

NEOGENOMICS INC
Form 10-K/A
April 18, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

or

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

For the transition period from _____ to _____

Commission File Number: 001-35756

NEOGENOMICS, INC.

(Exact name of registrant as specified in its charter)

Nevada 74-2897368
(State or other jurisdiction of (IRS Employer

incorporation or organization) Identification No.)
12701 Commonwealth Drive, Suite 9, Fort Myers, FL 33913

(Address of principal executive offices, Zip code)

(239) 768-0600

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: Name of each exchange on which registered:
Common Stock, par value \$0.001 per share NASDAQ Capital Market
Securities registered pursuant to Section 12(g) of the Act: Common Stock par value \$0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
☐

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

Large accelerated filer ☐

Accelerated Filer ☒

Non-accelerated filer ☐ (Do not check if smaller reporting company) Smaller reporting company ☐

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

As of June 30, 2015, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$327.3 million, based on the closing price of the registrant's common stock of \$5.41 per share on June 30, 2015.

The number of shares outstanding of the registrant's Common Stock, par value \$0.001 per share, as of March 9, 2016: 75,863,608

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its 2016 Annual Meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

NEOGENOMICS, INC.

EXPLANATORY NOTE

We are filing this Amendment No. 1 on Form 10-K/A (“Amendment”) to our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which was filed with the Securities and Exchange Commission on March 15, 2016 (“Original Form 10-K”). This amendment is filed to (i) correct an error on the cover page of the Original Form 10-K relating to the aggregate market value of our common stock held by non-affiliates, (ii) correct a typographical error in the date of the Report of Independent Registered Public Accounting Firm of Kingery & Crouse P.A., contained in Item 8 of the Original Form 10-K. Such date is corrected by this amendment from February 24, 2016 to February 24, 2014 and (iii) correct a typographical error on page 103 of the Original Form 10-K (page 38 of the Amendment) under the Capital Lease Obligations section of Note K - Commitments and Contingencies to correct the reference to the table of future minimum lease payments under capital leases and correctly reference that information to where it appears in Note F.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, we have included the entire text of Item 8 of the Form 10-K in this Amendment. However, there have been no changes to the text of such item other than the changes stated in the immediately preceding paragraph. Furthermore, there have been no changes to the XBRL data filed in Exhibit 101.1 of the Original Form 10-K.

Except as expressly set forth above, this Amendment does not, and does not purport to, amend, update or restate the information in any other item of the Original Form 10-K or reflect any events that have occurred after the filing of the Original Form 10-K.

NEOGENOMICS, INC.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

| | Page |
|---|------|
| <u>Report of Independent Registered Public Accounting Firm – Crowe Horwath LLP</u> | 4 |
| <u>Report of Independent Registered Public Accounting Firm – Kingery and Crouse P.A.</u> | 5 |
| <u>Consolidated Balance Sheets as of December 31, 2015 and 2014.</u> | 6 |
| <u>Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013.</u> | 7 |
| <u>Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity for the years ended December 31, 2015, 2014 and 2013.</u> | 8 |
| <u>Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013.</u> | 9 |
| <u>Notes to Consolidated Financial Statements.</u> | 10 |

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

NeoGenomics, Inc.

Fort Myers, Florida

We have audited the accompanying consolidated balance sheets of NeoGenomics, Inc. and subsidiaries ("NeoGenomics") as of December 31, 2015 and 2014, and the related consolidated statements of operations, redeemable convertible preferred stock and stockholders' equity, and cash flows for the years then ended. We also have audited NeoGenomics' internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). NeoGenomics' management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As permitted, NeoGenomics has excluded the operations of Clariant, Inc. acquired during 2015, which is described in Note D of the consolidated financial statements, from the scope of management's report on internal control over financial reporting. As such, it has also been excluded from the scope of our audit of internal control over financial reporting.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NeoGenomics as of December 31, 2015 and 2014, 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. Also in our opinion, NeoGenomics maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Crowe Horwath LLP

Tampa, Florida

March 15, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of operations, stockholders' equity, and cash flows of NeoGenomics, Inc. and its subsidiaries (the "Company") for the year ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of NeoGenomics, Inc. and its subsidiaries for the year ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Kingery & Crouse P.A.

Certified Public Accountants

Tampa, FL

February 24, 2014

NEOGENOMICS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

| | As of December 31, | |
|--|--------------------|----------|
| | 2015 | 2014 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$23,420 | \$33,689 |
| Accounts receivable (net of allowance for doubtful accounts of \$4,759 and | | |
| \$4,180, respectively) | 48,943 | 20,475 |
| Inventories | 5,108 | 2,616 |
| Deferred income tax asset | 16,668 | 821 |
| Other current assets | 4,889 | 1,141 |
| Total current assets | 99,028 | 58,742 |
| Property and equipment (net of accumulated depreciation of \$26,534 and | | |
| \$19,822, respectively) | 34,577 | 15,082 |
| Intangible assets, net | 87,800 | 4,212 |
| Goodwill | 146,421 | 2,929 |
| Other assets | 129 | 141 |
| Total assets | \$367,955 | \$81,106 |
| LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK | | |
| AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$12,464 | \$6,294 |
| Accrued compensation | 6,217 | 3,897 |
| Accrued expenses and other liabilities | 7,374 | 1,208 |
| Revolving credit facility, net | 8,869 | — |
| Short-term portion of car loans | 50 | 66 |
| Short-term portion of capital leases | 4,534 | 3,158 |
| Short-term portion of term loan | 550 | — |
| Total current liabilities | 40,058 | 14,623 |
| Long-term liabilities | | |
| Long-term portion of car loans | 82 | 64 |
| Long-term portion of capital leases | 5,040 | 5,193 |
| Long-term portion of term loan, net | 52,254 | — |
| Deferred income tax liability | 32,409 | 821 |
| Total long-term liabilities | 89,785 | 6,078 |
| Total liabilities | 129,843 | 20,701 |
| Commitments and contingencies - see Note K | | |
| Redeemable convertible preferred stock: | | |
| Series A Redeemable Convertible Preferred Stock, \$0.01 par value, | 28,602 | — |

| | | |
|--|-----------|----------|
| (50,000,000 and 10,000,000 shares authorized; and 14,666,667 and no shares issued and outstanding, respectively) | | |
| Stockholders' equity | | |
| Common stock, \$.001 par value, (250,000,000 and 100,000,000 shares authorized; 75,820,307 and 60,242,818 shares issued and outstanding, respectively) | | |
| | 76 | 60 |
| Additional paid-in capital | 231,375 | 79,751 |
| Accumulated deficit | (21,941) | (19,406) |
| Total stockholders' equity | 209,510 | 60,405 |
| Total liabilities, redeemable convertible preferred stock and stockholders' equity | | |
| | \$367,955 | \$81,106 |

NEOGENOMICS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

| | For the years ended December 31, | | |
|---|-------------------------------------|----------|----------|
| | 2015 | 2014 | 2013 |
| NET REVENUE | \$99,802 | \$87,069 | \$66,467 |
| Cost of revenue | 56,046 | 46,355 | 34,730 |
| GROSS MARGIN | 43,756 | 40,714 | 31,737 |
| Operating expenses: | | | |
| General and administrative | 33,631 | 23,808 | 17,397 |
| Research and development | 4,198 | 2,689 | 2,440 |
| Sales and marketing | 11,562 | 11,999 | 8,726 |
| Total operating expenses | 49,391 | 38,496 | 28,563 |
| INCOME (LOSS) FROM OPERATIONS | (5,635) | 2,218 | 3,174 |
| Interest expense, net | 854 | 985 | 989 |
| Other (income) expense | (2,000) | (56) | — |
| Income (loss) before taxes | (4,489) | 1,289 | 2,185 |
| Income tax (benefit) expense | (1,954) | 157 | 152 |
| NET INCOME (LOSS) | (2,535) | 1,132 | 2,033 |
| Deemed dividends on preferred stock | 40 | — | — |
| Amortization of preferred stock beneficial conversion feature | 82 | — | — |
| NET INCOME (LOSS) ATTRIBUTABLE TO COMMON | | | |
| STOCKHOLDERS | \$(2,657) | \$1,132 | \$2,033 |
| NET EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO | | | |
| COMMON STOCKHOLDERS | | | |
| Basic | \$(0.04) | \$0.02 | \$0.04 |
| Diluted | \$(0.04) | \$0.02 | \$0.04 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | |
| Basic | 60,526 | 53,483 | 48,263 |
| Diluted | 60,526 | 56,016 | 52,775 |

See notes to consolidated financial statements.

NEOGENOMICS, INC.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

(In thousands, except share amounts)

| | Series A Redeemable Convertible Preferred | | Common Stock | | Additional Paid-In | | Accumulated | Total |
|---|---|--------|--------------|--------|-----------------------|--------------|-------------|----------|
| | Shares | Amount | Shares | Amount | Capital | Deficit | | |
| BALANCE, DECEMBER 31, 2012 | — | \$— | 45,280,280 | \$ 45 | \$ 31,742 | \$ (22,571) | | \$9,216 |
| Common stock issuance ESPP plan | — | — | 76,595 | — | 230 | — | | 230 |
| Stock issuance fees and expenses | — | — | — | — | (1,037) | — | | (1,037) |
| Issuance of stock for stock options | — | — | 438,998 | 1 | 371 | — | | 372 |
| Issuance of common stock for cash | — | — | 3,322,500 | 3 | 9,965 | — | | 9,968 |
| Stock compensation expense - warrants | — | — | — | — | 263 | — | | 263 |
| Stock compensation expense - options | — | — | — | — | 666 | — | | 666 |
| Net income | — | — | — | — | — | 2,033 | | 2,033 |
| BALANCE, DECEMBER 31, 2013 | — | \$— | 49,118,373 | \$ 49 | \$ 42,200 | \$ (20,538) | | \$21,711 |
| Common stock issuance ESPP plan | — | — | 90,285 | — | 353 | — | | 353 |
| Stock issuance fees and expenses | — | — | — | — | (2,776) | — | | (2,776) |
| Issuance of stock for warrants | — | — | 458,333 | 1 | 455 | — | | 456 |
| Issuance of restricted stock | — | — | 138,500 | — | — | — | | — |
| Issuance of stock for stock options | — | — | 2,387,327 | 2 | 1,805 | — | | 1,807 |
| Issuance of common stock for cash | — | — | 8,050,000 | 8 | 37,022 | — | | 37,030 |
| Stock compensation expense - warrants | — | — | — | — | 51 | — | | 51 |
| Stock compensation expense – options and restricted stock | — | — | — | — | 641 | — | | 641 |
| Net income | — | — | — | — | — | 1,132 | | 1,132 |
| | — | \$— | 60,242,818 | \$ 60 | \$ 79,751 | \$ (19,406) | | \$60,405 |

| | | | | | | | |
|---|------------|----------|------------|-------|------------|--------------|------------|
| BALANCE, DECEMBER 31, 2014 | | | | | | | |
| Common stock issuance ESPP plan | — | — | 73,958 | — | 369 | — | 369 |
| Issuance of Series A redeemable convertible preferred stock | 14,666,667 | 28,480 | — | — | — | — | — |
| Stock issuance fees and expenses | — | — | — | — | (148) | — | (148) |
| Issuance of restricted stock | — | — | 11,440 | — | — | — | — |
| Issuance of stock for stock options | — | — | 492,091 | 1 | 713 | — | 714 |
| Tax benefit from stock option award activity | — | — | — | — | 118 | — | 118 |
| Issuance of common stock to fund acquisition | — | — | 15,000,000 | 15 | 102,495 | — | 102,510 |
| Beneficial conversion feature | — | — | — | — | 44,720 | — | 44,720 |
| Deemed dividends on preferred stock | — | 40 | — | — | (40) | — | (40) |
| Amortization of preferred stock beneficial conversion feature | — | 82 | — | — | (82) | — | (82) |
| Stock compensation expense - warrants | — | — | — | — | 590 | — | 590 |
| Stock compensation expense - options and restricted stock | — | — | — | — | 2,889 | — | 2,889 |
| Net loss | — | — | — | — | — | (2,535) | (2,535) |
| BALANCE, DECEMBER 31, 2015 | 14,666,667 | \$28,602 | 75,820,307 | \$ 76 | \$ 231,375 | \$ (21,941) | \$ 209,510 |

See notes to consolidated financial statements.

NEOGENOMICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

| | For the years ended December 31, | | |
|---|-------------------------------------|----------|---------|
| | 2015 | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income (loss) | \$(2,535) | \$1,132 | \$2,033 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities, net of business acquisition: | | | |
| Impact of tax valuation allowance | (2,066) | — | — |
| Depreciation | 6,730 | 5,345 | 4,189 |
| Amortization of intangibles | 412 | 295 | 223 |
| Amortization of debt issue costs | — | 66 | 49 |
| Stock based compensation – options and restricted stock | 2,889 | 641 | 666 |
| Stock based compensation – warrants | 590 | 51 | 263 |
| Provision for bad debts | 2,318 | 2,437 | 2,797 |
| Changes in assets and liabilities, net of business acquisition: | | | |
| (Increase) in accounts receivable, net of write-offs | (3,215) | (2,770) | (7,416) |
| (Increase) in inventories | (896) | (229) | (442) |
| Decrease (increase) in other assets | 11 | 41 | (71) |
| (Increase) in other current assets | (3,748) | (25) | (932) |
| Increase in accounts payable and other liabilities | 5,903 | 2,466 | 868 |
| Net cash provided by operating activities | 6,393 | 9,450 | 2,227 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition, net of cash acquired of \$890 and \$79 | (72,940) | (5,830) | — |
| Purchases of property and equipment | (2,215) | (3,772) | (2,011) |
| Net cash used in investing activities | (75,155) | (9,602) | (2,011) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Advances from (repayments to) revolving credit facility | 10,002 | (4,282) | (4,177) |
| Repayment of capital lease obligations | (4,115) | (3,581) | (2,606) |
| Proceeds from term loan | 55,022 | — | — |
| Payments of debt issue costs | (3,351) | — | — |
| Issuance of common stock for the exercise of options, warrants and ESPP shares, net of transaction expenses | 935 | 2,616 | 515 |
| Issuance of common stock for cash , net of transaction expenses | — | 34,254 | 9,018 |
| Net cash provided by financing activities | 58,493 | 29,007 | 2,750 |
| Net change in cash and cash equivalents | (10,269) | 28,855 | 2,966 |
| Cash and cash equivalent, beginning of year | 33,689 | 4,834 | 1,868 |
| Cash and cash equivalents, end of year | \$23,420 | \$33,689 | \$4,834 |
| Supplemental disclosure of cash flow information: | | | |
| Interest paid | \$911 | \$981 | \$945 |

| | | | |
|--|---------|-------|-------|
| Income taxes paid | 25 | 177 | 17 |
| Supplemental disclosure of non-cash investing and financing information: | | | |
| Equipment acquired under capital lease/loan obligations | 4,813 | 5,884 | 3,377 |
| Fair value of common stock issued to fund acquisition | 102,510 | — | — |
| Fair value of preferred stock issued to fund acquisition | 73,200 | — | — |

See notes to consolidated financial statement

NEOGENOMICS INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

Note A – Nature of Business and Basis of Presentation

NeoGenomics, Inc., a Nevada corporation (the “Parent” or the “Parent Company”), and its subsidiaries, NeoGenomics Laboratories, Inc., a Florida corporation (“NEO”, “NeoGenomics Laboratories”), Path Labs LLC., a Delaware Limited Liability Corporation (“Path Logic”) and Clariant Inc. and its wholly-owned subsidiary Clariant Diagnostic Services, Inc. (“Clariant”), (collectively referred to as “we”, “us”, “our”, “NeoGenomics”, or the “Company”), operates as a certified “high complexity” clinical laboratory in accordance with the federal government’s Clinical Laboratory Improvement Act, as amended (“CLIA”), and is dedicated to the delivery of clinical diagnostic services to pathologists, oncologists, urologists, hospitals, and other laboratories throughout the United States.

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

We have one reportable operating segment that delivers testing services to hospitals, pathologists, oncologists, other clinicians and researchers and represents 100% of the Company’s consolidated assets, net revenues and net income for each of the three years ended December 31, 2015. Also, at December 31, 2015, all of our services were provided within the United States and all of our assets were located in the United States.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. For the year ended December 31, 2015, the Company reclassified to auto loans certain amounts previously reported with capital leases and separate other income from interest expense. The Company revised the classification on the Consolidated Balance Sheet and on the Consolidated Statement of Operations. These changes in classification do not materially affect previously reported cash flows in the Consolidated Statements of Cash Flows, and had no net effect on the previously reported Consolidated Balance Sheet or Statements of Operations for any period.

Note B – Summary of Significant Accounting Policies

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 allowances, contingencies, useful lives and recovery of long-term assets and intangible assets, income taxes and valuation allowances, stock-based compensation and impairment analysis of goodwill. 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 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.

NEOGENOMICS INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The Company's specialized diagnostic services are performed based on a written test requisition form or electronic equivalent and revenues are recognized once the diagnostic services have been performed, and the results have been delivered to the ordering physician. These diagnostic services are billed to various payers, including Medicare, commercial insurance companies, other directly billed healthcare institutions such as hospitals and clinics, and individuals. The Company reports revenues from contracted payers, 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 payers, including certain insurance companies and individuals, based on the amount expected to be collected. The difference between the amount billed and the amount estimated to be collected from non-contracted payers is recorded as a contractual allowance to arrive at the reported net revenues. The expected revenues from non-contracted payers are based on the historical collection experience of each payer or payer group, as appropriate. The Company records revenues from patient pay tests net of a large discount and as a result recognizes minimal revenue on those tests. The Company regularly reviews its historical collection experience for non-contracted payers and adjusts its expected revenues for current and subsequent periods accordingly.

The table below shows the adjustments made to gross service revenue to arrive at net revenues, the amount reported on our statement of operations (in thousands):

| | For the Years ended December 31, | | |
|---|----------------------------------|-----------|-----------|
| | 2015 | 2014 | 2013 |
| Gross service revenues | \$225,057 | \$224,460 | \$173,784 |
| Total contractual adjustments and discounts | (125,255) | (137,391) | (107,317) |
| Net service revenues | \$99,802 | \$87,069 | \$66,467 |

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.

Shipping Costs

The Company has a significant expense related to shipping specimens to our facility for testing and this cost is for contract couriers, commercial airline flights and charges from FedEx to ship specimens to our facility. We had approximately \$3.6 million, \$3.0 million and \$2.9 million in outsourced shipping expenses for the years ended December 31, 2015, 2014 and 2013, respectively, and these costs were included in our cost of revenue.

Advertising Costs

Advertising costs are expensed at the time they were incurred and are not material for the years ended December 31, 2015, 2014 and 2013.

Research and Development

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are comprised of amounts due from sales of the Company’s specialized diagnostic services and are recorded at the billed amount, net of discounts and contractual allowances. The allowance for doubtful accounts is estimated based on the aging of accounts receivable with each payer category and the historical data on bad debts in these aging categories. In addition, the allowance is adjusted periodically for other relevant factors, including regularly assessing the state of our billing operations in order to identify issues which may impact the collectability of receivables or allowance estimates. Revisions to the allowance are recorded as an adjustment to bad debt expense within general and administrative expenses. After appropriate collection efforts have been exhausted,

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

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. 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.

Changes in the allowance for doubtful accounts are as follows (in thousands):

| | Years Ended December 31, | | |
|---|--------------------------|---------|---------|
| | 2015 | 2014 | 2013 |
| Beginning balance – allowance for doubtful accounts | \$4,180 | \$4,540 | \$3,002 |
| Provision for doubtful accounts | 2,318 | 2,437 | 2,797 |
| Write-offs | (1,739) | (2,797) | (1,259) |
| Ending balance – allowance for doubtful accounts | \$4,759 | \$4,180 | \$4,540 |

Statements of Cash Flows

For purposes of the consolidated statements 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

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities, and other current assets and liabilities, including our revolving credit facility 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, 2015, 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 and term debt approximates its fair value based on the current market conditions for similar instruments.

Concentrations of Credit Risk

Concentrations of credit risk with respect to revenue and accounts receivable are primarily limited to certain clients and geographies to which the Company provides a significant volume of its services, and to specific payers of our services such as Medicare and individual insurance companies. The Company's client base consists of a large number of geographically dispersed clients diversified across various customer types. For the year ended December 31, 2015, no clients accounted for more than 5% of revenue. For the years ended December 31, 2014 and 2013, a large oncology practice with multiple locations accounted for 10.1% and 15.8%, respectively, of total revenue. All other clients were less than 10% of total revenue individually. For the years ended December 31, 2015, 2014 and 2013, revenue derived from the State of Florida accounted for 20.5%, 25.8% and 30.6%, respectively, of total revenue.

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).

Other Current Assets

As of December 31, 2015 and 2014, other current assets consist primarily of prepaid expenses relating to contracts for laboratory and computer equipment maintenance.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

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 the straight line basis over the estimated useful lives of the assets. Leasehold improvements and property and equipment under capital leases are amortized over the shorter of the related lease terms or their estimated useful lives. Costs incurred in connection with the development of internal-use software are capitalized in accordance with the accounting standard for internal-use software, and are amortized over the expected useful life of the software. We perform a fair value assessment on property and equipment acquired in a business combination and record the fair value as the cost basis for those 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.

Intangible Assets

Intangible assets with finite useful lives are recorded at fair value or cost, less accumulated amortization. We have five classes of intangible assets and each class of intangible assets is amortized over its estimated service period using the straight-line method. We periodically review the estimated pattern in which the economic benefits will be consumed and adjust the amortization period and pattern to match our estimate. The Company's intangible assets are primarily related to the customer relationships acquired through the acquisition of Clariant, Inc. and Path Labs, LLC, the Clariant trade name and to our license agreement with Health Discovery Corporation.

Goodwill

The Company evaluates goodwill on an annual basis in the fourth quarter or more frequently if management believes indicators of impairment exist. Such indicators could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a two-step quantitative goodwill impairment test. The first step of the impairment test involves comparing the fair value of the applicable reporting unit with its carrying value. The Company estimates the fair values of its reporting units using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, management performs the second step of the goodwill impairment test. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The amount, by which the carrying value of the goodwill exceeds its implied fair value, if any, is recognized as an impairment loss. The Company's evaluation of goodwill completed during the fourth quarter resulted in no impairment losses.

Recoverability and Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets (property and equipment, and intangible assets) if events or changes in circumstances indicate the assets may be impaired. Evaluation of possible impairment is based on the Company's ability to recover the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If the expected undiscounted pretax cash flows are less than the carrying amount of such asset, an impairment loss is recognized for the difference between the estimated fair value and carrying amount of the asset. No impairment loss was recognized in the years ended December 31, 2015, 2014 and 2013.

Debt Issuance Costs

We record debt issuance costs related to our debt liabilities as direct deductions from the carrying amount of the debt pursuant to the adoption of ASU 2015-03, Interest – Imputation of interest. The costs are amortized to interest expense over the life of the debt using the effective interest method. Our revolving line of credit is recorded as a short term liability due to the existence of a subjective

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

acceleration clause, we will also present the debt issuance costs associated with this liability as a direct deduction from the carrying amount and amortize the costs to interest expense over the life of the revolver using the effective interest rate method.

The retrospective application of the adoption of ASU 2015-03 did not have an impact on the December 31, 2014 consolidated balance sheet as the Company did not have debt issuance costs at that date. The adoption resulted in the classification of approximately \$3.5 million of debt issuance costs as a direct reduction of the Company's long-term debt and revolving credit facility on the December 31, 2015 consolidated balance sheet.

Series A Redeemable Convertible Preferred Stock

The Company has classified the Series A Redeemable Convertible Preferred Stock ('Series A Preferred Stock') as temporary equity on the consolidated balance sheet due to certain deemed liquidation events that are outside the Company's control. These events include the following:

- Acquisition of 50% or more of the voting securities of the Company
- Consolidation, merger or corporate reorganization in which the stockholders of the Company immediately prior to such consolidation, merger or reorganization own less than 50% of the voting power immediately after the consolidation, merger or reorganization
- Sale, lease license, transferor disposition of all or substantially all of the assets, technology or intellectual property of the Company

We evaluated our Series A Preferred Stock upon issuance in order to determine classification as to permanent or temporary equity and whether or not the instrument contains an embedded derivative that requires bifurcation. This analysis followed the whole instrument approach which compares an individual feature against the entire instrument which includes that feature. This analysis was based on a consideration of the economic characteristics and risk of the Series A Preferred Stock.

We evaluated all of the stated and implied substantive terms and features, including: (i) redemption (Purchase Call Option) on the Series A Preferred Stock allowing the Company to redeem the Series A Preferred Stock at any time, (ii) required redemption contingent if we raise capital, (iii) required redemption in the event of certain deemed liquidation events (in essence, any change in control of the Company, (iv) conversion (Written Call Option) on the underlying shares if after three years the stock trades at \$8.00 for thirty trading days, and (v) conversion (Contingent Forward) on the underlying shares automatically at the ten year anniversary of the issue date.

As a result of this analysis, we concluded that the Series A Preferred Stock represented an equity host and, therefore, the redemption feature of the Series A Preferred Stock was not considered to be clearly and closely related to the associated equity host instrument, however the redemption features did not meet the net settlement criteria of a derivative and, therefore, were not considered embedded derivatives that required bifurcation.

We also concluded that the conversion rights under the Series A Preferred Stock were clearly and closely related to the equity host instrument. Accordingly, the conversion rights features on the Series A Preferred Stock were not considered an embedded derivative that required bifurcation.

Beneficial Conversion Feature

The issuance of the Company's Series A Preferred Stock generated a beneficial conversion feature, which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. We recognized this beneficial conversion feature by allocating the intrinsic value of the conversion option, which is the number of shares of common stock available upon conversion multiplied by the difference between the effective conversion price per share and the fair value of common stock per share on the commitment date, to additional paid-in capital, resulting in a discount on the Series A Preferred Stock. NeoGenomics is accreting the discount over three years from the date of issuance through the earliest conversion date, which is three years. Accretion expense is recognized as dividend equivalents over the three year period.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

Income Taxes

We compute income taxes in accordance with ASC Topic 740, Income Taxes. Under ASC Topic 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 and lives for property and equipment and recognition of bad debts and various other expenses that have been allowed for or accrued for financial statement purposes but are not currently deductible for income tax purposes.

The provision for income taxes, including the effective tax rate and analysis of potential tax exposure items, if any, requires significant judgment and expertise in federal and state income tax laws, regulations and strategies, including the determination of deferred tax assets and liabilities and any estimated valuation allowances deemed necessary to recognize deferred tax assets at an amount that is more likely than not to be realized. We evaluate tax positions that have been taken or are expected to be taken in our tax returns, and record a liability for uncertain tax positions, if deemed necessary. We follow a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. We recognize interest and penalties related to unrecognized tax benefits in the provision for income taxes in the accompanying consolidated financial statements. During the years ended December 31, 2015, 2014 and 2013, we do not believe we had any significant uncertain tax positions nor did we have any provision for interest or penalties related to such positions.

Stock-Based Compensation

We measure compensation expense for stock-based awards to employees non-employee contracted physicians and directors based upon the awards' initial grant-date fair value. The estimated grant-date fair value of the award is recognized as expense over the requisite service period using the straight-line method. The fair value of awards to non-employees are then market-to-market each reporting period until vesting criteria are met.

We estimate the fair value of stock options and warrants 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: We use our own historical weekly volatility because that is 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.

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.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

Net Income (loss) per Common Share

We have adopted the two class method of calculating earnings (loss) per share, due to the issuance of the Series A Preferred Stock in December 2015. Under this method, when we have a net loss, we will not allocate the net loss to the holders of the Series A Preferred Stock (our participating shareholders) as they do not have a contractual obligation to share in losses. Under this method, when we have net income, we will compute net income per share using the weighted average number of common shares outstanding during the applicable period plus the weighted average number of preferred shares outstanding during the period.

Diluted net income per share is computed using the weighted average number of common shares outstanding during the applicable period, plus the dilutive effect of potential common stock. Potential common stock consists of shares issuable pursuant to stock options and warrants. Calculations of net income per share are done using the treasury stock method.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards (“ASU”) 2016-02, Leases. This standard update was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities, including for operating leases, on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact that adopting ASU 2016-02 will have on its consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes. This standard update provides guidance for balance sheet classification of deferred taxes. This standard requires that deferred tax assets and liabilities be classified as non-current on the balance sheet, and eliminates the prior guidance which required an entity to separate deferred tax liabilities and assets into a current amount and a noncurrent amount on the balance sheet. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Earlier application is permitted as of the beginning of an interim or annual period. The Company is currently evaluating the impact that adopting ASU 2015-17 will have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest – Imputation of interest. This standard update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company elected to adopt this update as of December 31, 2015 and debt issuance costs related to a recognized debt liability are presented in the consolidated balance sheet as a direct deduction from the carrying amount of that debt liability. The update was adopted because management believes it provides a more meaningful presentation of its financial position. This change in accounting principle has been applied on a retrospective basis. The retrospective application of this change in accounting principle did not have an impact on the December 31, 2015 consolidated balance sheet as the Company did not have debt issuance costs at that date. The adoption resulted in the classification of approximately \$3.5 million of debt issuance costs as a direct reduction of the Company’s long-term debt and revolving credit facility on the December 31, 2015 consolidated balance sheet.

In May 2014, the FASB issued ASU 2014-09, Revenues from Contracts with Customers. This standard update calls for a number of revisions in the revenue recognition rules. In August 2015, the FASB deferred the effective date of this ASU to the first quarter of 2018, with early adoption permitted beginning in the first quarter of 2017. The ASU can be applied using a full retrospective method or a modified retrospective method of adoption. The Company is currently reviewing this update and has not yet determined the date that we will adopt this standard, the method we will use to implement the new standard or the effect this may have on our consolidated financial statements.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

Note C – Property and Equipment, Net

Property and equipment consisted of the following at December 31, 2015 and 2014 (in thousands):

| | 2015 | 2014 | Estimated Useful Lives in Years |
|--|----------|----------|--|
| Equipment | \$34,040 | \$19,604 | 3-7 |
| Leasehold improvements | 9,349 | 3,541 | 2-5 |
| Furniture and fixtures | 4,398 | 1,982 | 7 |
| Computer hardware | 5,175 | 4,249 | 3 |
| Computer software | 7,717 | 5,033 | 2-3 |
| Assets not yet placed in service | 432 | 495 | — |
| Subtotal | 61,111 | 34,904 | |
| Less accumulated depreciation and amortization | (26,534) | (19,822) | |
| Property and equipment, net | \$34,577 | \$15,082 | |

Depreciation and amortization expense on property and equipment, including leased assets in each period was as follows (in thousands):

| | For the years ended December 31, | | |
|---------------------------------------|-------------------------------------|---------|---------|
| | 2015 | 2014 | 2013 |
| Depreciation and amortization expense | \$6,730 | \$5,345 | \$4,189 |

In our consolidated statements of operations, we recorded approximately \$4,238, \$3,516 and \$2,985 of depreciation and amortization in cost of revenue for the years ended December 31, 2015, 2014 and 2013, respectively, and we recorded \$2,492, \$1,829 and \$1,204 of depreciation and amortization in general and administrative expenses for the years ended December 31, 2015, 2014 and 2013, respectively.

Property and equipment under capital leases, included above, consists of the following at December 31, 2015 and 2014 (in thousands):

| | 2015 | 2014 |
|--|----------|----------|
| Equipment | \$13,655 | \$8,729 |
| Furniture and fixtures | 1,250 | 1,250 |
| Computer hardware | 2,846 | 2,454 |
| Computer software | 651 | 523 |
| Leasehold improvements | 99 | 44 |
| Subtotal | 18,501 | 13,000 |
| Less accumulated depreciation and amortization | (9,047) | (4,959) |
| Property and equipment under capital leases, net | \$9,454 | \$8,041 |

Note D – Acquisitions

Clariant

On December 30, 2015 (“the acquisition date”), the Company acquired from GE Medical Holding AB (“GE Medical”), a subsidiary of General Electric Company (“GE”), all of the issued and outstanding shares of common stock of Clariant, Inc., (“Clariant”) a wholly owned subsidiary of GE Medical, for a purchase price consisting of (i) cash consideration of approximately \$73.8 million, which includes an approximately \$6.7 million estimated working capital adjustment and adjustments for estimated cash on hand and estimated indebtedness of Clariant on the Closing Date, (ii) 15,000,000 shares of NeoGenomics’ common stock, and (iii) 14,666,667 shares of NeoGenomics’ Series A Preferred Stock pursuant to the Stock Purchase Agreement.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The cash consideration paid as part of the purchase price was funded through the following:

- The Company paid approximately \$10.7 million using cash on hand
- Approximately \$9.5 million, net of transaction costs was funded using the revolving credit facility
- Approximately \$53.6 million, net of transaction costs was funded using the term loan

On December 21, 2015 shareholders approved and on December 28, 2015, NeoGenomics filed with the Secretary of State of the State of Nevada amendments to its Articles of Incorporation to increase the authorized number of shares of common stock from 100.0 million shares to 250.0 million shares and to increase the authorized number of shares of preferred stock from 10.0 million shares to 50.0 million shares in order to fund the common and preferred stock portion of the purchase price.

The Company issued 15,000,000 shares of common stock as consideration for the acquisition of Clarient. The common stock includes restrictions imposed on the holder in the Investor Board Rights, Lockup and Standstill Agreement. We estimated the fair value of the common stock consideration using inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. The key assumption in the fair value determination was a 15 percent discount due to lack of marketability of the common stock as a result of the restrictions imposed on the holder. The acquisition date fair value of common stock transferred is calculated below (\$ in thousands, except share and per share amounts):

| Common Stock Valuation | Amount |
|---|-------------|
| Shares of common stock issued as consideration | 15,000,000 |
| Stock price per share on closing date | \$8.04 |
| Value of common stock issued as consideration | \$120,600 |
| Issue discount due to lack of marketability | \$(18,090) |
| Fair value of common stock at December 30, 2015 | \$102,510 |

The Company issued 14,666,667 shares of Series A Preferred Stock as consideration for the acquisition of Clarient. The rights of the Series A Preferred Stock are described in Note G. We estimated the fair value of the Series A Preferred Stock consideration using significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. The fair value of the Series A Preferred Stock at the acquisition date was \$73.2 million or \$4.99 per share. This fair value was further reduced by the intrinsic value assigned to the beneficial conversion feature to arrive at a carrying amount of \$28.6 million.

On a fully diluted basis, assuming full conversion of the Series A Preferred Stock, GE Medical would own approximately 32% of NeoGenomics. In addition, pursuant to the Investor Board Rights, Lockup and Standstill Agreement, NeoGenomics was required to appoint a director designated by GE Medical Systems to the Board.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The Company is in the process obtaining input from third-party valuations of its tangible and intangible assets and other information necessary to measure the remaining assets acquired and liabilities assumed; thus, the provisional measurements of current assets, property and equipment, intangible assets, goodwill, current liabilities, net deferred tax liabilities and long-term liabilities are subject to change.

The preliminary acquisition fair values below are presented as of December 30, 2015 (in thousands):

| | As of December 30, 2015 |
|--|-------------------------------|
| | (Preliminary) |
| Current assets, including cash and cash equivalents of \$890 | \$ 31,978 |
| Property and equipment | 19,241 |
| Identifiable intangible assets – customer relationships | 84,000 |
| Goodwill | 143,493 |
| Total assets acquired | 278,712 |
| Current liabilities | (12,631) |
| Deferred tax liability | (17,904) |
| Long-term liabilities | (103) |
| Net assets acquired | \$ 248,074 |

Of the \$84.0 million of acquired intangible assets, \$81.0 million was provisionally assigned to customer relationships which are being amortized over fifteen years and \$3.0 million was provisionally assigned to trade names which are being amortized over two years. We recorded approximately \$36 thousand of amortization expense for the year ended December 31, 2015.

The goodwill arising from the acquisition of Clariant includes revenue synergies as a result of our existing customers and Clariant's customers having access to each other's testing menus and capabilities and also from the new product lines which Clariant adds to the Company's product portfolio. None of the goodwill is expected to be deductible for income tax purposes. The provisional fair value of accounts receivable acquired is approximately \$27.6 million

The Company recognized acquisition related transaction costs of approximately \$4.7 million during the year ended December 31, 2015. These costs include due diligence, legal, consulting and other transaction related expenses associated with the acquisition of Clariant. These expenses were included in general and administrative expenses in our consolidated statements of operations for the year ended December 31, 2015. The Company also incurred debt issuance costs of \$3.351 million which are recorded as reductions in the carrying amount of the related liabilities and is being amortized over the life of the loans.

The amount of revenue and earnings of Clariant since the date of acquisition that are included in the consolidated statement of operations as of December 31, 2015 are as follows (in thousands):

For the period December 30, 2015

through December 31, 2015

| | | |
|--------------|----|-----|
| Revenue | \$ | 665 |
| Gross Margin | \$ | 297 |
| Net Income | \$ | 26 |

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The following unaudited pro forma information (in thousands) have been provided for illustrative purposes only and are not necessarily indicative of results that would have occurred had the Acquisition been in effect since January 1, 2014, nor are they necessarily indicative of future results.

| | Years ended December 31, | |
|--|-----------------------------|-----------|
| | (unaudited) | |
| | 2015 | 2014 |
| Revenue | \$216,029 | \$214,293 |
| Net (loss) attributable to common stockholders | (71,365) | (34,084) |
| (Loss) per share | \$(0.94) | \$(0.50) |
| Basic | 75,526 | 68,483 |
| Diluted | 75,526 | 68,483 |

The unaudited pro forma consolidated results during the years ended December 31, 2015 and 2014 have been prepared by adjusting our historical results to include the Acquisition as if it occurred on January 1, 2014. These unaudited pro forma consolidated historical results were then adjusted for the following:

- Remove transaction expenses from the year ended December 31, 2015 and record them in the year ended December 31, 2014
 - Adjustments to reflect amortization and depreciation expense associated with the acquired assets, partially offset by the elimination of the amortization and depreciation expense associated with Clariant's historical assets.
 - Removal of costs associated with MultiOmyx, assets not acquired in the transaction, and to record royalty fees due to GE for continued use of the MultiOmyx product.
 - Remove general and administrative expenses related to a Lab Services Agreement with the Saudi Arabian National Guard Health Affairs, as GE Medical will retain this agreement.
 - Record interest expense under the Credit Facilities and amortization of financing costs classified as interest expense.
 - Remove royalty costs associated with the use of the GE brand as NeoGenomics will discontinue the use of the GE brand.
 - Accrue for dividends on the Series A Preferred stock and to amortize a portion of the beneficial conversion feature
- As noted above, the unaudited pro forma results of operations do not purport to be indicative of the actual results that would have been achieved by the combined company for the periods presented or that may be achieved by the combined company in the future.

Path Logic

On July 8, 2014, NeoGenomics, Laboratories entered into a membership interest purchase agreement with Path Logic, and Path Labs Holdings, LLC, a Delaware limited liability company (“PL Holdings”), whereby the Company acquired all of the outstanding membership interests in Path Logic from PL Holdings for a purchase price (in thousands) of \$5,908 (the “Acquisition”). NeoGenomics Laboratories paid the purchase price using cash on hand and borrowings on its revolving credit facility.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The following table summarizes the final amounts for the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

| | Fair Value |
|---|-----------------|
| | July 8, 2014 |
| Current assets, including cash and cash equivalents of \$79 | \$1,722 |
| Property and equipment | 577 |
| Identifiable intangible assets – customer relationships | 1,930 |
| Long term deposits | 28 |
| Goodwill | 2,929 |
| Total assets acquired | 7,186 |
| Current liabilities | (1,180) |
| Long-term liabilities | (98) |
| Net assets acquired | \$5,908 |

The above estimated fair values of assets acquired and liabilities assumed are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed. The measurement period adjustments were complete as of December 31, 2014.

Acquired intangible assets of \$1.93 million consist of customer relationships which are being amortized over thirteen years. We recorded approximately \$148,000 and \$71,000 of amortization expense for the years ended December 31, 2015 and 2014, respectively.

The goodwill arising from the Path Logic acquisition includes revenue synergies as a result of our existing customers and Path Logic's customers having access to each other's testing menus and capabilities. It also arises from the new product lines which Path Logic has added to the Company's product portfolio. The total amount of goodwill which is expected to be deductible for tax purposes is approximately \$3.7 million, which will be amortized on the Company's tax returns over fifteen years.

Note E – Intangible Assets

As a result of the acquisition of Clariant in December 2015, see Note D, we recorded \$84.0 million in intangible assets comprised of \$81.0 million in customer relationships amortized over a fifteen year period and \$3.0 million in trade

name which we are amortizing over a two year period. Previously, we acquired Path Logic in July 2014 and recorded \$1.93 million in customer relationships as an intangible asset. We are amortizing these customer relationships over a thirteen year period.

On January 6, 2012, we entered into a Master License Agreement (the “License Agreement”) with Health Discovery Corporation, a Georgia corporation (“HDC”). We were granted an exclusive worldwide license to certain of HDC’s “Licensed Patents” and “Licensed Know-How” (as defined in the License Agreement) to, among other things, use, develop, make, have made, sell, offer to sell, modify, and commercially exploit “Licensed Uses” (as defined in the License Agreement) and “Licensed Products” (as defined in the License Agreement), in the fields of laboratory testing, molecular diagnostics, clinical pathology, anatomic pathology and digital image analysis (excluding non-pathology-related radiologic and photographic image analysis) relating to the development, marketing production or sale of any “Laboratory Developed Tests” or LDTs (as defined in the License Agreement) or other products used for diagnosing, ruling out, predicting a response to treatment, and/or monitoring treatment of any or all hematopoietic and solid tumor cancers excluding cancers affecting the retina and breast cancer (collectively with certain other qualifications as defined in the License Agreement, the “Field” or “Field of Use”); provided, that the exclusion for breast cancer shall be in effect only so long as that certain license agreement between HDC and the licensee of the technology for breast cancer applications is in full force and effect and such licensee is not in material breach of any its obligations under that agreement.

The License Agreement allows us, among other things, to develop and sell, without limitation, any gene, gene-product or protein-based LDTs using HDC’s technology in the Field and provides for sublicensing rights and the assignment of the License Agreement, in whole or in part, in our sole discretion. The License Agreement further provides us with access to certain HDC personnel and consulting resources in the fields of mathematics and in genetic and molecular test development. The Licensed Know-How also includes, among other things, certain tests, algorithms and computer software which have already been developed by HDC.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The License Agreement is subject to two one-year extensions per product if needed, including LDTs for prostate, colon and pancreatic cancer and software to automate the interpretation of cytogenetics and flow cytometry (collectively, the “Initial Licensed Products”).

If we have not generated \$5.0 million of net revenue from products, services and sublicensing arrangements pursuant to the License Agreement by January 5, 2017, HDC may, at its option, revoke the exclusivity with respect to any one or more of the Initial Licensed Products, subject to certain conditions.

In addition, the License Agreement provides for milestone payments to HDC, in cash or stock, based on sublicensing revenue and revenue generated from products developed as a result of the License Agreement. Milestone payments are in increments of \$500,000 for every \$2,000,000 in GAAP revenue recognized by us up to a total of \$5,000,000 in potential milestone payments. After \$20,000,000 in cumulative GAAP revenue has been recognized by us, HDC will receive a royalty of (i) 6.5% (subject to adjustment under certain circumstances) of Net Revenue (as defined in the License Agreement) generated from all Licensed Uses except for the cytogenetics and flow cytometry interpretation system and (ii) a royalty of 50% of Net Revenue (after the recoupment of certain development and commercialization costs) that we derive from any sublicensing arrangements for the cytogenetics and flow cytometry interpretation system. We have not made any milestone payments to HDC as of December 31, 2015.

Intangible assets as of December 31, 2015 and 2014 consisted of the following (in thousands):

| | Amortization Period | December 31, 2015 | | |
|--|------------------------|-------------------|--------------|----------|
| | | Cost | Accumulated | |
| | | | Amortization | Net |
| Trade Name | 24 months | \$3,000 | \$ 8 | \$2,992 |
| Customer Relationships | 156-180 months | 82,930 | 247 | 82,683 |
| Support Vector Machine (SVM) technology | 108 months | 500 | 213 | 287 |
| Laboratory developed test (LDT) technology | 164 months | 1,482 | 416 | 1,066 |
| Flow Cytometry and Cytogenetics technology | 202 months | 1,000 | 228 | 772 |
| Total | | \$88,912 | \$ 1,112 | \$87,800 |

| | Amortization Period | December 31, 2014 | | |
|--|------------------------|-------------------|--------------|---------|
| | | Cost | Accumulated | |
| | | | Amortization | Net |
| Customer Relationships | 156 months | \$1,930 | \$ 71 | \$1,859 |
| Support Vector Machine (SVM) technology | 108 months | 500 | 167 | 333 |
| Laboratory developed test (LDT) technology | 164 months | 1,482 | 297 | 1,185 |
| Flow Cytometry and Cytogenetics technology | 202 months | 1,000 | 165 | 835 |
| Total | | \$4,912 | \$ 700 | \$4,212 |

The Company recorded amortization expense of intangible assets in the consolidated statements of operations as follows (in thousands):

| | For the Years Ended December 31, | | |
|-----------------------------------|--|-------|-------|
| | 2015 | 2014 | 2013 |
| Amortization of intangible assets | \$412 | \$295 | \$223 |

The Company recorded amortization expense from customer relationships as a general and administrative expense. We will continue to record the amortization of the Support Vector Machine (SVM) technology, the Laboratory developed tests (LDT) technology and the Flow Cytometry and Cytogenetics technology intangibles as a research and development expense until the time that we have products, services or cost savings directly attributable to these intangible assets that would require that it be recorded in cost of goods sold.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The estimated amortization expense related to amortizable intangible assets for each of the five succeeding fiscal years and thereafter as of December 31, 2015 is as follows (in thousands):

| Years Ending December 31, | As of December 31, |
|---------------------------|--------------------------|
| 2016 | \$ 7,272 |
| 2017 | 7,264 |
| 2018 | 5,771 |
| 2019 | 5,771 |
| 2020 | 5,771 |
| Thereafter | 55,951 |
| Total | \$ 87,800 |

Note F – Debt

Term Loan

On December 30, 2015, the Company entered into a Term Loan and Guaranty Agreement (the “Term Loan Facility”) for which AB Private Credit Investors LLC is to act as the administrative agent and collateral agent. The agreement provides for \$55.0 million of borrowings. On December 31, 2015 the Company had current outstanding borrowings of \$550 thousand and long-term outstanding borrowings of \$52.3 million, net of unamortized debt issuance costs of \$2.2 million.

The interest rate for borrowings under the Term Loan Facility will be, at NeoGenomics Laboratories’ election, (i) (A) a base rate equal to the greatest of 4%, the prime rate, the federal funds rate plus 0.5% and the one month LIBOR rate plus 1%, plus (B) an initial applicable margin of 6% , or (ii) the (A) LIBOR rate for interest periods from one to twelve months, plus (B) an initial applicable margin of 7%, with a minimum LIBOR of 1.00%. Interest on borrowings under the facility will be reduced to Base Rate plus 5.5% or LIBOR plus 6.50% upon the later of (i) NeoGenomics’ achieving maximum total leverage of less than 2.0 to 1.0 and (ii) January 1, 2017.

NeoGenomics and all of its present and future subsidiaries (other than NeoGenomics Laboratories) are guarantors under the Term Loan Facility. The Term Loan Facility contains the following financial covenants: (i) maintenance of a maximum total leverage ratio of 4.0 to 1.0 (stepping down over time to 3.25 to 1.0), and (ii) maintenance of a minimum consolidated fixed charge coverage ratio of 1.10 to 1.0 (stepping up over time to 1.25 to 1.0). These covenants are effective beginning with the quarter ending March 31, 2016.

The Term Loan Facility also contains various affirmative and negative covenants, such as the delivery of financial statements, tax authority compliance, maintenance of property, limitations on additional debt, restriction of dividends and other standard clauses.

The Term Loan Facility has a maturity of five years. In addition, the Term Loan Facility provides for annual amortization payments in an amount equal to 1.0% of the original principal amount of the term loan, paid in quarterly installments, and mandatory prepayments with (i) proceeds of certain assets sales and recovery events, (ii) proceeds of certain debt issuances, (iii) proceeds of certain extraordinary receipts, as defined, (iv) a portion of certain tax refunds and insurance proceeds, and (v) a portion of excess cash flow as defined.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

Auto Loans

The company has auto loans with various financial institutions. The auto loan terms range from 36-60 months and carry interest rates from 0.0% to 5.2%.

Capital Leases

The Company has entered into capital leases to purchase laboratory and office equipment. These leases expire at various dates through 2020 and the weighted average interest rate under such leases was approximately 8.04% at December 31, 2015. Many 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. The remaining leases have purchase options at fair market value.

Property and equipment acquired under capital lease agreements, see Note C, are pledged as collateral to secure the performance of the future minimum lease payments.

Maturities of Long-Term Debt

Maturities of long-term debt at December 31, 2015 are summarized as follows (in thousands):

| | Debt | Capital Lease Obligations & Car Loans | Total Long Term Debt |
|---|----------|---|-------------------------------|
| 2016 | \$550 | \$ 5,327 | \$5,877 |
| 2017 | 545 | 3,494 | 4,039 |
| 2018 | 539 | 1,668 | 2,207 |
| 2019 | 534 | 526 | 1,060 |
| 2020 | 52,854 | 189 | 53,043 |
| | \$55,022 | \$ 11,204 | \$66,226 |
| Less: Interest on capital leases | — | (1,498) | (1,498) |
| | 55,022 | 9,706 | 64,728 |
| Less: Current portion of long-term debt | (550) | (4,584) | (5,134) |
| Less: Debt issuance costs | (2,218) | — | (2,218) |
| Long-term debt, net | \$52,254 | \$ 5,122 | \$57,376 |

Short-Term Debt - Revolving Credit Facility

On December 30, 2015, the Company entered into a Credit Agreement (the “Revolving Credit Facility”) for which Wells Fargo Bank, N.A., is to act as the administrative agent. The Revolving Credit Facility provides for up to \$25.0 million of revolving loans and a letter of credit subfacility for \$1.0 million. Borrowings under the revolver and the letter of credit subfacility are limited to a borrowing base comprised of 85% of the expected net value of certain billed and unbilled accounts receivable less reserve amounts established by Wells Fargo Bank, N.A.

The interest rate for borrowings under the Revolving Credit Facility will be, at NeoGenomics Laboratories’ election, (i) (A) a base rate equal to the greatest of the prime rate, the federal funds rate plus 0.5% and the three month LIBOR rate plus 1%, plus (B) an applicable margin ranging from 2.0% to 2.5%, or (ii) the (A) LIBOR rate plus (B) an applicable margin ranging from 3.0% to 3.5%. NeoGenomics will also pay 0.25% per year on any unused portion of the revolver.

NeoGenomics is a guarantor under the Revolving Credit Facility. All of NeoGenomics’ present and future subsidiaries (including NeoGenomics Laboratories) are borrowers under the Revolving Credit Facility. The Revolving Credit Facility contains the following financial covenants: (i) maintenance of a maximum total leverage ratio (funded indebtedness (including the outstanding amounts under the Credit Facilities), plus capitalized lease obligations, divided by EBITDA) of not more than 4.0 to 1.0 (stepping down over time to 3.25 to 1.0), (ii) maintenance of a minimum consolidated fixed charge coverage ratio (EBITDA less capital expenditures not financed with debt or certain equity), divided by the sum of cash interest expense, scheduled payments and mandatory prepayments of

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

principal on indebtedness, taxes and restricted payments) of at least 1.1 to 1.0 (stepping up over time to 1.25 to 1.0) and (iii) maintenance of a minimum cash velocity equal to or greater than 80%. These covenants are effective beginning with the quarter ending March 31, 2016.

The Revolving Credit Facility also contains various affirmative and negative covenants, such as the delivery of financial statements, tax authority compliance, maintenance of property, limitations on additional debt, restriction of dividends and other standard clauses.

The Revolving Credit Facility has a maturity of five years, maturing on December 30, 2020. In addition, the Revolving Credit Facility provides for mandatory prepayment in the event that the borrowing base is less than the aggregate amount of the advances outstanding under the revolver and any letters of credit, which prepayment will be equal to the amount necessary to remedy the over-advance.

On December 31, 2015, the company had outstanding borrowings under the Revolving Credit Facility of approximately \$8.9 million, net debt acquisition costs of approximately \$1.1 million. There was approximately \$15 million in available credit under the Revolving Credit Facility to be drawn upon as needed.

In February 2008, the Parent Company, NeoGenomics Laboratories (“Borrower”), and CapitalSource Finance LLC (“Capital Source”) entered into a Revolving Credit and Security Agreement which was subsequently amended in April 2010, March 2012, January 2013 and January 2014. The Revolving Credit and Security Agreement was further amended in July 2014 to add Path Labs, LLC as a new borrower.

On August 26, 2014 we repaid all outstanding amounts and terminated the Revolving Credit and Security Agreement facility. We paid CapitalSource termination fees of \$61,000 in connection with the termination. We also wrote off unamortized debt issuance costs of approximately \$37,000.

Note G – Class A Redeemable Convertible Preferred Stock

On December 30, 2015, the Company issued 14,666,667 shares of its Series A Redeemable Convertible Preferred stock (“Series A Preferred Stock”) as part of the consideration being given to acquire all of the outstanding stock of Clariant Inc. (see Note D). The Series A Preferred Stock has a face value of \$7.50 per share for a total liquidation value of \$110 million.

The Company recorded the Series A Preferred Stock at a fair value of approximately \$73.2 million or \$4.99 per share on the date of issuance. The difference between the fair value of \$73.2 million and the liquidation value of \$110 million represents a discount of \$36.8 million from the initial face value as a result of assessing the impact the rights and features (listed below) of the instrument and their effect on the value to the issuer and holder.

The shares of Series A Preferred Stock have the following rights and features:

Rank

The Series A Preferred Stock will be senior to all other classes and series of our capital stock, including our common stock and other series of preferred stock (collectively, “Junior Stock”) that we may issue in the future, including with respect to dividend and other distribution rights or rights upon a liquidation event as defined.

Voting Rights

Each holder of Series A Preferred Stock will have such number of votes for each share of Series A Preferred Stock held of record by such holder on an as-converted (into common stock) basis, on each matter upon which holders of common stock have the right to vote and will vote together with the holders of common stock (and any other class or series which may be similarly entitled to vote) as one class on all matters upon which holders of common stock have the right to vote, and not as a separate class or series other than as set forth below.

In addition to any other vote of our stockholders required under applicable law, if any shares of Series A Preferred Stock remain outstanding at any point in time, the affirmative vote or written consent of the holders of at least a majority of the then issued and

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

outstanding shares of Series A Preferred Stock, voting together as a single class, will be required for us to effect any corporate action (whether taken by amendment, merger, consolidation or otherwise) to:

- increase or decrease the authorized number of shares of Series A Preferred Stock;
- create or authorize the creation of or issue any equity security, including any security convertible into or exchangeable for any equity security, of any other class or series having rights, preferences or privileges ranking on parity with or senior to or prior to the Series A Preferred Stock;
- change the powers, designations, preferences, limitations, restrictions, voting or other rights of the Series A Preferred Stock set forth in the Certificate of Designations;
- alter or amend any provision of our Articles of Incorporation or Bylaws in a manner adverse to the rights of the Series A Preferred Stock set forth in the Certificate of Designations;
- redeem, repurchase or otherwise acquire any Junior Stock, except for repurchases of Junior Stock held by our employees, independent contractors, consultants or medical doctors upon termination of their employment or services pursuant to employment agreements, consulting agreements or settlement agreements providing for such repurchase;
- after the closing of the Transaction, issue any additional shares of Series A Preferred Stock, except as required pursuant to the terms of the Certificate of Designations;
- effect an exchange, reclassification or cancellation of all or part of the Series A Preferred Stock; or
- change the Series A Preferred Stock into the same or a different number of shares, with or without par value, of the same or another class.

Dividends

Commencing on the one year anniversary of the first date on which shares of Series A Preferred Stock are issued (the “Original Issue Date”) and ending on the date on which the Series A Preferred Stock automatically converts as described in “—Automatic Conversion” below, in the event that any shares of Series A Preferred Stock remain issued and outstanding, dividends (the “PIK Dividends”) on each share of Series A Preferred Stock will accrue quarterly in arrears on the last day of each March, June, September and December, and in kind in an amount of shares of Series A Preferred Stock equal to (a) the product of the PIK Dividend rate described in the table below for the period indicated, multiplied by the then effective Liquidation Preference, as defined, per share of Series A Preferred Stock, divided by (b) four.

| For the Period: | PIK Dividend Rate per Annum in Effect | |
|---|--|---|
| Commencing on the Original Issue Date and ending on the 1 st anniversary of the Original Issue Date | 0.0 | % |
| Commencing on the day after the 1 st anniversary of the Original Issue Date and ending on the 4 th anniversary of the Original Issue Date | 4.0 | % |
| | 5.0 | % |

| | | |
|---|------|---|
| Commencing on the day after the 4 th anniversary of the Original Issue Date and ending on the 5 th anniversary of the Original Issue Date | | |
| Commencing on the day after the 5 th anniversary of the Original Issue Date and ending on the 6 th anniversary of the Original Issue Date | 6.0 | % |
| Commencing on the day after the 6 th anniversary of the Original Issue Date and ending on the 7 th anniversary of the Original Issue Date | 7.0 | % |
| Commencing on the day after the 7 th anniversary of the Original Issue Date and ending on the 8 th anniversary of the Original Issue Date | 8.0 | % |
| Commencing on the day after the 8 th anniversary of the Original Issue Date and ending on the 9 th anniversary of the Original Issue Date | 9.0 | % |
| Commencing on the day after the 9 th anniversary of the Original Issue Date and ending on the date of automatic conversion | 10.0 | % |
| The PIK Dividends are cumulative and accrue whether or not they have been earned or declared and whether or not there are profits, surplus or other funds of NeoGenomics legally available for the payment of PIK Dividends. On December 31 of each year, beginning | | |

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

on the first anniversary of the Original Issue Date and ending on the date on which the Series A Preferred Stock automatically converts as described in “—Automatic Conversion” below, all PIK Dividends which have accrued on a share of Series A Preferred Stock outstanding during such calendar year (or such shorter period in the case of the initial period) will be added to the then effective Liquidation Preference of such share of Series A Preferred Stock. In the event of a redemption or conversion of the Series A Preferred Stock or a Liquidation Event on any date other than December 31 of any calendar year, the redemption amount payable upon a redemption, the Liquidation Preference and the shares of Series A Preferred Stock so convertible in connection therewith, as applicable, will be increased by PIK Dividends in an amount equal to the Liquidation Preference multiplied by the product of (a) the PIK Dividend rate in effect for such year reflected in the table above, and (b) the quotient of (x) the number of calendar days elapsed from January 1 of such year to the date of consummation of such redemption, conversion or Liquidation Event, as applicable, divided by (y) 360.

If, on account of an increase in the Liquidation Preference of a share of Series A Preferred Stock pursuant to the preceding paragraph, any holder of Series A Preferred Stock would be prohibited by any applicable law, rule or regulation from holding its Series A Preferred Stock or converting all of its Series A Preferred Stock at the then effective conversion price, without receiving the consent of any governmental authority that has not been obtained at such time, then the Liquidation Preference will not be increased, and such PIK Dividend will be paid in cash in lieu of such increase in the Liquidation Preference. If the condition set forth above ceases to exist prior to the date of an optional conversion or the date of the automatic conversion of the Series A Preferred Stock, the Liquidation Preference will be increased to such Liquidation Preference that would then be in effect as if such condition had not existed. If 14,666,667 shares of Series A Preferred Stock are issued at the closing of the Transaction and not redeemed prior to automatic conversion into our common stock on the tenth anniversary of closing, we would be required to issue an additional 10,775,454 shares of Series A Preferred Stock as PIK Dividends.

Liquidation, Dissolution or Winding-up; Liquidation Preference

To the extent not prohibited by applicable law, upon the occurrence of any Liquidation Event, each holder of Series A Preferred Stock will be entitled to receive, prior and in preference to any distribution of any of the assets or funds of NeoGenomics to the holders of shares of Junior Stock out of the assets of NeoGenomics legally available therefor, whether such assets are capital, surplus or earnings, an amount, payable in cash, equal to \$7.50 plus all declared and unpaid dividends thereon, including all accrued and unpaid PIK Dividends regardless of whether there has been any payment-in-kind with respect thereto and after giving effect to the second paragraph under “—Dividends”, in each case, as adjusted for any stock dividends, combinations, splits, recapitalizations and similar events with respect to such shares (the “Liquidation Preference”), for each share of Series A Preferred Stock held by such holder. “Liquidation Event” means any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, and any Deemed Liquidation Event.

A Deemed Liquidation Event includes any of the following: (a) the acquisition by any person other than a holder of Series A Preferred Stock or an affiliate thereof of 50% or more of our voting securities; (b) any consolidation or merger of NeoGenomics with or into any other corporation or other entity or person, or any other corporate reorganization, in which our stockholders immediately prior to such consolidation, merger or reorganization, own less than 50% of our voting power immediately after such consolidation, merger or reorganization; and (c) any sale, lease, license, transfer or other disposition of all or substantially all of the assets, technology or intellectual property of

NeoGenomics, other than non-exclusive licenses granted in the ordinary course of our business.

Automatic Conversion

Each share of Series A Preferred Stock issued and outstanding as of the tenth anniversary of the Original Issue Date will automatically convert into fully paid and non-assessable shares of common stock. The number of shares of common stock to which a holder of Series Preferred Stock will be entitled upon conversion will be equal to the quotient of the then effective Liquidation Preference, divided by the then effective conversion price. The conversion price will be equal to \$7.50, multiplied by the conversion rate, which will initially be equal to 1.0, but is subject to anti-dilution adjustments that may occur prior to the date of the automatic conversion.

Optional Conversion by Holder

At any time, from and after the third anniversary of the Original Issue Date, to the extent the VWAP of our common stock equals or exceeds \$8.00 per share, as adjusted for any stock dividends, combinations, splits, recapitalizations and similar events with respect to

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

shares of our common stock, for 30 consecutive trading days, any holder, upon written notice, will have the right to convert any or all shares of Series A Preferred Stock it owns into fully paid and non-assessable shares of common stock. The number of shares of common stock to which a holder of Series Preferred Stock will be entitled upon conversion will be equal to the quotient of the then effective Liquidation Preference, divided by the then effective conversion price, and the date upon which we receive the holder's notice of conversion will be the effective date of any optional conversion. For purposes of the foregoing, "VWAP" means, as of any applicable date of determination, the volume weighted average per share price of shares of our common stock on the applicable trading day on the principal national securities exchange on which our common stock is listed or admitted to trading.

Conversion Rate and Conversion Price

The conversion price for the Series A Preferred Stock will be \$7.50 per share, multiplied by the then effective conversion rate. The conversion rate in effect for conversion of each share of Series A Preferred Stock into common stock will initially be 1.0, subject to adjustments for stock splits, reclassifications and certain distributions and as described under "—Reorganizations, Mergers and Consolidations".

No Fractional Shares

We will not be required to issue or cause to be issued fractional shares of common stock pursuant to any provision of the Certificate of Designations. If any fraction of a share of common stock would be issuable pursuant to the Certificate of Designations, the number of shares of common stock to be issued will be rounded up to the nearest whole share.

Redemption at the Option of the Company

At any time, and from time to time, we may redeem for cash all, or any portion of, the outstanding Series A Preferred Stock at a price per share equal to the then effective Liquidation Preference, provided the aggregate amount redeemed at such time is not less than (a) from the Original Issue Date until the fourth anniversary thereof, \$10.0 million and (b) thereafter, \$5.0 million, and in each case only in \$1.0 million increments above such amounts. The amount payable by us in the event of a redemption during the period from the Original Issue Date until the fourth anniversary thereof will be discounted as set forth below under "—Redemption Discounts".

Redemption at the Option of the Holder Upon Future Capital Raise

For so long as any shares of Series A Preferred Stock remain outstanding, in the event that we issue any other class or series of equity or common stock equivalents or any unsecured debt securities for cash consideration, we are required to apply at least 50% of the net cash proceeds from any such issuance to redeem shares of Series A Preferred Stock for cash at a redemption price per share equal to the then effective Liquidation Preference. Cash proceeds received by us in connection with the exercise of options, warrants or similar securities that we issued to our employees, directors independent contractors, consultants or medical doctors as compensation will not be applied to the redemption of shares of Series A Preferred Stock. The amount payable by us in the event of a redemption during the period from the Original Issue Date until the fourth anniversary thereof will be discounted as set forth below under "—Redemption Discounts".

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

Redemption Discounts

Commencing on the Original Issue Date and ending on the fourth anniversary thereof, in the event that any shares of Series A Preferred Stock are redeemed, the amount payable by us for each share being redeemed will be reduced by an amount determined by multiplying the discount rate listed below for the period in which the redemption is consummated by the then effective Liquidation Preference before such discount is applied.

| For the Period: | Discount |
|---|----------|
| Commencing on the Original Issue Date and ending on the 1 st anniversary of the Original Issue Date | 9.0909 % |
| Commencing on the day after the 1 st anniversary of the Original Issue Date and ending on the 2 nd anniversary of the Original Issue Date | 6.8182 % |
| Commencing on the day after the 2 nd anniversary of the Original Issue Date and ending on the 3 rd anniversary of the Original Issue Date | 4.5455 % |
| Commencing on the day after the 3 rd anniversary of the Original Issue Date and ending on the 4 th anniversary of the Original Issue Date | 2.2727 % |
| From and after the fourth anniversary of the Original Issue Date, no reduction will be made for any amount payable in connection with a redemption. | |

Reorganizations, Mergers and Consolidations

In case of any consolidation or merger of NeoGenomics with any other entity (other than a wholly owned subsidiary of NeoGenomics), or in case of any sale or transfer of all or substantially all of our assets, or in case of any share exchange pursuant to which all of the outstanding shares of common stock are converted into other securities or property of NeoGenomics, we will, prior to or at the time of such transaction, make appropriate provision or cause appropriate provision to be made so that holders of each share of Series A Preferred Stock then outstanding will have the right thereafter to convert such shares of Series A Preferred Stock into the kind and amount of shares of stock and other securities and property receivable upon such consolidation, merger, sale, transfer or share exchange by a holder of the number of shares of common stock into which such share of Series A Preferred Stock could have been converted immediately prior to the effective date of such consolidation, merger, sale, transfer or share exchange. If in connection with any such consolidation, merger, sale, transfer or share exchange, each holder of shares of common stock is entitled to elect to receive either securities, cash or other assets upon completion of such transaction, we will provide or cause to be provided to each holder of Series A Preferred Stock the right to elect the securities, cash or other assets into which the Series A Preferred Stock held by such holder will be convertible after consummation of any such transaction on the same terms and subject to the same conditions applicable to holders of the common stock.

Prohibitions on Transfers

No sale, exchange, delivery, assignment, transfer, disposal, encumbrance, pledge or hypothecation, whether voluntary, involuntary, by operation of law, or resulting from death, disability or otherwise may be made by a holder of any

shares of Series A Preferred Stock without our express written consent, except that a holder may transfer shares of Series A Preferred Stock to an affiliate of such holder upon written notice to us.

Amendments; Modifications

No provision of the Certificate of Designations may be amended, except in a written instrument signed by NeoGenomics and holders of at least a majority of the shares of Series A Preferred Stock then outstanding.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

Accretion of Series A Preferred Stock

The Company recorded the Series A Preferred Stock at fair value on the date of issuance, net of the issue discount to liquidation value of \$36.8 million. In addition, the Series A Preferred Stock will accrue dividends at an increasing rate as described in “—Dividends” above. Since the dividends accrue at an escalating rate the Company records deemed dividends using the effective interest method starting from the date of issuance. The total amount of deemed dividends and the issue discount are as follows (in thousands):

| | |
|---------------------------|-----------|
| Fair Value | \$73,200 |
| Issue Discount | 36,800 |
| PIK Dividends | 80,816 |
| 10 Year Liquidation Value | \$190,816 |

The fair value of the Series A Preferred Stock will be accreted to the ten year liquidation value of \$190.8 million using an effective interest rate of approximately 10.06% as follows (in thousands):

| Anniversary of Closing Date | | | | | | | | | | |
|-----------------------------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| Fair Value | \$73,200 | \$80,560 | \$88,661 | \$97,576 | \$107,387 | \$118,185 | \$130,069 | \$143,147 | \$157,541 | \$173,382 |
| Deemed Dividends | 7,360 | 8,101 | 8,915 | 9,811 | 10,798 | 11,884 | 13,078 | 14,394 | 15,841 | 17,434 |
| | \$80,560 | \$88,661 | \$97,576 | \$107,387 | \$118,185 | \$130,069 | \$143,147 | \$157,541 | \$173,382 | \$190,816 |

Beneficial Conversion Feature

The fair value of the common stock into which the Series A Preferred Stock was convertible at the date of issuance exceeded the allocated purchase price fair value of the Series A Preferred Stock by approximately \$44.7 million on the date of issuance, resulting in a beneficial conversion feature. The Company will recognize the beneficial conversion feature as non-cash, deemed dividend to the holders of Series A Preferred Stock over the first three years the Series A Preferred Stock is outstanding, as the date the stock first became convertible is three years from the issue date.

The calculation of the Beneficial Conversion Feature is as follows (in thousands except share and per share amounts):

| | | | |
|----------------------------|------------|----------------------------|------------|
| | | Common shares the stock | |
| Issue date fair value | \$73,200 | converts into | 14,666,667 |
| Common shares the stock | | Excess fair value of stock | |
| | | over conversion price | \$3.05 |
| coverts into | 14,666,667 | Value of beneficial | |
| Effective conversion price | \$4.99 | conversion feature | |
| | | \$44,720 | |
| Stock price on issue date | \$8.04 | Fair Value | |
| | | \$73,200 | |
| | | Value of Beneficial | |
| Effective conversion price | \$4.99 | Conversion Feature | |
| Excess fair value over | | \$(44,720) | |
| conversion price | \$3.05 | Carrying Value | |
| | | \$28,480 | |

Classification

The Company classified the convertible preferred stock as temporary equity on the consolidated balance sheets due to certain change in control events that are outside the Company's control, including deemed liquidation events described in "—Liquidation, Dissolution or Winding-up; Liquidation Preference" above.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

Note H – Income Taxes

Significant components of the provision for income taxes for the years ended December 31, 2015, 2014 and 2013 is as follows (in thousands):

| | 2015 | 2014 | 2013 |
|------------------------------------|-----------|-------|-------|
| Current: | | | |
| Federal | \$56 | \$113 | \$93 |
| State | 101 | 44 | 59 |
| Total Current Provision | \$157 | \$157 | \$152 |
| Deferred: | | | |
| Federal | \$(1,866) | \$— | \$— |
| State | (245) | — | — |
| Total Deferred Provision (Benefit) | \$(2,111) | \$ | \$ |

A reconciliation of the differences between the effective tax rate and the federal statutory tax rate for the years ended December 31, 2015, 2014 and 2013 is as follows:

| | 2015 | 2014 | 2013 |
|---|----------|----------|----------|
| Federal statutory tax rate | 34.00 % | 34.00 % | 34.00 % |
| State income taxes, net of federal income tax benefit | 4.41 % | 3.37 % | 1.77 % |
| Non-deductible expenses | (29.17)% | 5.89 % | 1.89 % |
| Non-deductible stock options and warrants | (10.24)% | 4.00 % | 14.45 % |
| Non-deductible tax expense | 0.00 % | 8.79 % | — % |
| Prior year adjustments for stock compensation | (0.26)% | (27.93)% | — % |
| Other, net | — % | — % | 0.26 % |
| Valuation allowance | 49.49 % | (15.96)% | (45.44)% |
| Effective tax rate | 48.23 % | 12.16 % | 6.93 % |

The prior year adjustments for stock compensation in the rate reconciliation for 2014 primarily relate to the recognition of deferred tax assets for non-qualified stock options from prior years, although such deferred tax assets would be fully reserved by a valuation allowance.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The valuation allowance is allocated between the current and noncurrent classification depending on the division of deferred tax assets between current and noncurrent classifications. At December 31, 2015 and 2014, our current and non-current deferred income tax assets and liabilities consisted of the following (in thousands):

| | 2015 | 2014 |
|---|------------|---------|
| Current deferred income tax assets: | | |
| Allowance for doubtful accounts | \$15,201 | \$1,548 |
| Accrued vacation | 962 | 334 |
| Other accruals | 476 | — |
| Other | 29 | 38 |
| Subtotal | 16,668 | 1,920 |
| Less valuation allowance | - | (1,099) |
| Total net current deferred income tax assets | \$16,668 | \$821 |
| Non-current deferred income tax assets (liabilities): | | |
| Net operating loss carry-forwards | \$502 | \$1,336 |
| AMT credit carry-forward | 152 | 96 |
| Nonqualified stock options and warrants | 1,377 | 560 |
| Accumulated depreciation and amortization | (34,440) | (1,672) |
| Subtotal | (32,409) | 320 |
| Less valuation allowance | — | (1,141) |
| Total net non-current deferred income tax liability | (32,409) | (821) |
| Net deferred income tax asset (liability) | \$(15,741) | \$— |

At December 31, 2015, 2014 and 2013, the Company had federal net operating loss carry forwards of approximately \$7.0 million, \$8.2 million and \$3.4 million, respectively and state net operating loss carry forwards of approximately \$0.5 million, \$2.3 million and \$1.2 million, respectively. The net operating loss amount differs from the recorded deferred tax asset due to the Company not recording the windfall benefit on the exercise of options. Assuming our net operating loss carry forwards are not disallowed because of certain “change in control” provisions of the Internal Revenue Code, these net operating loss carry forwards expire in various years beginning in the year ending December 31, 2028.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. We previously established a valuation allowance to fully reserve our net deferred income tax assets as such assets did not meet the more likely than not recognition standard established by ASC Topic 740. As of December 31, 2015, due to an increase of deferred tax liabilities resulting from the acquisition of Clariant, management has determined that sufficient positive evidence exists to conclude that it is more likely than not that additional deferred taxes are realizable and therefore reduced the valuation allowance to zero. Our valuation allowance decreased by approximately \$2,240,800, \$174,000 and \$552,000 during the years ended December 31, 2015, 2014 and 2013, respectively.

We file income tax returns in the U.S. federal jurisdiction and in various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. For federal and state purposes, we have open tax years from the tax years ended December 31, 2008 to December 31, 2015. We are not currently subject to any ongoing income tax examinations.

We have examined our current and past tax positions taken, and have concluded that it is more likely than not these tax positions will be sustained in the event of an examination and that there would be no material impact to our effective tax rate. As of December 31, 2015, 2014, and 2013, we had no unrecognized tax benefits. In the event interest or penalties will be accrued, our policy is to include these amounts related to unrecognized tax benefits in income tax expense. As of December 31, 2015, we had no accrued interest or penalties related to uncertain tax positions.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

Note I – Net Income (Loss) per Share

The following table provides the computation of basic and diluted net income (loss) per share for the years ended December 31, 2015, 2014 and 2013 (in thousands, except per share amounts):

| | Year Ended December 31, | | |
|---|-------------------------|---------|---------|
| | 2015 | 2014 | 2013 |
| Net income (loss) | \$(2,535) | \$1,132 | \$2,033 |
| Deemed dividends on preferred stock | 40 | - | - |
| Amortization of preferred stock beneficial conversion feature | 82 | - | - |
| Net income (loss) available to common stockholders | \$(2,657) | \$1,132 | \$2,033 |
| Basic weighted average common shares outstanding | 60,526 | 53,483 | 48,263 |
| Effect of potentially dilutive securities | - | 2,533 | 4,512 |
| Diluted weighted average shares outstanding | 60,526 | 56,016 | 52,775 |
| Basic net income (loss) per share attributable to common stockholders | \$(0.04) | \$0.02 | \$0.04 |
| Diluted net income (loss) per share | \$(0.04) | \$0.02 | \$0.04 |

We have adopted the two class method in calculating earnings per share as we have determined our preferred shares to be participating securities. Under this method, we have included in weighted average shares outstanding all of our preferred shares as we have assumed conversion to common shares. We have not allocated the net loss to our participating shareholders as they do not have a contractual obligation to share in losses.

For the year ended December 31, 2015, there were 103,000 options and no warrants excluded from the calculation of diluted earnings per share as anti-dilutive. For the year ended December 31, 2014, there were 400,000 options and no warrants excluded from the calculation of diluted earnings per share as anti-dilutive. For the year ended December 31, 2013, there were 341,000 options and no warrants excluded from the calculation of diluted earnings per share as anti-dilutive.

Note J – Stock Options, Stock Purchase Plan and Warrants

Stock Option Plan

On December 21, 2015, the board of directors of Parent (the “Board of Directors”) further amended 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, April 16, 2013 and May 4, 2015. 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 non-employee advisers or consultants, including contracted physicians to the Company or its subsidiaries. The Amended Plan, which expires on October 15, 2025, provides that the maximum aggregate number of shares of the Company’s common stock reserved and available for issuance under the Amended Plan is 12,500,000.

As of December 31, 2015, option and stock awards for 5,326,505 shares were outstanding, including 800,000 options issued outside of the Amended Plan to Douglas VanOort, the Company’s Chairman and Chief Executive Officer. A total of approximately 4,081,940 shares were available for future option and stock awards under the Amended Plan. Options typically expire after 5 - 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.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The fair value of each stock option award granted during the years ended December 31, 2015, 2014 and 2013 was estimated as of the grant date using a trinomial lattice model with the following weighted average assumptions:

| | 2015 | 2014 | 2013 |
|---|-----------|-----------|-----------|
| Expected term (in years) | 2.5 – 4.6 | 3.0 – 4.6 | 2.5 – 4.5 |
| Risk-free interest rate (%) | 1.2 % | 1.0 % | 0.7 % |
| Expected volatility (%) | 51 % | 50 % | 46 % |
| Dividend yield (%) | 0.0 % | 0 % | 0 % |
| Weighted average fair value/share at grant date | \$ 1.84 | \$ 1.50 | \$ 1.19 |

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

| | Number Of Shares | Weighted Average Exercise Price |
|----------------------------------|------------------------|--|
| Outstanding at December 31, 2012 | 5,777,212 | \$ 1.02 |
| Granted | 416,000 | 3.66 |
| Exercised | (438,998) | 0.85 |
| Canceled | (28,916) | 1.47 |
| Outstanding at December 31, 2013 | 5,725,298 | 1.22 |
| Granted | 760,500 | 4.21 |
| Exercised | (2,387,327) | 0.76 |
| Canceled | (86,375) | 2.39 |
| Outstanding at December 31, 2014 | 4,012,096 | 2.04 |
| Granted | 1,819,000 | 4.90 |
| Exercised | (492,091) | 1.45 |
| Canceled | (12,500) | 3.19 |
| Outstanding at December 31, 2015 | 5,326,505 | 3.07 |
| Exercisable at December 31, 2015 | 2,608,284 | 1.69 |

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The number and weighted average grant-date fair values of options non-vested at the beginning and end of 2015, as well as options granted, vested and forfeited during the year was as follows:

| | Number of | Weighted Average Grant Date Fair Value |
|---------------------------------|------------|---|
| Non-vested at December 31, 2014 | 1,627,718 | \$ 1.35 |
| Granted in 2015 | 1,765,500 | 2.55 |
| Vested in 2015 | (667,497) | 0.57 |
| Forfeited in 2015 | (7,500) | 1.39 |
| Non-vested at December 31, 2015 | 2,718,221 | 2.22 |

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The following table summarizes information about our options outstanding at December 31, 2015:

| Options Outstanding | | | Options Exercisable | | | |
|---------------------|-------------|----------------|---------------------|-------------|----------------|----------------|
| Weighted | | | Weighted | | | |
| Average | | | Average | | | |
| Remaining | | | Remaining | | | |
| Contractual | | | Contractual | | | |
| Life | | | Life | | | |
| Range of | Number | Exercise Price | Exercise Price | Number | Exercise Price | Exercise Price |
| Prices (\$) | Outstanding | (Years) | Price | Exercisable | (Years) | Price |
| 0.31 – 1.00 | 1,010,503 | 0.22 | \$ 0.80 | 1,010,503 | 0.22 | \$ 0.80 |
| 1.01 – 1.50 | 572,170 | 0.73 | 1.43 | 509,670 | 0.70 | 1.43 |
| 1.51 – 3.00 | 881,500 | 1.17 | 1.74 | 664,832 | 1.16 | 1.73 |
| 3.01 – 4.00 | 640,835 | 2.79 | 3.66 | 264,863 | 2.65 | 3.71 |
| 4.01 – 5.00 | 2,060,997 | 4.24 | 4.76 | 148,416 | 3.88 | 4.56 |
| 5.01 – 7.85 | 160,500 | 4.48 | 6.54 | 10,000 | 3.69 | 5.44 |
| | 5,326,505 | 2.42 | 3.07 | 2,608,284 | 1.02 | 1.69 |

As of December 31, 2015, the aggregate intrinsic value of all stock options outstanding and expected to vest was approximately \$25.5 million and the aggregate intrinsic value of currently exercisable stock options was approximately \$16.0 million. 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 \$7.87 closing stock price of NeoGenomics Common Stock on December 31, 2015, the last trading day of 2015. The total number of in-the-money options outstanding and exercisable as of December 31, 2015 was approximately 2.6 million.

The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013 was approximately \$2,470,000, \$8,882,000 and \$1,200,000, 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 \$714,000, \$1,807,000 and \$372,000 for the years ended December 31, 2015, 2014 and 2013, respectively.

The total fair value of options granted during the years ended December 31, 2015, 2014 and 2013 was approximately \$3,347,000, \$1,139,000 and \$493,000, respectively. The total fair value of option shares vested during the years ended December 31, 2015, 2014 and 2013 was approximately \$871,000, \$540,000 and \$349,000.

We recognize stock-based compensation expense over the vesting period using the straight-line basis over the awards' requisite service periods for employees and variably for non-employees due to the market-to-market adjustments at the end of each reporting period. Stock compensation cost recognized for the years ended December 31, 2015, 2014 and 2013 related to stock options was approximately \$2,889,000, \$511,000 and \$666,000, respectively. As of December 31, 2015, there was approximately \$4,861,000 of total unrecognized stock-based compensation cost, related to unvested stock options granted under the Amended Plan. This cost is expected to be recognized over a weighted-average period of 1.4 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 73,958, 90,285 and 76,595 for the years ended December 31, 2015, 2014 and 2013, respectively.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

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 and sales of its common stock, and in connection with employment agreements and for compensation to directors. These warrants are valued using trinomial lattice 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 costs recognized for the years ended December 31, 2015, 2014 and 2013 was approximately \$0, \$51,000 and \$263,000, respectively for warrants excluding the Albitar Warrants referenced below.

On January 9, 2012 Dr. Maher Albitar was granted performance incentive warrants to purchase 200,000 shares of the Company's common stock (the "Albitar Warrants") at an exercise price per share of \$1.43, which was the closing price per share on the last trading day prior to his start date. These warrants are being treated as non-employee consultant warrants and as such are being revalued, with assumptions for meeting performance, at the end of every reporting period using a trinomial lattice model. The Albitar Warrants have a five year term and vest in accordance with the performance criteria as follows:

- (i) 80,000 will vest upon the commercial launch of the Company's gene-based plasma prostate cancer test licensed from Health Discovery Corp ("HDC") or similar test based on our mutual agreement.
- (ii) 40,000 will vest upon the commercial launch of the Company's gene-based colon cancer test licensed from HDC or similar test based on our mutual agreement.
- (iii) 40,000 will vest upon the commercial launch of the Company's gene-based pancreatic cancer test licensed from HDC or similar test based on our mutual agreement.
- (iv) 20,000 will vest upon successful consummation of a sublicensing agreement with an instrument manufacturer to commercialize the cytogenetics automated image analysis technology licenses from HDC.
- (v) 20,000 will vest upon successful consummation of a sublicensing agreement with an instrument manufacturer to commercialize the flow cytometry automated image analysis technology licenses from HDC.

In the event of a change of control of the Company in which the consideration payable to common stockholders of the Company has a deemed value of at least \$4.00 per share, any unvested portion of the Albitar Warrants will immediately vest in full. The options expire on January 9, 2017.

On December 31, 2015 the Albitar Warrants were valued at approximately \$920,000 based on a trinomial lattice model with the following terms:

| | |
|--|--------|
| Expected term in years | 2.3 |
| Risk-free interest rate (%) | 0.5 % |
| Weighted average expected volatility (%) | 51.8 % |
| Dividend yield (%) | 0 % |

We recorded stock compensation expense of approximately \$422,000, \$49,000 and \$231,000 for these warrants during the years ended December 31, 2015, 2014 and 2013, respectively. The vesting requirements under (i) above have been met, and the remaining 120,000 warrants remain un-vested as of December 31, 2015. The warrants expire on January 9, 2017.

On February 7, 2014, Gulfpointe Capital exercised 83,333 warrants to purchase shares of NeoGenomics common stock at an exercise price of \$0.75 per share. The Company received proceeds of \$62,500 from the exercise.

On March 12, 2014, Douglas M. VanOort exercised 375,000 warrants to purchase shares of NeoGenomics common stock at an exercise price of \$1.05 per share. The Company received proceeds of \$393,750 from the exercise. On March 16, 2014, 250,000 warrants issued to Douglas M. VanOort expired unvested because performance requirements were not met.

On May 3, 2010, warrants to purchase 450,000 shares of common stock at an exercise price of \$1.50 per share were granted to Mr. Steven C. Jones (see Note L). These warrants, which were subject to time and performance requirements, are fully vested as of December 31, 2014.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

Warrant activity is summarized as follows:

| | Shares | Weighted Average Exercise Price |
|---|------------|--|
| Warrants outstanding, December 31, 2012 | 1,358,333 | \$ 1.24 |
| Granted | — | — |
| Exercised | — | — |
| Expired | — | — |
| Cancelled | — | — |
| Warrants outstanding, December 31, 2013 | 1,358,333 | 1.24 |
| Granted | — | — |
| Exercised | (458,333) | — |
| Expired | (250,000) | — |
| Cancelled | — | — |
| Warrants outstanding, December 31, 2014 | 650,000 | 1.48 |
| Granted | — | — |
| Exercised | — | — |
| Expired | — | — |
| Cancelled | — | — |
| Warrants outstanding, December 31, 2015 | 650,000 | \$ 1.48 |
| Warrants exercisable at December 31, 2015 | 530,000 | \$ 1.49 |

The number and weighted average grant-date fair values of warrants non-vested at the beginning and end of 2015, as well as options granted, vested and forfeited during the year was as follows:

| | Number of Warrants | Weighted Average Grant Date Fair Value |
|---------------------------------|--------------------------|---|
| Non-vested at December 31, 2014 | 120,000 | \$ 1.43 |

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| | | |
|---------------------------------|---------|---------|
| Granted in 2015 | — | — |
| Vested in 2015 | — | — |
| Forfeited in 2015 | — | — |
| Non-vested at December 31, 2015 | 120,000 | \$ 1.43 |

The following table summarizes information on warrants outstanding at December 31, 2015:

| Number outstanding | Exercise | | |
|-----------------------|----------|-----------|-----------|
| | price | Issued | Expired |
| 450,000 | \$ 1.50 | 5/3/2010 | 5/2/2017 |
| 200,000 | \$ 1.43 | 1/12/2012 | 1/12/2017 |
| 650,000 | \$ 1.48 | | |

Note K – 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 December 2020 and generally require the payment of real estate taxes, insurance, maintenance, utility and operating costs. The Company has approximately 49,000 square feet of office and laboratory space at our corporate headquarters in Fort Myers, Florida. In addition, we maintain laboratory and office space in Aliso Viejo, West Sacramento, Fresno and Irvine, California; Nashville, Tennessee; Houston, Texas and Tampa, Florida.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The following is a schedule of future minimum obligations under non-cancelable operating leases as of December 31, 2015 (in thousands):

| Years ending December 31, | |
|------------------------------|----------|
| 2016 | \$3,215 |
| 2017 | 2,439 |
| 2018 | 1,490 |
| 2019 | 1,537 |
| 2020 | 1,580 |
| Thereafter | — |
| Total minimum lease payments | \$10,261 |

Rent expense for the years ended December 31, 2015, 2014 and 2013 was approximately \$1.9 million, \$1.7 million and \$1.1 million, 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 has agreements in place to purchase a specified level of reagents from certain vendors. These purchase commitments expire at various dates through October 2019. The purchase commitments as of December 31, 2015 are as follows (in thousands):

| Years ending December 31, | |
|----------------------------|---------|
| 2016 | \$2,535 |
| 2017 | 1,294 |
| 2018 | 941 |
| 2019 | 838 |
| 2020 | 378 |
| Thereafter | — |
| Total purchase commitments | \$5,986 |

Capital Lease Obligations

The Company's capital lease obligations expire at various times through 2019 and the weighted average interest rates under such leases approximated 8.04% at December 31, 2015. Some of our leases contain bargain purchase options

that allow us to purchase the leased property for a minimal amount upon the expiration of the lease term. The remaining leases have purchase options at fair market value. See Note F for future minimum lease payments under capital lease obligations, including those described above.

Property and equipment acquired under capital lease agreements (see Note C) are pledged as collateral to secure the performance of the future minimum lease payments shown in Note F.

Employment Contracts

The agreements with our Chief Executive Officer, Chief Medical Officer, Chief Operating Officer, Chief Information Officer and Chief Financial Officer contain some or all of the following:

- Clauses that allow for continuous automatic extensions of one year unless timely written notice terminating the contract is provided to such officers (as defined in the agreements).
- Clauses that provide for accelerated vesting of the options granted pursuant to such agreements at the time of certain changes of control of the Company.

38

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

- Clauses that provided for 6-12 months of severance benefits in the event that such officers are terminated without “cause” (as defined in the agreements) by the Company. The base salaries for these officers in 2016 are expected to approximate \$2,147,000.

Note L – Related Party Transactions

During the years ended December 31, 2015, 2014 and 2013, Steven C. Jones, a director of the Company, earned approximately \$261,500, \$257,500 and \$254,500, respectively, for various consulting work performed in connection with his duties as Executive Vice President of Finance and reimbursement of incurred expenses. Mr. Jones also earned \$578,900, \$177,500 and \$72,500 as payment of bonuses for the periods indicated above. The bonus earned for the year ended December 31, 2015 was comprised of \$500,000 in recognition of the services provided in connection with the Company’s acquisition of Clariant, Inc. and the related financing. This amount was paid to Aspen Capital Advisors, LLC (“Aspen”) for which Mr. Jones is a managing director, pursuant to a consulting agreement entered into between Aspen and the Company on November 11, 2015. The remaining \$78,900 was earned as part of a management incentive plan.

On May 4, 2015, the Company granted Steven C. Jones 225,000 stock options to purchase shares of parent common stock. The options were granted at a price of \$4.78 per share and had a weighted average fair market value of \$1.80 per option. The options vest ratably over the next three years on each anniversary date. 10,000 of the options were accounted for as granted to a Director of the Company, consistent with similar grants at that time to other Directors. The remaining 215,000 stock options have been accounted for as granted to a non-employee as they relate to his services to the Company as a consultant. .

On May 3, 2010, the Company entered into a consulting agreement (the “Consulting Agreement”) with Steven Jones (the “Consultant” or “Mr. Jones”) whereby Mr. Jones would continue to provide consulting services to the Company in the capacity of Executive Vice President of Finance. The Consulting Agreement has an initial term from May 3, 2010 through April 30, 2013, which initial term automatically renews for additional one year periods unless either party provides notice of termination at least three months prior to the expiration of the initial term or any renewal term. In addition, the Company has the right to terminate the Consulting Agreement by giving written notice to the Consultant the year prior to the effective date of termination. The Consultant has the right to terminate the Consulting Agreement by giving written notice to the Company three months prior to the proposed termination date, provided, however, the Consultant is required to provide an additional three months of transition services to the Company upon reasonable request by the Company. The Consulting Agreement specifies an annual base retainer compensation of \$180,000 per year, which was subsequently increased to \$210,000 per year in April 2012. Mr. Jones annual compensation was increased to \$250,000 on January 1, 2013. Mr. Jones annual compensation was increased to \$260,000 in March 2014. Mr. Jones is also eligible to receive an annual cash bonus based on the achievement of certain performance metrics with a target of 30% of his base retainer. Such bonus is eligible to be increased to up to 150% of the target bonus in any fiscal year in which he meets certain performance thresholds established by the CEO of the Company and approved by the Board of Directors. On May 3, 2010, the Company also entered into a warrant agreement with the Consultant and it issued a warrant to purchase 450,000 shares of the Company’s common stock, which were all vested

as of December 31, 2014.

Note M – 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 at the rate of 50% of every dollar contributed up to 4% of the respective employee's salary (2% Company match). Effective, January 1, 2016 this benefit will increase to 75% of every dollar contributed by employee up to 4% of the respective employee's compensation (3% match). We made matching contributions of approximately \$493,000, \$358,000 and \$275,000 during the years ended December 31, 2015, 2014 and 2013, respectively.

Note N – Equity Transactions

Public Offerings of Common Stock

In August 2014, the Company completed an offering of 8,050,000 shares of registered common stock, at a price of \$4.60 per share, for gross proceeds of approximately \$37.0 million. The Company received approximately \$34.3 million in net proceeds after deducting

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

underwriting fees and offering costs of approximately \$2.7 million. The Company plans to use the net proceeds for working capital, capital expenditures and for general corporate purposes including potential acquisitions and the repayment of debt.

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

Common Stock issued to GE Medical

As discussed in Note D, The Company issued 15,000,000 shares of common stock as consideration for the acquisition of Clariant. The common stock includes restrictions imposed on the holder in the Investor Board Rights, Lockup and Standstill Agreement.

Restricted Stock Awards

On June 16, 2015 the Company granted two newly elected directors of Parent each 1,560 shares of restricted stock. Such restricted stock vests ratably over each of the subsequent three quarters so long as the director continues to serve as a member of the Board of Directors. The fair market value of each grant of restricted stock on the award date was deemed to be \$9,079 or \$5.82 per share, which was the closing price of Parent's common stock on the day before the grant was approved by the compensation committee of the Board of Directors.

On April 16, 2015 the Company granted four directors of Parent each 2,080 shares of restricted stock. Such restricted stock vests ratably over each of the subsequent three quarters so long as the director continues to serve as a member of the Board of Directors. . The fair market value of each grant of restricted stock on the award date was deemed to be \$10,025 or \$4.82 per share, which was the closing price of Parent's common stock on the day before the grant was approved by the compensation committee of the Board of Directors.

On April 15, 2014, the Company granted 125,000 shares of restricted stock to Douglas M. VanOort. Such restricted shares vest on the third anniversary of the grant date so long as Mr. VanOort remains Chairman and Chief Executive Officer of the Company. The fair market value of the grant of restricted stock on award date was deemed to be \$381,250 or \$3.05 per share, which was the closing price of the Company's common stock on the day before the grant as approved by the board of directors. We recorded approximately 127,000 and \$91,000 of stock compensation expense for the years ended December 31, 2015 and 2014, respectively, related to this restricted stock.

On April 15, 2014 the Company granted each of the four independent directors 3,000 shares of restricted stock for a total of 12,000 shares. Such restricted stock vests ratably over each of the subsequent three quarters so long as the director continues to serve as a member of the Board of Directors. . The fair market value of each grant of restricted stock on award date was deemed to be \$9,150 or \$3.05 per share, which was the closing price of the Company's common stock on the day before the grant as approved by the board of directors. We recorded approximately \$36,000 of stock compensation expense for the year ended December 31, 2014 related to this restricted stock.

On October 27, 2014, the Company granted 1,500 shares of restricted stock to Bruce K. Crowther. Such restricted stock vested over the subsequent two quarters based on Mr. Crowther's service on the board of directors. The fair market value of the grant on the award date was deemed to be \$7,365 or \$4.91 per share which was the closing price of the Company's common stock on the day before the grant as approved by the board of directors. We recorded approximately \$2,000 of stock compensation expense for the year ended December 31, 2014 related to this grant.

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

The number and weighted average grant date fair values of restricted stock non-vested at the beginning and end of 2015, 2014 and 2013, as well as stock awards granted, vested and forfeited during the year are as follows:

| | Number | Weighted Average |
|--------------------------------|------------|---------------------|
| | of | Grant |
| | Restricted | Date |
| | Shares | Fair Value |
| Nonvested at December 31, 2012 | 40,000 | \$ 1.44 |
| Granted in 2013 | — | — |
| Vested in 2013 | (32,000) | 1.44 |
| Forfeited in 2013 | — | — |
| Nonvested at December 31, 2013 | 8,000 | 1.44 |
| Granted in 2014 | 138,500 | 3.07 |
| Vested in 2014 | (18,125) | 2.45 |
| Forfeited in 2014 | — | — |
| Nonvested at December 31, 2014 | 128,375 | 3.06 |
| Granted in 2015 | 11,440 | 5.08 |
| Vested in 2015 | (12,820) | 4.56 |
| Forfeited in 2015 | — | — |
| Nonvested at December 31, 2015 | 126,995 | 3.10 |

End of Financial Statements

NEOGENOMICS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015, 2014 and 2013

Supplementary Data

Selected Quarterly Financial Data (unaudited) (in thousands, except per share data)

| | For the Quarters Ended | | | | Total |
|---|------------------------|-----------|-----------|------------|------------|
| | 03/31/15 | 06/30/15 | 09/30/15 | 12/31/15 | 2015 |
| Net revenues | \$23,026 | \$24,370 | \$25,126 | \$27,280 | \$99,802 |
| Gross profit | \$9,544 | \$10,813 | \$11,171 | \$12,228 | \$43,756 |
| Net (loss) | \$(761) | \$(176) | \$(125) | \$(1,473) | \$(2,535) |
| Deemed dividends on preferred stock and amortization of preferred stock beneficial conversion feature | \$- | \$- | \$- | \$122 | \$122 |
| Net (loss) available to common stockholders | \$(761) | \$(176) | \$(125) | \$(1,595) | \$(2,657) |
| Net (loss) per common share: | | | | | |
| Basic | \$(0.01) | \$(0.00) | \$(0.00) | \$(0.03) | \$(0.04) |
| Diluted | \$(0.01) | \$(0.00) | \$(0.00) | \$(0.03) | \$(0.04) |
| Weighted average common shares outstanding – | | | | | |
| Basic | 60,277 | 60,425 | 60,537 | 60,859 | 60,526 |
| Weighted average shares outstanding – | | | | | |
| Diluted | 60,277 | 60,425 | 60,537 | 60,859 | 60,526 |

| | For the Quarters Ended | | | | Total |
|--|------------------------|----------|-----------|----------|----------|
| | 03/31/14 | 06/30/14 | 09/30/14 | 12/31/14 | 2014 |
| Net revenues | \$18,182 | \$20,670 | \$23,217 | \$25,000 | \$87,069 |
| Gross profit | \$8,709 | \$10,239 | \$10,294 | \$11,472 | \$40,714 |
| Net income (loss) | \$102 | \$274 | \$(291) | \$1,047 | \$1,132 |
| Net income (loss) per common share: | | | | | |
| Basic | \$0.00 | \$0.01 | \$(0.01) | \$0.02 | \$0.02 |
| Diluted | \$0.00 | \$0.01 | \$(0.01) | \$0.02 | \$0.02 |
| Weighted average common shares outstanding – | | | | | |
| Basic | 49,277 | 49,890 | 54,444 | 60,043 | 53,483 |
| Weighted average shares outstanding – | | | | | |
| Diluted | 53,469 | 53,733 | 54,444 | 62,732 | 56,016 |

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements: See Index to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K-A.

| Exhibit No. | Description of Exhibit | Location |
|-------------|---|-------------------|
| 31.1 | Certification by Principal Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Provided herewith |
| 31.2 | Certification by Principal Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Provided herewith |
| 31.3 | Certification by Principal Accounting Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Provided herewith |
| 32.1* | Certification by Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Provided herewith |

* The certification attached as Exhibit 32.1 that accompanies this Form 10-K/A is not deemed filed with the SEC and is not to be incorporated by reference into any filing of NeoGenomics, Inc. under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date of this Form 10-K/A, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 18, 2016 NEOGENOMICS, INC.

By: /s/ Douglas M. VanOort

Name: Douglas M. VanOort

Title: Chief Executive Officer