(130,091)	1.35
Cancelled	(35,147)	1.08
Warrants outstanding, December 31, 2009	5,891,750	\$ 0.59

NEOGENOMICS, INC.
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The following table summarizes information on warrants outstanding on December 31, 2009:

Number outstanding	Exercise price		Issued	Expire
2,500,000	\$	0.31	03/23/2005	01/20/2011
1,600,000		0.26	01/21/2006	01/20/2011
35,000		0.30	02/13/2006	02/12/2011
35,000		0.68	05/16/2006	05/15/2011
15,000		0.62	02/03/2009	02/03/2012
100,000		1.49	03/15/2007	03/13/2012
550,000		1.50	06/06/2007	06/05/2012
348,417		1.50	06/06/2007	06/05/2012
83,333		0.75	02/09/2009	02/08/2014
625,000		1.05	03/16/2009	03/15/2014
5,891,750	\$	0.59		

On February 3, 2009, in connection with consulting services rendered to the Company, we issued warrants to purchase 30,000 shares of common stock at \$0.62 per share. Warrants for 15,000 shares were exercised prior to December 31, 2009.

As described in Note L, in connection with our lease facility with Gulf Pointe Capital, LLC, on February 9, 2009 we issued warrants to purchase 83,333 shares of common stock, which warrants replaced 32,475 warrants previously issued in connection with that facility.

As described in Note J, on March 16, 2009, the Company entered into an employment agreement with Douglas M. VanOort and in connection with that agreement also entered into a warrant agreement pursuant to which Mr. VanOort may purchase up to 625,000 shares of the Company's common stock at an exercise price of \$1.05 per share. The warrants become exercisable in five tranches, with 20% of the warrants being exercisable immediately and a further 20% becoming exercisable on the first day on which the closing price per share of the Company's common stock has reached or exceeded, for 20 consecutive trading days, \$3.00, \$4.00, \$5.00 and \$6.00 per share, respectively. In the event of a change in control of the Company in which the consideration payable to each common stockholder of the Company in connection with such change in control has a deemed value of at least \$4.00 per share, then the warrants will immediately become exercisable. In the event that Mr. VanOort resigns his employment with the Company or the Company terminates Mr. VanOort's employment for "cause" at any time prior to the time when all warrants are exercisable, then the rights under the warrant agreement with respect to the portion of the warrants not yet exercisable as of the date of termination will immediately terminate.

In August 2009, 419,153 of the 767,570 warrants originally issued in connection with the June 2007 sale of common stock were exercised and the Company received proceeds of \$628,730.

During 2009, Mr. O'Leary exercised 100,000 warrants in a cash-less transaction per the terms of the agreements. The company issued 85,030 shares to settle this exercise.

NEOGENOMICS, INC.
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NOTE G – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its laboratory and office facilities under non-cancelable operating leases. These operating leases expire at various dates through April 2012 and generally require the payment of real estate taxes, insurance, maintenance and operating costs. The Company has approximately 26,000 square feet of office and laboratory space at our corporate headquarters in Fort Myers, Florida. In addition, we maintain laboratory and office space in Irvine, California, Chatsworth California and Nashville, Tennessee.

The minimum aggregate future obligations under non-cancelable operating leases as of December 31, 2009 are as follows:

Years ending December 31,		
2010	\$	906,818
2011		632,280
2012		115,708
2013		-
2014		-
Total minimum lease payments	\$	1,654,806

Rent expense for the years ended December 31, 2009 and 2008 was \$816,838 and \$754,138, respectively and is included in costs of revenues and in general and administrative expenses, depending on the allocation of work space in each facility. Certain of the Company's facility leases include rent escalation clauses. The Company normalizes rent expense on a straight-line basis over the term of the lease for known changes in lease payments over the life of the lease.

Purchase Commitments

The company had open purchase commitments with 2 vendors of laboratory equipment for approximately \$500,000 of equipment at December 31, 2009. This equipment was delivered during 2010.

US Labs Settlement

On October 26, 2006, Accupath Diagnostics Laboratories, Inc. d/b/a US Labs, a California corporation ("US Labs") filed a complaint in the Superior Court of the State of California for the County of Los Angeles (entitled Accupath Diagnostics Laboratories, Inc. v. NeoGenomics, Inc., et al., Case No. BC 360985) (the "Lawsuit") against the Company and Robert Gasparini, as an individual, and certain other employees and non-employees of NeoGenomics (the "Defendants") with respect to claims arising from discussions with current and former employees of US Labs. On March 18, 2008, we reached a preliminary agreement to settle US Labs' claims, and in accordance with ASC Topic 450 Contingencies, as of December 31, 2007 we accrued a \$375,000 loss contingency, which consisted of \$250,000 to provide for the Company's expected share of this settlement, and \$125,000 to provide for the Company's share of the estimated legal fees up to the date of settlement.

On April 23, 2008, the Company and US Labs entered into a Settlement Agreement and Release (the "Settlement Agreement") whereby both parties agreed to settle and resolve all claims asserted in and arising out of the aforementioned lawsuit. Pursuant to the Settlement Agreement, the Defendants were required to pay \$500,000 to US Labs, of which \$250,000 was paid with funds from the Company's insurance carrier in May 2008 and the remaining \$250,000 was paid by the Company in equal installments of \$31,250 commencing on May 31, 2008. Under the terms of the Settlement Agreement, there were certain provisions agreed to in the event of default. As of December 31, 2008, the full settlement amount had been paid and no events of default had occurred.

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NEOGENOMICS, INC.
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Private Placement of Common Stock and Registration Penalties

As of December 31, 2007, we had not been able to effectively complete the Registration Statement required to be filed in connection with our June 2007 private placement (the "Private Placement") and pursuant to the terms of the Private Placement, we accrued \$282,000 in estimated penalties as liquidated damages, which were expected to be incurred for the period through June 2008, the date we anticipated to be able to effectively complete the Registration Statement. The Registration Statement became effective on July 1, 2008. In September, 2008, the Company paid \$40,500 in cash and issued 170,088 shares of common stock valued at approximately \$1.00 per share for an aggregate payment of \$210,688 to the holders of the Private Placement shares to settle the penalties due. The remaining \$71,412 in accrued penalties was reversed in September, 2008 as certain shareholders had previously sold their shares, thus forfeiting their rights to any penalties.

Employment Contracts

Robert Gasparini

On March 12, 2008, we entered into an employment agreement with Robert Gasparini, our President and Chief Scientific Officer, to extend his employment with the Company for an additional four year term. This employment agreement was retroactive to January 1, 2008 and provides that it will automatically renew after the initial four year term for one year increments unless either party provides written notice to the other party of their intention to terminate the agreement 90 days before the end of the initial term (or any renewal term). The employment agreement specifies an initial base salary of \$225,000/year with specified salary increases tied to achieving revenue goals. Mr. Gasparini is also entitled to receive cash bonuses for any given fiscal year in an amount equal to 30% of his base salary if he meets certain targets established by the Board of Directors. In addition, Mr. Gasparini was granted 784,000 stock options at an exercise price of \$0.80 and with a seven year term so long as Mr. Gasparini remains an employee of the Company. These options are scheduled to vest according to the passage of time and the meeting of certain performance-based milestones. Mr. Gasparini's employment agreement also specifies that he is entitled to four weeks of paid vacation per year and other insurance benefits. In the event that Mr. Gasparini is terminated without cause by the Company, the Company has agreed to pay Mr. Gasparini's base salary and maintain his benefits for a period of a year.

Jerome Dvonch

On June 14, 2008, we entered into an employment agreement with Jerome Dvonch, our Principal Accounting Officer, to extend his employment with the Company for an additional four year term and provides that it will automatically renew after the initial four year term for one year increments unless either party provides written notice to the other party of their intention to terminate the agreement 30 days before the end of the initial term (or any renewal term). The employment agreement specifies an initial base salary of \$150,000/year and does not allow for an increase during the first 24 months of the term. Mr. Dvonch is also entitled to receive cash bonuses for any given fiscal year if he meets certain targets established by the Board of Directors. In addition, Mr. Dvonch was granted 100,000 stock options with an exercise price of \$1.04 and with a seven year term so long as Mr. Dvonch remains an employee of the Company. These options are scheduled to vest according to the passage of time and the meeting of certain performance-based milestones. Mr. Dvonch's employment agreement also specifies that he is entitled to four weeks of paid vacation per year and other insurance benefits. In the event that Mr. Dvonch is terminated without cause by the Company, the Company has agreed to pay Mr. Dvonch's base salary and maintain his benefits for a period of six

months.

Douglas VanOort

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

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

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

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

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

Grant Carlson

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

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George Cardoza

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

Jack G. Spitz

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

NOTE H – REVOLVING CREDIT AND SECURITY AGREEMENT

On February 1, 2008, our subsidiary, NeoGenomics Laboratories, Inc., (“the Borrower”), entered into a Revolving Credit and Security Agreement (the “Credit Facility” or “Credit Agreement”) with CapitalSource Finance LLC (“CapitalSource”), the terms of which provide for borrowings based on eligible accounts receivable up to a maximum borrowing of \$3,000,000, as defined in the Credit Agreement. Subject to the provisions of the Credit Agreement, CapitalSource will make advances to us from time to time during the three year term, and the Credit Facility may be drawn, repaid and redrawn from time to time as permitted under the Credit Agreement.

Interest on outstanding advances under the Credit Facility are payable monthly in arrears on the first day of each calendar month at an annual rate based on the one-month LIBOR plus 3.25%, subject to a LIBOR floor of 3.14%. At December 31, 2009, the effective rate of interest was 6.39%. On December 31, 2009, the available credit under the Credit Facility was approximately \$2,448,000 and the outstanding borrowing was \$552,000 after netting compensating cash on hand.

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

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

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

On March 26, 2010, we entered into an amendment to the credit facility agreement with Capital Source (see Note O).

NOTE I – ABBOTT SUPPLY AGREEMENT

On July 24, 2009, NeoGenomics Laboratories and Abbott Molecular Inc., a Delaware corporation (“Abbott Molecular”), entered into a Strategic Supply Agreement (the “Supply Agreement”). The Supply Agreement, among other things, provides for Abbott Molecular to supply materials with which NeoGenomics intends to develop its own FISH (fluorescence in situ hybridization)-based test for the diagnosis of malignant melanoma in skin biopsy specimens (the “Melanoma LDT”).

Pursuant to the terms of the Supply Agreement, Abbott Molecular has agreed to supply NeoGenomics with such of Abbott Molecular’s analyte specific reagents (“ASRs”) that NeoGenomics may request for the purpose of NeoGenomics’ evaluation and determination as to which ASRs to include in its Melanoma LDT. Once the ASRs have been identified by NeoGenomics, Abbott Molecular has agreed to supply such ASRs (subject to certain limitations) to NeoGenomics. If NeoGenomics identifies for inclusion in the Melanoma LDT one or more ASRs that are not currently marketed or sold commercially by Abbott Molecular as individual stand-alone products, then the Supply Agreement provides that Abbott Molecular will supply such ASRs to NeoGenomics on an exclusive basis in the United States and Puerto Rico (the “Exclusive ASRs”), provided that Abbott Molecular may also supply such exclusive ASRs to certain of its academic collaborators for research and limited clinical purposes. Abbott Molecular’s obligation to supply the Exclusive ASRs on an exclusive basis is subject to NeoGenomics meeting certain revenue thresholds with respect to

the Melanoma LDT. Except for the ASRs supplied for evaluation purposes (which are to be supplied at no cost), the Supply Agreement provides that the price of the ASRs supplied by Abbott Molecular will include both a base and a premium component.

In the event that Abbott Molecular obtains FDA approval for its own in vitro diagnostic test for aid in diagnosis of malignant melanoma in skin biopsy specimens, the Supply Agreement contemplates a means by which NeoGenomics may offer such FDA-approved test to its customers instead of the Melanoma LDT.

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Pursuant to the Supply Agreement, Abbott Molecular also granted to NeoGenomics a first right to develop two additional laboratory developed tests relating to certain specified disease states using Abbott Molecular ASRs or other products.

The initial term of the Supply Agreement expires on December 31, 2019. The Supply Agreement also contemplates two year renewal terms under certain circumstances. The parties may terminate the Supply Agreement prior to the expiration of the term under certain circumstances.

The Supply Agreement provides (subject to certain limitations) that Abbott Molecular may convert the Supply Agreement into a non-exclusive agreement or terminate the Supply Agreement if NeoGenomics does not develop and launch the Melanoma LDT within six (6) months after the date on which Abbott Molecular supplies ASRs (other than ASRs supplied for evaluation purposes) to NeoGenomics.

Abbott Molecular may terminate the Supply Agreement following a change of control involving NeoGenomics and certain designated companies. In such event Abbott Molecular would pay to NeoGenomics (or its successor) a termination payment based upon a pre-defined formula.

NOTE J – EQUITY TRANSACTIONS

Warrant Exercises from the 2007 Private Placement

During the period from May 31, 2007 through June 6, 2007, we sold 2,666,667 shares of our Common Stock to ten unaffiliated accredited investors (the “Investors”) at a price of \$1.50 per share in a Private Placement of our Common Stock (the “Private Placement”). The Private Placement generated gross proceeds to the Company of \$4.0 million, and after estimated transaction costs, the Company received net cash proceeds of approximately \$3.8 million.

On August 15, 2007 our Board of Directors voted to issue warrants to purchase 533,334 shares of our Common Stock to the investors who purchased shares in the Private Placement. Such warrants have an exercise price of \$1.50 per share and are exercisable for a period of two years.

In August 2009, 419,153 warrants were exercised that were attributable to this equity raise and the Company received proceeds of \$628,700.

Common Stock Purchase Agreement

On November 5, 2008, we entered into a common stock purchase agreement (the “Stock Agreement”) with Fusion Capital Fund II, LLC (“Fusion”). The Stock Agreement, which has a term of 30 months, provides for the future funding of up to \$8.0 million from sales of our common stock to Fusion on a when and if needed basis as determined by us in our sole discretion. In consideration for entering into this Stock Agreement, on October 10, 2008, we issued to Fusion 17,500 shares of our common stock (valued at \$14,700 on the date of issuance) and \$17,500 as a due diligence expense reimbursement. In addition, on November 5, 2008, we issued to Fusion 400,000 shares of our common stock (valued at \$288,000 on the date of issuance) as a commitment fee. Concurrently with entering into the Stock Agreement, we entered into a registration rights agreement with Fusion. Under the registration rights agreement, we agreed to file a registration statement with the SEC covering the 417,500 shares that have already been issued to Fusion and at least 3.0 million shares that may be issued to Fusion under the Stock Agreement. Presently, we expect

to sell no more than the initial 3.0 million shares to Fusion during the term of this Stock Agreement. The Company filed a registration statement on Form S-1 dated November 28, 2008, and on February 5, 2009 the filing became effective.

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

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

Asset Purchase Agreements

On February 2, 2009, we issued 300,000 shares of restricted stock, valued at \$186,000 based on the February 2, 2009 closing price of the Company's common stock on the OTC Bulletin Board, in connection with two agreements to purchase the assets (primarily laboratory equipment) of two laboratories, including settlement of certain amounts due to the owners.

Share Purchase by the Douglas VanOort Living Trust

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

On March 16, 2009, the Company and Mr. VanOort entered into a Warrant Agreement (the "Warrant Agreement") pursuant to which Mr. VanOort, subject to the vesting schedule described below, may purchase up to 625,000 shares of the Company's common stock at an exercise price of \$1.05 per share (the "Warrant Shares"). These warrants had an aggregate fair value of \$160,267. The Warrant Shares vest based on the following vesting schedule:

- (i) 20% of the Warrant Shares vest immediately,
- (ii) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company's common stock has reached or exceeded \$3.00 per share for 20 consecutive trading days,
- (iii) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company's common stock has reached or exceeded \$4.00 per share for 20 consecutive trading days,
- (iv) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company's common stock has reached or exceeded \$5.00 per share for 20 consecutive trading days and
- (v) 20% of the Warrant Shares will be deemed to be vested on the first day on which the closing price per share of the Company's common stock has reached or exceeded \$6.00 per share for 20 consecutive trading days.

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

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Common Stock Purchase Agreement and Registration Rights Agreement with Abbott Laboratories

On July 24, 2009, NeoGenomics, Inc. entered into a Common Stock Purchase Agreement (the “Common Stock Purchase Agreement”) with Abbott Laboratories, an Illinois corporation (“Abbott”), and consummated the issuance and sale to Abbott, for an aggregate purchase price of \$4,767,000, of 3,500,000 shares of common stock, \$0.001 par value per share (the “Shares”). Pursuant to the terms of the Common Stock Purchase Agreement, Abbott is prohibited from selling or otherwise transferring the Shares until January 20, 2010.

On July 24, 2009, NeoGenomics, Inc. and Abbott also entered into a Registration Rights Agreement (the “Registration Rights Agreement”) that, among other things, grants certain demand and piggyback registration rights to Abbott with respect to the Shares.

NOTE K – EQUIPMENT CAPITAL LEASES

From time to time, we have entered into various capital leases, primarily to fund purchases of laboratory and other equipment, including the lease agreements described below.

Gulf Pointe Capital Lease Agreement

On September 30, 2008, we entered into a master lease agreement (the “Master Lease”) with Gulf Pointe Capital, LLC (“Gulf Pointe”) which provided for \$130,000 of lease financing after it was determined that the lease facility with LTI described below would not allow for the leasing of certain used and other types of equipment. Three members of our Board of Directors, Steven Jones, Peter Petersen and Marvin Jaffe, are affiliated with Gulf Pointe and recused themselves from both sides of all negotiations concerning this transaction. The terms under this lease are consistent with the terms of our other lease arrangements and provided for the sale/leaseback of approximately \$130,000 of used laboratory equipment. The lease has a 30 month term and a lease rate factor of 0.0397/month, which equates to monthly payments of \$5,155 during the term. In consideration for entering into the Master Lease, the Company issued 32,475 common stock warrants to Gulf Pointe with an exercise price of \$1.08 and a five year term. The warrants were valued at approximately \$11,000 using the Black-Scholes option pricing model. At the end of the lease term, the Company’s options are as follows: (a) purchase not less than all of the equipment for its then fair market value, not to exceed 15% of the original equipment cost, (b) extend the lease term for a minimum of six months, or (c) return not less than all the equipment at the conclusion of the lease term.

On February 9, 2009, we amended our Master Lease with GulfPointe to increase the maximum size of the facility to \$250,000 and entered into a second schedule under the Master Lease for the sale/leaseback of approximately \$118,000 of used laboratory equipment. This second lease has a 30 month term at the same lease rate factor per month as the first lease, which equates to monthly payments of \$4,690 during the term. As part of this amendment, we terminated the original warrant agreement dated September 30, 2008 and replaced it with a new warrant to purchase 83,333 shares of our common stock. Such new warrants have a five year term, an exercise price of \$0.75 per share and the same vesting schedule as the original warrants. The replacement warrants were valued using the Black-Scholes option pricing model and the value did not materially differ from the valuation of the original warrants they replaced.

Leasing Technologies International Lease Agreement

On November 5, 2008, we entered into a Master Lease Agreement with Leasing Technologies International, Inc (the "LTI Lease"). The LTI Lease establishes the general terms and conditions pursuant to which we may lease up to \$1,000,000 of equipment. Advances under the lease line may be made for one year by executing equipment schedules for each advance. The lease term of any equipment schedules issued under the lease line will be for 36 months. The lease rate factor applicable for each equipment schedule is 0.0327/month. If we make use of the entire lease line, the monthly rent would be \$32,700. Monthly rent for the leased equipment is payable in advance on the first day of each month. At the end of the term of each equipment schedule, we may: (a) renew the lease with respect to such equipment for an additional 12 months at fair market value; (b) purchase the equipment at fair market value, which price will not be less than 10% of cost nor more than 14% of cost; (c) extend the term for an additional six months at 35% of the monthly rent paid during the initial term, after which the equipment may be purchased for the lesser of fair market value or 8% of cost; or (d) return the equipment subject to a remarketing charge equal to 6% of cost.

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In 2008, we entered into Lease Schedule No. 1 to the LTI Lease for \$437,300 and on May 22, 2009, July 29, 2009 and September 22, 2009, entered into Lease Schedules Nos. 2, 3 and 4 for \$442,300, \$40,066, and \$29,218, respectively, which were used to fund laboratory and computer equipment.

As of December 31, 2009, we have been advanced \$948,884 under the LTI Lease. We cannot receive any further advances under the LTI Lease.

Wells Fargo Lease Agreement

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

On October 2, 2009, we entered into Lease Supplement No. 1 for \$265,200 which was used to acquire laboratory equipment. Supplement No. 1, which is being accounted for as a capital lease, has a term of 60 months with monthly payments of \$5,396 and a \$1 final purchase payment at termination.

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

After entering into Supplement No. 2 on January 14, 2010, we have \$60,800 available for further advances under the Wells Fargo Lease.

SunTrust Lease Agreement

On October 28, 2009, we entered into an equipment lease agreement with SunTrust Equipment Finance & Leasing Corp. (the "SunTrust Lease"). The SunTrust Lease establishes the general terms and conditions pursuant to which we may lease up to \$1.5 million in equipment and other property. Advances under the lease line may be made by executing supplemental schedules for each advance, which would have a term of 60 months.

On November 12, 2009, we entered into Lease Schedule No. 1 for \$428,465 which was used to fund laboratory equipment, computer hardware and furniture and fixtures. Schedule No. 1, which is being accounted for as a capital lease, has a term of 60 months with monthly payments of \$8,434 and a \$1 final purchase payment at termination. As part of this schedule, the Subsidiary agreed to keep at least \$1,000,000 in compensating cash balances with SunTrust as long as the subsidiary owed any monies under the schedule. This balance is accounted for as current restricted cash as we have the ability to pay-off the schedule at any time and as a result of that we have shown the principal owed on the arrangement as a current liability.

On January 19, 2010, we entered into Lease Schedule No. 2 for \$289,573 which was used to fund laboratory equipment and furniture and fixtures. Schedule 2, which will be accounted for as a capital lease, has a term of 60 months with monthly payments of \$5,704 and a \$1 final purchase payment at termination.

After entering into Lease Schedule No. 2 on January 19, 2010, we have \$781,962 available for further advances under the SunTrust Lease.

Capital Lease Obligations

The Company's capital lease obligations expire at various times through 2014 and the weighted average interest rates under such leases approximated 13.3% at December 31, 2009. Most of these leases contain bargain purchase options that allow us to purchase the leased property for a minimal amount upon the expiration of the lease term. Future minimum lease payments under capital lease obligations, including those described above, are:

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Years ending December 31,	
2010	\$ 1,836,501
2011	1,058,020
2012	431,844
2013	167,863
2014	83,664
Total future minimum lease payments	3,577,892
Less amount representing interest	(569,838)
Present value of future minimum lease payments	3,008,054
Less current maturities	(1,482,326)
Obligations under capital leases – long term	\$ 1,525,728

Property and equipment acquired under capital lease agreements (see Note D) is pledged as collateral to secure the performance of the future minimum lease payments above.

NOTE L – RELATED PARTY TRANSACTIONS

Consulting Agreements

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

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

On June 6, 2007, we issued to the six non-employees director’s of our board of directors a total of 550,000 warrants at \$1.50/share. Such warrants had an exercise price of \$1.50/share with three year vesting and a five year final term. These warrants were valued at approximately \$280,000 on the date of issuance using the Black-Schools option pricing model and our being expensed over the vesting period. These warrants expire in June 2012.

Laboratory Information System

On March 11, 2005, we entered into an agreement with HCSS, LLC and eTelenext, Inc. to enable NeoGenomics to use eTelenext, Inc’s Accessioning Application, AP Anywhere Application and CMQ Application. HCSS, LLC is a holding company created to build a small laboratory network for the 50 small commercial genetics laboratories in the United States. HCSS, LLC is owned 66.7% by Dr. Michael T. Dent, a member of our Board of Directors. George O’Leary, a member of our Board of Directors is Chief Financial Officer of HCSS, LLC.

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On June 18, 2009, we entered into a Software Development, License and Support Agreement with HCSS, LLC and eTelenext, Inc. to upgrade the Company's laboratory information system to APvX. . The estimated costs for the development and migration phase are anticipated to be approximately \$75,000 and are expected to be completed in April 2010. This agreement has an initial term of five years from the date of acceptance and calls for monthly fees of \$8,000-\$12,000 during the term. During the years ended December 31, 2009 and 2008, HCSS earned approximately \$87,675 and approximately \$99,900, respectively, for transaction fees related to completed tests.

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

Gulf Pointe Capital Lease Agreement

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

NOTE M – POWER 3 MEDICAL PRODUCTS, INC.

On April 2, 2007, we entered into an agreement with Power3 Medical Products, Inc., ("Power3") regarding the formation of a joint venture Contract Research Organization ("CRO") and the issuance of convertible debentures and certain options by Power3 to us (the "Letter Agreement"). Power3 is an early stage company engaged in the discovery, development, and commercialization of protein biomarkers. As part of the agreement, on April 17, 2007, we provided \$200,000 of working capital to Power3 by purchasing a 6% convertible debenture, due April 17, 2009 (the "Debenture"). We were also granted two options to increase our stake in Power3 first to 20% and then up to 60% of Power3's fully diluted shares. The first option is exercisable for a period starting on the date of purchase of the convertible debenture by NeoGenomics and extending until the day which is the later of (y) November 16, 2007 or (z) the date that certain preconditions specified in the agreement have been achieved.

As of March 24, 2010, Power3 had still failed to meet at least four of the five preconditions specified in the Letter Agreement. As a result of this failure to meet the pre-conditions specified in the Letter Agreement, we believe that all of our options to acquire interests in Power3 and license their Intellectual Property are still in full force and effect and we have notified Power3 that we are reserving all of our rights under the Letter Agreement. We have also notified Power3 that they are in default of their obligations under the Debenture by failing to pay interest due since September 2008 and principal which was due April 17, 2009, and that as a result of such default, we were demanding the accelerated payment of the full principal and any accrued interest under the Debenture. We intend to vigorously pursue all remedies in this matter.

NOTE N – RETIREMENT PLAN

We maintain a defined-contribution 401(k) retirement plan covering substantially all employees (as defined). Our employees may make voluntary contributions to the plan, subject to limitations based on IRS regulations and compensation. In addition, we match any employees' contributions on a dollar to dollar basis up to 1% of the respective employee's salary. We made matching contributions of approximately \$50,798 and \$41,000 during the years ended December 31, 2009 and 2008, respectively.

NOTE O – SUBSEQUENT EVENTS

Equipment Leases

As described in Note K, on January 14, 2010 and January 19, 2010, we entered into additional capital leases under our lease facilities with Wells Fargo and SunTrust, respectively.

Third Amendment to Revolving Credit and Security Agreement

On March 26, 2010, we entered into an amendment (the "Third Amendment") to the credit facility agreement with CapitalSource (see Note H), for which we paid CapitalSource an amendment fee of \$25,000. The Third Amendment waived events of default relating to our failure to comply with the Fixed Charge Coverage Ratio for the Test Periods ended January 31, 2010 and February 28, 2010. The Third Amendment also revised the Fixed Charge Coverage Ratio calculation for the Test Period ending March 31, 2010 to permit us to add amounts of unrestricted cash, unrestricted cash equivalents and unused availability to Adjusted EBITDA for purposes of the test. For each monthly Test Period after March 31, 2010, the calculation of the Coverage Ratio will revert to Adjusted EBITDA, without adjustment for such amounts.

End of Financial Statements

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