NEOGENOMICS INC
Form 10KSB
February 24, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20459
FORM 10-KSB

(X) Annual Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934.

For the Year Ended December 31, 2003

( ) 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: 333-72097

NEOGENOMICS, INC.
(Exact name of Registrant as specified in its charter)

NEVADA	**74-2897368**
(State or other jurisdiction of incorporation or organization)	(IRS Employer I.D. No.)

12701 Commonwealth Drive, Suite 9, Fort Myers, FL 33913
Address of Principal Executive Offices:

(239) 768-0600
Registrant's telephone number, including area code:

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:
NONE

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 other 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.

X Yes _ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by referencing Part III of this Form 10-KSB or any amendment to this Form 10-KSB. **X**

The issuer's revenues for the most recent fiscal year were approximately $370,000.

The aggregate market value of the voting stock held by non-affiliates of the registrant at February 9, 2004 was approximately $567,805 (Based on 2,027,875 shares held by non-affiliates and a closing share price of $0.28/share on February 9, 2004). Shares of common stock held by each officer and director and by each person who owns more than 10% of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination

of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 9, 2004, 18,449,416 common shares were outstanding.

Documents Incorporated By Reference - NONE

Transitional small business disclosure format. _ Yes X No

PART I

FORWARD-LOOKING STATEMENTS

This Form 10-KSB, press releases and certain information provided periodically in writing or orally by our officers or our agents contain statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act, as amended; Section 21E of the Securities Exchange Act of 1934; and the Private Securities Litigation Reform Act of 1995. The words "may", "would", "could", "will", "expect", "estimate", "anticipate", "believe", "intend", "plan", "goal", and similar expressions and variations thereof are intended to specifically identify forward-looking statements. These statements appear in a number of places in this Form 10-KSB and include all statements that are not statements of historical fact regarding the intent, belief or current expectations of us, our directors or our officers, with respect to, among other things: (i) our liquidity and capital resources; (ii) our financing opportunities and plans; (iii) our ability to attract customers to generate revenues, (iv) market and other trends affecting our future financial condition or results of operations; (v) our growth strategy and operating strategy; and (vi) the declaration and payment of dividends.

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. The factors that might cause such differences include, among others, the following: (i) we have incurred significant losses since our inception, and have experienced and continue to experience negative operating margins and negative cash flows from operations (see Note B to our consolidated financial statements); (ii) any material inability of us to successfully internally develop our products; (iii) any adverse effect or limitations caused by governmental regulations; (iv) any adverse effect on our cash flow or on our ability to obtain acceptable financing in connection with our growth plans; (v) any increased competition in our business; (vi) any inability of us to successfully conduct our business in new markets; and (vii) other risks including those identified in our filings with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise the forward looking statements made in this Form 10-KSB to reflect events or circumstances after the date of this Form 10-KSB or to reflect the occurrence of unanticipated events.

ITEM 1. DESCRIPTION OF BUSINESS

NeoGenomics, Inc., a Nevada corporation (referred to individually as the "Parent Company" or collectively with all of its subsidiaries as the "Company" in this Form 10-KSB) is the registrant for SEC reporting purposes and was originally incorporated as American Communications, Enterprises, Inc. in October 1998. In November 2001, following a reverse acquisition of NeoGenomics, Inc, a Florida company (referred to as "NeoGenomics" or the "Operating Subsidiary" in this Form 10-KSB), the registrant changed its name to NeoGenomics, Inc. as well. All share references in this Form 10-KSB have been adjusted to reflect a 1:100 reverse stock split which was effected by the Company on April 16, 2003. Also, because this was a reverse acquisition, the Operating Subsidiary is considered to have acquired the Parent Company for financial reporting purposes. Thus, all consolidated financial information includes the accounts of the Operating Subsidiary since its inception on June 2, 2001 and the accounts of the Parent Company since the reverse acquisition on November 14, 2001.

NeoGenomics, Inc. operates a medical testing laboratory and research facility based in Fort Myers, Florida that is targeting the rapidly growing genetic and molecular testing segment of the medical laboratory market. Our common stock is listed on the NASDAQ Bulletin Board (OTCBB) under the symbol "NGNM." Our business plan features two concurrent objectives:

1. Development of a clinical laboratory to offer routine cytogenetics and molecular biology testing services; and

2. Development of a research laboratory to offer sponsored research services to other companies that are seeking to develop genomic products that will determine the genetic basis for female and neonatal diseases, cancers and other forms of disease (See "Research and Development").

The vision of NeoGenomics is to merge a high-end genetic and molecular testing laboratory with ongoing research activities to help bridge the gap between clinical medicine and genomic research. We believe that this combination will allow the Company to speed the process of discovery and innovation and develop new advanced testing methods to identify the genetic and molecular causes of disease. Over the last 2-3 years, advances in technology and genetic research, including the complete sequencing of the human genome, have made possible a whole new set of tools to diagnose and treat diseases. This has opened up a vast opportunity for laboratory companies that are positioned to address this growing market segment.

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

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

Clinical labs typically are engaged in high volume, high automation tests on blood and urine. Clinical lab tests often involve testing of a less urgent nature, for example, cholesterol testing and testing associated with routine physical exams. This type of testing yields relatively low average revenue per test. Anatomic pathology ("AP") testing involves evaluation of tissue, as in surgical pathology, or cells as in cytopathology. AP testing typically seeks to answer the question: is it cancer? The most widely known AP tests are Pap

smears, skin biopsies, and tissue biopsies. AP tests are typically more labor and technology intensive than clinical lab tests and thus typically have higher average revenue per test than clinical lab tests.

We believe genetic/molecular testing is the newest and fastest growing subset of the laboratory market. Genetic testing or "cytogenetics" involves analyzing chromosomes taken from the nucleus of cells for abnormalities in a process called karyotyping. A karyotype evaluates the entire 46 human chromosomes by number, and banding patterns to identify abnormalities associated with diseases. Examples of cytogenetics testing include amniocentesis testing of pregnant women to screen for genetic anomalies such as Down's syndrome in a fetus and bone marrow testing to screen for types of leukemia. Molecular biology involves testing for even more specific causes of diseases based on very small alterations in cellular biology and DNA. Examples of common molecular biology testing include screening for paternity, cystic fibrosis or Tay-Sachs disease. Both cytogenetics and molecular biology have become important and accurate diagnostic tools over the last five years and new tests are being developed rapidly, thus this market segment is expanding rapidly. Genetic/molecular testing requires very specialized equipment and credentialed individuals (typically PhD level) to certify the results. As a result of the sophistication involved in performing these tests, we believe that genetic/molecular testing typically has the highest average revenue/test of the medical laboratory sub segments.

Comparison of the Medical Testing Laboratory Market Segments:

Attributes	**Clinical**	**Anatomic Pathology**	**Ge**
Testing Performed On	Blood, Urine	Tissue/cells	
Volume	High	Low	
Physician Involvement	Low	High - Pathologist	
Malpractice Insur. Required	Low	High	
Other Professionals Req.	None	None	Cy Mole
Level of Automation	High	None	
Diagnostic in Nature	Usually Not	Yes	
Types of Diseases Tested	Many Possible	Cancer	R
Estimated Revenue/Test(1)	$5 - $35/Test	$25 - $500/Test	$20
Estimated Size of Market	$25 - $30 Billion	$6.0 - $7.0 Billion	$1.
Estimated Annual Growth Rate of Market	4.0 -5.0%	6.0 - 7.0%	

Source: Research Analysts and Company Estimates
(1) Estimated Revenue/Test is for the technical component of such tests and does not include revenue for the professional component or interpretation of such tests.

We compete in the marketplace based on the quality and accuracy of our test results, our turn-around times and our ability to provide after-test support to those physicians requesting consultation. We believe our average three day turn-around times on oncology-related cytogenetics tests is among the best in the industry and is helping to increase the usage patterns of cytogenetics tests by our referring oncologists and hematopathologists. Based on anecdotal

information, we believe that most competing cytogenetics labs typically have 7-21 day turn-around times on average. Traditionally, longer turn-around times for cytogenetics tests have resulted in fewer tests being ordered since there is an increased chance that the test results will not be returned within an acceptable diagnostic window when other adjunctive diagnostic test results are available. We believe our turn-around times are resulting in our referring physicians requesting more of our testing services in order to augment or confirm other diagnostic tests, thereby giving us a significant competitive advantage in marketing our services against those of other competing laboratories.

Historical Development of the Company

NeoGenomics, Inc. (f/k/a American Communications Enterprises, Inc.) was incorporated in Nevada in 1998 and became publicly-traded in August 1999.

The original purpose of the Company was to acquire and operate radio stations in Texas and other geographic regions of the United States and to develop related Internet services to complement the planned regional clusters of radio stations in such markets. However, the Company was unable to raise the capital necessary to implement this business plan and began to pursue different opportunities.

In November 2000, after a change in control of the Company, a new management team reevaluated the Company's strategic plan. At that time, the then management concluded that shareholder value could be augmented by broadening the Company's focus from the radio industry to the broader telecommunications industry. After serious difficulties in the entire telecommunications industry became apparent, management concluded that it should focus on opportunities relating to the genomics industry.

In the second half of 2001, we entered into negotiations to acquire NeoGenomics, Inc., a Florida corporation ("NeoGenomics"). The Company acquired NeoGenomics on November 14, 2001 in a reverse acquisition transaction that resulted in another change in control of the Company. From a legal perspective, the Company was the surviving company and thus continues its public reporting obligations. However, from an accounting perspective using generally accepted accounting principles, NeoGenomics acquired the Company.

Pursuant to the reverse acquisition, we entered into a Plan of Exchange with NeoGenomics, Tampa Bay Financial, Inc. ("TBF") and Michael T. Dent, M.D., the founder of NeoGenomics ("Dr. Dent"). As part of this Plan of Exchange, TBF agreed, among other things, to purchase 450,000 shares of the Company's common stock for a price of $3.333 cents per share, or a total of $1,500,000, payable upon the achievement of certain milestones.

On May 16, 2002, the Company, Dr. Dent and Tampa Bay Financial entered into a letter agreement amending the terms of the Plan of Exchange and certain of the related documents (collectively referred to as the "Modification Agreement"). Under the terms of the Modification Agreement, the parties agreed, among other things, to restructure TBF's remaining stock purchases of 360,000 shares at a price of $3.333 per share, or an aggregate price of $1.2 million, so that it was payable in 12 equal installments over a period of 12 months commencing on June 15, 2002.

During the Fall of 2002, TBF failed to provide the agreed upon funding at the times and in the amounts set forth in the Modification Agreement. As a result the Company was unable to implement important parts of its business plan and encountered severe liquidity problems. To assist the Company, Dr. Dent arranged for his Medical practice to advance approximately $117,000 to the Company and he further agreed to defer all of his salary.

On November 25, 2002, the Company notified TBF that it was in breach of its obligations under the Plan of Exchange and Modification Agreement due to TBF's failure to provide the Company with $100,000 of funding due on October 15, 2002 and an additional $100,000 of funding due on November 15, 2002. The Company also immediately began to seek a new source of funding. In late December 2002, the Company's Board of Director's, based on feedback from funding sources, determined that it would be infeasible to attract the amount of capital needed

for the Company's business plan unless it formally terminated its relationship with TBF and secured a full release of all of its obligations thereunder, and specifically its obligations to TBF with respect to TBF's right of first refusal to purchase securities at a 50% discount to the price paid by any third parties, and the Company's restriction on effecting a reverse stock split.

On December 23, 2002, the Company and TBF agreed to formally terminate all of their agreements with one another in order to facilitate attracting new capital to the Company and Carl L. Smith, an affiliate of TBF, resigned from the Company's Board of Directors. As part of this termination agreement the Company and TBF fully released one another from any claims arising out of any breaches of the Plan of Exchange or the Modification Agreement.

On April 15th, 2003, the Company entered into agreements with MVP 3 LP, a fund controlled by Medical Venture Partners, LLC, and its principals to provide approximately $139,000 of equity financing and up to $1.5 million of debt financing in the form of a revolving credit facility to the Company. Under the terms of the equity agreements, MVP 3 LP purchased 9,303,279 shares and each of the three principals of Medical Venture Partners LLC purchased 1,541,261 shares of the Company at a price per share of $0.01 per share. As a result of theses equity purchases, the Company experienced another change of control and MVP 3 LP and its affiliates received approximately 75% of the outstanding common stock of the Company.

As a condition to these transactions, the Company, Dr. Dent, MVP 3 LP and the principals of Medical Venture Partners have entered into a shareholders agreement that provides that MVP 3, LP will have the right to appoint up to four of seven directors of the Company. The Company has also entered into a Registration Rights Agreement with MVP 3 LP and the principals of Medical Venture Partners granting them certain demand and piggyback registration rights. In addition, Medical Venture Partners required the Company to undertake a 1-for-100 reverse stock split. The reverse stock split became effective on April 16, 2003 and all share references in this Form 10-KSB have been adjusted to reflect this stock split.

Business of NeoGenomics

Services

We operate a medical testing and research laboratory located in Fort Myers, Florida. We provide genetic and molecular testing services for the following purposes:

- To find out if a person is a carrier for a certain disease.
- To learn if a person has an inherited predisposition to a certain disease, like breast or ovarian cancer (also known as susceptibility testing).
- To help expecting parents know whether their unborn child will have a genetic disease or disorder (prenatal testing).
- To confirm diagnosis of certain diseases or disorders (for example, Leukemia and Down's Syndrome).

We currently offer three types of services: cytogenetics testing, molecular biology testing and sponsored research services:

Cytogenetics Testing. Cytogenetics testing is routinely used to identify genetic abnormalities in pregnancy, as well as hematologic cancers. Most of our cytogenetics testing is chromosome analysis done through a process called

karyotyping, which is an analysis of the chromosomes in a single cell from one individual). Currently, we offer the following types of cytogenetics tests, each of which is performed on different types of biological samples: bone marrow tests to assist in the diagnosis of leukemia and lymphoma, amniocentesis tests to assist in the diagnosis of prenatal genetic anomalies such as Down's syndrome, products of conception tests to assist in determining the causes of miscarriage during pregnancy, and various other specialty tests.

We believe that historically cytogenetics testing by large national laboratories and other competitors has taken anywhere from 7-21 days on average to obtain a complete diagnostic report. We believe that as a result of this, many practitioners have refrained from ordering such tests because the results traditionally were not returned within an acceptable diagnostic window. We have designed our business operations in order to complete our cytogenetics tests for most types of biological samples and produce a complete diagnostic report and make it available electronically within 2-3 days. We believe these turnaround times are among the best in the industry. Furthermore, we believe that as we continue to demonstrate these turnaround times to customers and the awareness of the benefits of cytogenetics testing continues to increase, more and more practitioners will incorporate cytogenetics testing into their diagnostic regimes and thus drive incremental growth in our business.

As an adjunct to traditional chromosome analysis, we plan to offer Fluorescence In Situ Hybridization (FISH) technology to expand the capabilities of routine chromosome analysis in prenatal testing. FISH technology permits preliminary identification of the most frequently occurring numerical chromosomal abnormalities in a relatively rapid manner. FISH, already commonly used as an additional staining method (the colorization of chromosomes to highlight markers and abnormalities) for metaphase analysis (cells in a divided state after they are cultured), is now being applied to interphase chromosome

analysis (uncultured, single cells). During the past 5 years, FISH has begun to demonstrate its considerable diagnostic potential. The development of molecular probes by using DNA sequences of differing sizes, complexity, and specificity, coupled with technological enhancements (direct labeling, multicolor probes, computerized signal amplification, and image analysis) make FISH a powerful investigative tool. Although FISH has great potential in a variety of cytogenetics studies, particular attention has been focused on its use in prenatal diagnosis of chromosomal anomalies, because of the speed with which results are attainable (traditional amniocentesis tests take 6-7 days to complete). However, as with all emerging technologies, the transition from the developmental phase to application as a standard diagnostic procedure must be accompanied by assurance of reliability, reproducibility, and accuracy, as well as by guidelines for appropriate use.

Molecular Biology Testing. Molecular biology testing involves testing DNA and other molecular structures to screen for and diagnose single gene disorders and hematological cancers such as cystic fibrosis and Tay-Sachs disease. Today there are tests for about 450 genetic diseases. However, the majority of these tests remain available only to research laboratories and are only offered on a limited basis to family members of someone who has been diagnosed with a genetic condition. About 50 genetic tests are more widely available for clinical use. We currently provide these tests on an outsourced basis. We anticipate in the near future performing these tests within our facility as the number of requests we receive for these types of tests continues to increase and we expand our clinical staff. Molecular biology testing is a growing market with many new diagnostic tests being developed every year. The Company is committed to providing the latest and most accurate testing to its clients, where demand warrants it.

Sponsored Research. Our research initiatives are currently focused on the

underlying genetic causes of female diseases. Cancers and other diseases of the ovary, uterus, cervix, and breast all have an underlying genetic basis. Identifying the genetic sequences unique to these diseases will allow us to develop tests to identify which individuals are at increased genetic risk of developing these diseases. We plan to collaborate with pharmaceutical and other healthcare companies to develop intellectual property that can be a source of revenue. In addition, we hope to develop proprietary tests that will allow for accurate screening and early detection of various female and other genetic diseases.

In order to facilitate our research initiatives, we have formed alliances with Naples Women's Center, Naples Community Hospital, and Florida Gynecologic Oncology for the purpose of collecting blood and tissue study samples. We expect to begin collecting these samples during 2004 at no charge to the Company through an informed consent process with each patient. Naples Women's Center is a medical practice controlled by Dr. Michael Dent, our President and currently has over 8,000 active patients.

We plan to use these samples to compile a genetic database which ultimately will link phenotypic (medical history) data with patients' genetic material. We plan to use this information as a resource for our ongoing research projects as well as in the bio/genetic-informatics arena. We believe that our collection of genetic samples and our genetic database will be a significant attraction for

companies that are desirous of studying the underlying causes of disease. We expect to protect our genetic database, as well as any future testing methodology discovered in order to sell the proprietary rights to such information and tests to various other research and clinical laboratories and pharmaceutical companies.

Currently, the Company's primary sponsored research project is a collaboration with Ciphergen BioSystems, Inc. to discover a bio-marker for pre-eclampsia. Pre-eclampsia is a disease that only effects pregnant mothers and typically is indicated by elevated blood pressure, edema, and proteinuria. Pre-eclampsia is a very serious disease and is the most common cause of fetal and maternal mortality during pregnancy. Pre-eclampsia is also fairly widespread, affecting some 10-15% of first time pregnant mothers worldwide. Unfortunately, a definitive diagnosis for pre-eclampsia is generally not possible until the third trimester of pregnancy and the only known cure for the disease is to deliver the fetus prematurely. Currently the determination as to when to induce labor is very difficult and fraught with risks to both mothers and infants. If the infant is delivered too early, there are significant risks of complications from premature delivery. If obstetricians wait too long to induce labor, there are significant risks to both the mother and the infant from pre-eclampsia, including the risk of death.

Bio-markers are unique sequences of proteins which categorically indicate the presence of a disease condition and provide a mechanism for measuring the severity of the condition. In the event we are able to discover this bio-marker, we believe that we can develop a test that will verify and quantify the pre-eclampsia disease state. We believe such a test would have a potentially wide application for obstetricians and gynecologists worldwide to help them determine when to optimally induce labor for pre-eclamptic mothers and thereby reduce the risk of death to both mother and baby. We have purchased a protein chip mass spectrometer to facilitate our discovery of potential proteins that may be associated with the disease. We expect to have completed this project over the next twelve to eighteen months.

Target Markets and Customers

We have initially targeted all oncologists in southern and central Florida that perform bone marrow sampling. In addition, we are currently servicing a few select obstetricians that perform amniocentesis testing. We expect to continue to expand our client base in this area over the next six months and to gradually

expand our market presence into northern Florida. Within this geography, we currently serve the following types of testing markets:

Cancer Testing: Historically, the majority of cytogenetics testing has been performed on bone marrow samples in testing for leukemia and lymphomas. Cells obtained from bone marrow are grown in culture and used to determine if certain genetic anomalies exist in patients with leukemia. This information is used to determine the nature of the cancer and determine an appropriate treatment regimen. In addition to cytogenetics testing, oncologists routinely use flow cytometry of bone marrow samples to diagnose cancers. Flow cytometry is a method of separating blood into its different cell types. This methodology is used to determine what cell types within the blood of leukemia and cancer patients is abnormal. Flow cytometry is important in developing an accurate diagnosis and

defining what treatment options are best for specific patients. The combination of the two types of tests allows the findings from one test to confirm the findings of another test, which leads to an even more accurate diagnosis.

The Company currently offers cytogenetics testing and flow cytometry testing; however, flow cytometry is currently performed on an outsourced basis. We plan to acquire the equipment and hire the personnel to bring flow cytometry in house sometime during the first half of 2004. Management believes that by offering both of these tests together as a bundled product while maintaining its industry leading turnaround times, the Company can significantly increase its testing volumes and its average revenue per case. Management estimates that flow cytometry tests are performed on approximately 2-3 times as many bone marrow samples as are cytogenetics tests. Furthermore, we believe that many of the local oncologists that send samples to us for cytogenetics testing would welcome the convenience of having a local laboratory perform both types of tests. Thus we believe that by offering flow cytometry we can derive significant increases in our testing volumes through our existing customer base, thereby affording the Company significant synergies and efficiencies in our sales and marketing process.

Prenatal Testing: A prenatal genetic test is an optional medical test available to people who are considered to be at increased risk for having children with a chromosomal abnormality or an inherited genetic condition. Prenatal testing is often used to look for conditions such as Down's Syndrome, spina bifida, cystic fibrosis, Tay-Sachs disease and others that would show up in early childhood. Two procedures are used in prenatal testing. Amniocentesis, which involves taking a sample of amniotic fluid from the womb for analysis, can be done during the 16th through 20th weeks of pregnancy. Another procedure, chorionic villus sampling (CVS), can be done earlier, at nine to 12 weeks. Currently these tests carry a risk of miscarriage. Depending on the mother's age and other factors, amniocentesis causes miscarriage in between 1 in 200 and 1 in 400 cases, and CVS has a risk of 1 in 100. We believe that new genetic tests will be developed over the next three years that will significantly reduce this risk of miscarriage and that prenatal genetic testing will increase as a result. In fact, as part of the Company's planned research initiatives, we are exploring whether to conduct research in support of developing a non-invasive amniocentesis test, which we believe could virtually eliminate miscarriage as a result of this type of test.

Historically, prenatal testing is offered to pregnant women over age 35, because their babies are at greater risk for having abnormal chromosomes. For example, a 35-year-old woman has about a 1 in 200 chance of having a baby with a chromosomal abnormality like Down's syndrome. A 40-year-old woman has closer to 1 in 50 chance. But prenatal testing is increasingly being offered to pregnant women of all ages. In the third quarter of 2001, the American College of Obstetricians and Gynecologists (ACOG) issued new guidelines recommending that all Caucasian women who are pregnant and couples considering pregnancy be

offered a genetic test to determine if they are carriers of cystic fibrosis. Current advances in genetic research make it possible to determine more and more conditions through prenatal testing, and we expect more institutional sponsorship of such prenatal testing in the coming years.

In addition to oncologists and obstetricians, we have identified the

following other potential customers for our cytogenetics and molecular biology testing services:

1. Local perinatologists (specialists in high risk pregnancies) and genetics counselors;
2. Hospitals needing karyotyping performed on tissue and blood samples;
3. Hematologists who need the use of diagnostic molecular biology, cytogenetics testing and flow cytometry testing.
4. Regional reference labs or other larger laboratory companies that can benefit by our industry leading turnaround times and/or by bundling our services with their own in order to offer a more complete menu of services.

Distribution Methods

The Company performs all of its genetic testing at its clinical laboratory facility located in Fort Myers, Florida, and then produces a report for the requesting practitioner. The Company currently out sources all of its molecular biology testing to third parties, but expects to begin bringing some of this testing in-house during the coming year.

Competition

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

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

We estimate that the United States market for cytogenetics and molecular biology testing is divided among approximately 500 laboratories, many of which offer both types of testing. Of this total group, less than 20 laboratories market their services nationally. We believe that the industry as a whole is still quite fragmented, with the top 20 laboratories accounting for approximately 50% of market revenues.

Currently there are no other cytogenetics and molecular biology testing facilities in the Southwest Florida region. Most large labs currently have their customers in this area send their samples via an express mail service to regional centers, which can be as far away as California. We expect to gain a significant market presence in the Southwest Florida region by offering faster

turnaround times due to the proximity to our customers and high-quality test reports. In addition, we are developing a fully integrated and interactive web site that will enable us to report real time results to customers in a secure environment.

Suppliers

The Company orders its laboratory and research supplies from large national laboratory supply companies such as Fisher Scientific, Inc. and Physicians Sales and Service Corp. and does not believe any disruption from any one supplier would have a material effect on its business.

Dependence on Major Customers

We currently market our services to major hospitals and doctor's practices in southern and central Florida. During 2003, we performed 825 individual cytogenetics and molecular biology tests. Approximately 90% or 739 of these tests were performed on bone marrow specimens. In addition, approximately 26% of our total tests were ordered by Doctors with patients in the Naples Community Hospital system. In the event the Naples Community Hospital system started offering a competing cytogenetics test capability in-house that could match our industry leading turnaround times at a competitive price, we would potentially lose a significant percentage of our revenues.

Trademarks

Our NeoGenomics logo has been filed for trademark with the United States Patent and Trademark Office.

Government Regulation

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

Laboratory Operations

Cytogenetics and, Molecular Biology Testing. The Company's laboratory is located in the state of Florida. Our laboratory has obtained certification under the federal Medicare program, the Clinical Laboratories Improvement Act of 1967, as amended by the Clinical Laboratory Improvement Amendments of 1988 (collectively, "CLIA `88"), and the respective clinical laboratory licensure laws of the state of Florida, where such licensure is required. The Clinical Laboratories Improvement Act provides for the regulation of clinical laboratories by the U.S. Department of Health and Human Services. Regulations promulgated under the federal Medicare guidelines, the CLIA and the clinical laboratory licensure laws of the state of Florida affect our genetics laboratory.

The federal and state certification and licensure programs establish standards for the operation of medical laboratories, including, but not limited to, personnel and quality control. Compliance with such standards is verified by periodic inspections by inspectors employed by federal or state regulatory agencies. In addition, federal regulatory authorities require participation in a proficiency testing program approved by HHS for many of the specialties and subspecialties for which a laboratory seeks approval from Medicare or Medicaid and certification under CLIA `88. Proficiency testing programs involve actual

testing of specimens that have been prepared by an entity running an approved program for testing by a laboratory.

A final rule implementing CLIA `88, published by HHS on February 28, 1992, became effective September 1, 1992. This rule has been revised on several occasions and further revision is expected. The CLIA `88 rule applies to virtually all clinical laboratories in the United States, including our laboratory. We have reviewed our operations as they relate to CLIA `88, including, among other things, the CLIA `88 rule's requirements regarding laboratory administration, participation in proficiency testing, patient test management, quality control, quality assurance and personnel for the types of testing we undertake, and believe we are in compliance with these requirements. No assurances can be given that our laboratory will pass inspections conducted to ensure compliance with CLIA `88 or with any other applicable licensure or certification laws. The sanctions for failure to comply with CLIA `88 or state licensure requirements might include the inability to perform services for compensation or the suspension, revocation or limitation of the labs' CLIA `88 certificate or state license, as well as civil and/or criminal penalties.

Regulation of Genetic Testing. In 2000, the Secretary of Health and Human Services Advisory Committee on Genetic Testing published recommendations for increased oversight by the Centers for Disease Control and the FDA for all genetic testing. This committee continues to meet and discuss potential regulatory changes, but no additional formal recommendations have been issued.

With respect to genetic therapies, which may become part of our business in the future, in addition to FDA requirements, the National Institutes of Health has established guidelines providing that transfers of recombinant DNA into human subjects at NIH laboratories or with NIH funds must be approved by the NIH Director. The NIH has established the Recombinant DNA Advisory Committee to review gene therapy protocols. We expect that all of our gene therapy protocols will be subject to review by the Recombinant DNA Advisory Committee.

Anti-Fraud and Abuse Laws

Existing federal laws governing Medicare and Medicaid, as well as some other state and federal laws, also regulate certain aspects of the relationship between healthcare providers, including clinical and anatomic laboratories, and their referral sources, including physicians, hospitals and other laboratories. One provision of these laws, known as the "anti-kickback law," contains extremely broad proscriptions. Violation of this provision may result in criminal penalties, exclusion from Medicare and Medicaid, and significant civil monetary penalties.

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

Existing federal law authorizes the Secretary of HHS to exclude providers from participation in the Medicare and Medicaid programs if they charge state Medicaid programs or Medicare fees "substantially in excess" of their "usual charges." On September 2, 1998, the OIG issued a final rule in which it

indicated that this provision has limited applicability to services for which Medicare pays under a Prospective Payment System or a fee schedule, such as anatomic pathology services and clinical laboratory services. In several Advisory Opinions, the OIG has provided additional guidance regarding the

possible application of this law, as well as the applicability of the anti-kickback laws to pricing arrangements. The OIG concluded in a 1999 Advisory Opinion that an arrangement under which a laboratory offered substantial discounts to physicians for laboratory tests billed directly to the physicians could potentially trigger the "substantially in excess" provision and might violate the anti-kickback law, because the discounts could be viewed as being provided to the physician in exchange for the physician's referral to the laboratory of non-discounted Medicare business, unless the discounts could otherwise be justified. The Medicaid laws in some states also have prohibitions related to discriminatory pricing.

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

We will seek to structure our arrangements with physicians and other customers to be in compliance with the anti-kickback, Stark and state laws, and to keep up-to-date on developments concerning their application by various means, including consultation with legal counsel. However, we are unable to predict how these laws will be applied in the future, and no assurances can be given that the arrangements into which we enter will not become subject to scrutiny thereunder.

In February 1997 (as revised in August 1998), the OIG released a model compliance plan for laboratories that is based largely on corporate integrity agreements negotiated with laboratories that had settled enforcement action brought by the federal government related to allegations of submitting false claims. We have adopted aspects of the model plan that we deem appropriate to the conduct of our business. We are unable to predict whether, or to what extent, these developments may have an impact or the utilization of our services.

Confidentiality

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") contains provisions that affect the handling of claims and other patient information that are, or have been, transmitted electronically. These provisions, which address security and confidentiality of patient information as well as the administrative aspects of claims handling, have very broad applicability and they specifically apply to healthcare providers, which include physicians and clinical laboratories. Rules implementing various aspects of HIPAA are continuing to be developed. National standards for electronic

healthcare transactions were published by HHS on August 17, 2000. The regulations establish standard data content and formats for submitting electronic claims and other administrative health transactions. All healthcare providers will be able to use the electronic format to bill for their services and all health plans and providers will be required to accept standard electronic claims, referrals, authorizations, and other transactions. Under the regulation, all electronic claims transactions must follow a single standardized format. All health plans, providers and clearinghouses must comply with the standards by October 2003. Failure to comply with this rule could result in significant civil and/or criminal penalties. Despite the initial costs, the use of uniform standards for all electronic transactions could lead to greater efficiency in processing claims and in handling health care information.

On December 28, 2000, HHS published rules governing the use of individually identifiable health information. The regulation protects certain health information ("protected health information" or "PHI") transmitted or maintained in any form or medium, and requires specific patient consent for the use of PHI for purposes of treatment, payment or health care operations. For most other uses or disclosures of PHI, the rule requires that covered entities (healthcare plans, providers and clearinghouses) obtain a valid patient authorization. For purposes of the criminal and civil penalties imposed under Title XI of the Social Security Act, the current date for compliance is 2003. Complying with the Standards, Security and Privacy rules under HIPAA will require significant effort and expense for virtually all entities that conduct healthcare transactions electronically and handle patient health information. We are unable to accurately estimate the total cost or impact of the regulations at this time. Those costs, however, are not expected to be material.

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

Food and Drug Administration

The FDA does not currently regulate laboratory testing services, which is our principal business. However, we plan to perform some testing services using test kits purchased from manufacturers for which FDA premarket clearance or approval for commercial distribution in the United States has not been obtained by the manufacturers ("investigational test kits"). Under current FDA regulations and policies, such investigational test kits may be sold by manufacturers for investigational use only if certain requirements are met to prevent commercial distribution. The manufacturers of these investigational test kits are responsible for marketing them under conditions meeting applicable FDA requirements. In January 1998, the FDA issued a revised draft Compliance Policy Guide ("CPG") that sets forth FDA's intent to undertake a heightened enforcement effort with respect to investigational test kits improperly commercialized prior to receipt of FDA premarket clearance or approval. That draft CPG is not presently in effect but, if implemented as written, would place greater restrictions on the distribution of investigational test kits. If we were to be substantially limited in or prevented from purchasing investigational test kits

by reason of the FDA finalizing the new draft CPG, there could be an adverse effect on our ability to access new technology, which could have a material adverse effect on our business.

We also may perform some testing services using reagents, known as analyte specific reagents ("ASRs"), purchased from companies in bulk rather than as part of a test kit. In November 1997, the FDA issued a new regulation placing restrictions on the sale, distribution, labeling and use of ASRs. Most ASRs are treated by the FDA as low risk devices, requiring the manufacturer to register with the agency, list it's ASRs (and any other devices), conform to good manufacturing practice requirements, and comply with medical device reporting of adverse events.

A smaller group of ASRs, primarily those used in blood banking and/or screening for fatal contagious diseases (e.g., HIV/AIDS), are treated as higher risk devices requiring premarket clearance or approval from the FDA before commercial distribution is permitted. The imposition of this regulatory framework on ASR sellers may reduce the availability or raise the price of ASRs purchased by laboratories like ours. In addition, when we perform a test

developed in-house, using reagents rather than a test kit cleared or approved by the FDA, we are required to disclose those facts in the test report. However, by clearly declining to impose any requirement for FDA premarket approval or clearance for most ASRs, the rule removes one barrier to reimbursement for tests performed using these ASRs. We have no plans to perform testing in these high risk areas.

Other

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

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

Number of Employees

As of February 23, 2004, we had ten employees, of which eight were full-time employees. Our President and a billing manager serve on a part-time basis. Unions represent none of our employees and we believe our employee relations are good.

ITEM 2. PROPERTIES

Our laboratory and executive offices are located in a 5,200 square foot facility at 12701 Commonwealth Drive, Suite 9, Fort Myers, FL 33913. We lease this space from an unaffiliated third party under a three year lease agreement on a month to month basis at a cost of approximately $6,000/month.

ITEM 3. LEGAL PROCEEDINGS

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted on the OTC Bulletin Board. Set forth below is a table summarizing the high and low bid quotations for our common stock during its last two fiscal years adjusted for the 1:100 reverse stock split consummated on April 16, 2003. All other share references in this Form 10-KSB have also been adjusted to reflect this 1:100 reverse stock split.

QUARTER	HIGH BID	LOW BID
1st Quarter 2002	$2.50	$0.90
2nd Quarter 2002	$2.00	$0.90
3rd Quarter 2002	$1.40	$0.70
4th Quarter 2002	$1.50	$0.60
1st Quarter 2003	$1.00	$0.35
2nd Quarter 2003	$0.55	$0.04
3rd Quarter 2003	$0.10	$0.06
4th Quarter 2003	$0.13	$0.045

The above table is based on over-the-counter quotations. These quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions, and may not represent actual transaction. All historical data was obtained from

the BigCharts.com web site.

As of February 4, 2004 there were 352 stockholders of record of the common stock. We have never declared or paid cash dividends on our common stock. We intend to retain all future earnings to finance future growth and therefore, do not anticipate paying any cash dividends in the foreseeable future.

Sales of Unregistered Securities

In 2001, we issued 78,358 shares of common stock to Tampa Bay Financial, Inc. in settlement of debts in the amount of $156,410. The transaction was valued at $2.00 per share based on the trading value of our stock at the time of the transaction. The transaction involved the issuance of unregistered stock to a small group of sophisticated investors in a transaction that we believed was exempt from registration under Section 4(2) of the Securities Act of 1933.

In 2001, we issued 2,385,000 shares of common stock in connection with the reverse acquisition transaction with NeoGenomics. The transaction involved the issuance of unregistered stock to a single sophisticated investor (Dr. Michael Dent) in a transaction that we believed was exempt from registration under Section 4(2) of the Securities Act of 1933.

In 2002, we issued 222,385 shares of common stock in exchange for employment and consulting services valued at $229,021, and 210,000 shares of common stock in exchange for the cancellation of $700,000 in cash advances from Tampa Bay Financial, Inc. All of the stock was issued to a small group of

sophisticated investors in a transaction that the Company believes was exempt from registration under Section 4(2) of the Securities Act of 1933.

In April 2003, we issued 13,927,062 shares of common stock to MVP 3, LP and three individuals who are principals of MVP 3, LP in exchange for $139,271. These transactions involved the issuance of unregistered stock to accredited investors in transactions that we believed were exempt from registration under Rule 506 promulgated under the Securities Act of 1933.

In June 2003, we issued 40,000 shares of common stock to Technology Capital Group, Inc. in satisfaction of a finder's fee agreement. The transaction involved the issuance of unregistered stock to a single sophisticated investor in a transaction that we believed was exempt from registration under Section 4(2) of the Securities Act of 1933.

Securities Authorized for Issuance Under Equity Compensation Plans(a)

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Numb rem for
Equity compensation plans approved by security holders	1,100,000	$0.07	
Equity compensation plans not approved by security			

holders	N/A	N/A
Total	1,100,000	N/A

(a) Currently, the Company's 2003 Equity Incentive Plan is the only equity compensation plan in effect.

ITEM 6. MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview.

The following discussion should be read in conjunction with the financial statements for the period ended December 31, 2003 included with this Form 10-KSB.

Information prior to November 14, 2001 (the date of the reverse acquisition) related to our predecessor entity, American Communications Enterprises, Inc. ("ACE"), has been omitted. ACE was formed in 1998 for the purpose of operating radio stations and businesses within the communications industry. ACE later changed its focus to genomics, which included acquiring NeoGenomics, Inc. ("NeoGenomics"), a private company desiring to become public, in a reverse acquisition in November 2001. From a legal perspective, ACE was the surviving company and thus continues its public reporting obligations. However, from an accounting perspective, NeoGenomics acquired ACE. Therefore, all financial information presented in this 10-KSB includes NeoGenomics' standalone results from the period June 1, 2001 (date of incorporation) to November 13,

2001 and the combined companies' results from November 2001 to December 31, 2003.

Certain information included herein contains statements that constitute "forward-looking statements" containing certain risks and uncertainties. Readers are referred to the cautionary statement at the beginning of this report, which addresses forward-looking statements made by us.

Critical Accounting Policies

Our critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the Notes to the Financial Statements. We have consistently applied these policies in all material respects. At this stage of our development, these policies primarily address matters of expense recognition. Although we anticipate that revenue recognition issues will become critical in future years, the small amount of revenue that we have earned at this stage minimizes the impact of any judgments regarding revenue recognition. Management does not believe that our operations to date have involved uncertainty of accounting treatment, subjective judgment, or estimates, to any significant degree.

Results of Operations for the twelve months ended December 31, 2003 as compared to the twelve months ended December 31, 2002

During the twelve months ended December 31, 2003, our revenues increased

approximately 298% to $370,000 from $93,000 during the twelve months ended December 31, 2002, primarily as a result of attracting new customers to our services and increasing the volume of services sold to existing customers. During 2003, our cost of revenue increased approximately 154% to $482,000 from $190,000 in 2002 primarily as a result of additional costs associated with hiring more laboratory personnel to support our increased testing volumes as well as increased costs as a result of moving to a larger laboratory facility. This resulted in a gross margin deficit of approximately $112,000 in 2003 versus a gross margin deficit of approximately $96,000 for 2002. In percentage terms, our gross margin deficit decreased from negative 103% of revenue in 2002 to negative 30% of revenue in 2003. We expect our gross margin to improve significantly and turn positive in 2004 as our sales continue to increase and we begin to experience the benefit of economies of scale on our costs.

During 2003, our general and administrative expenses decreased by approximately 21% to $383,000 from approximately $482,000 in 2002, primarily as a result of lower personnel expenses and other cost cutting measures. General and administrative expenses include all of our overhead and technology expenses as well as the cost of our management and sales personnel. Interest expense increased approximately 486% during 2003 to $41,000 from $7,000 in 2002. Interest expense is mainly comprised of interest payable on advances from Naples Women's Center, a company owned by our president as well on interest payable on our credit facility from MVP 3, LP.

As a result of the foregoing, our net loss decreased by 9% or $55,000 to negative $536,000 in 2003 from negative $591,000 in 2002.

We commenced our genetics and molecular biology testing operations in May 2002. Between May 1, 2002 and December 31, 2002, our average revenue per test was approximately $435. During the twelve months ended December 31, 2003, our average revenue per test increased by 3% to approximately $448. Revenues per test are a function of both the nature of the test and the payer (Medicare, Medicaid, third party insurer, institutional client etc.). Our policy is to

record as revenue the amounts that we expect to collect based on published or contracted amounts and/or prior experience with the payer. We have established a reserve for uncollectible amounts based on estimates of what we will collect from a) third-party payers with whom we do not have a contractual arrangement or sufficient experience to accurately estimate the amount of reimbursement we will receive, b) co-payments directly from patients, and c) those procedures that are not covered by insurance or other third party payer. On December 31, 2003, our Allowance for Doubtful Accounts reserve was $3,770.

Liquidity and Capital Resources

During the twelve months ended December 31, 2003, our operating activities used approximately $532,000 in cash. This amount primarily represented cash used to pay the expenses associated with our operations as well as fund our working capital needs. We also spent approximately $63,000 on new equipment. We were able to finance operations and equipment purchases primarily through net advances on our Credit Facility of approximately $506,000 and equity sales to affiliates, net of transaction expenses, of approximately $114,000. At December 31, 2003, we had cash or cash equivalents of approximately $25,000.

On April 15, 2003, we entered into equity and debt financing agreements with Medical Venture Partners and its principals. Under the terms of the equity agreements, affiliates of Medical Venture Partners purchased 13,927,062 shares of our common stock for $0.01 per share which resulted in net proceeds to the company of $114,271 after deducting transaction expenses of approximately $25,000. As a result of these equity transactions, the Company experienced a change of control and Medical Venture Partners and its affiliates, in the aggregate, own approximately 75% of our outstanding common stock. Under the terms of the debt financing agreements, MVP 3, LP, a partnership controlled by Medical Venture Partners, agreed to make available up to $1.5 million of debt financing in the form of a revolving credit facility (the "Credit Facility").

Under the terms of the Credit Facility, our advances are limited, at any given time, to the sum of i) 50% of our net property, plant and equipment; (ii) 80% of our accounts receivable that are less than 90 days old; and (iii) $500,000 that is not tied to any specific collateral. Interest under the revolving credit agreement is payable monthly at the prime rate plus 8.0%. As of December 31, 2003, we had approximately $590,000 in principal amount outstanding under the Credit Facility.

At the present time, we have very limited cash resources. We do not anticipate that we will generate significant cash flow from operating activities until late 2004. As a result, we anticipate that we will require additional working capital financing during the next 12 months in order to meet our working capital requirements during this period. We currently plan to finance our operations through borrowings under our revolving credit facility with MVP 3. Advances under this revolving credit facility are limited, at any given time, based on a formula contained in the loan agreement. There can be no assurance that the Company will be eligible to obtain all of its working capital funding needs from MVP 3, LP or another source. If the Company is unable to obtain such funding, the Company will be required to curtail or discontinue operations.

Capital Expenditures

We currently forecast capital expenditures for the coming year in order to execute on our business plan. The amount and timing of such capital expenditures will be determined by the volume of business we are generating and the availability of adequate financing for such capital expenditures. We plan to

fund these expenditures through borrowings under our Credit Facility with MVP 3, LP and through traditional lease financing from equipment lessors. There can be no assurance that we will be eligible to obtain all of our capital equipment funding needs from MVP 3, LP or another source. If we are unable to obtain such funding, we will be required to curtail our equipment purchases, which may have an impact on our ability to generate revenues.

Staffing

Currently, we have seven full-time and three part-time employees. During 2004, We plan to add additional laboratory technicians and research scientists to assist us in handling a greater volume of tests and to perform sponsored research projects. In addition, we intend to continue building our sales force in an effort to sustain our sales growth, as well as add personnel in management, accounting, and administrative functions. The number of such

additional personnel and their salaries will be determined by the volume of business we are generating and the availability of adequate financial resources to pay the salaries of such personnel.

ITEM 7. FINANCIAL STATEMENTS

NEOGENOMICS, INC.

Consolidated Financial Statements as of December 31, 2003 and for the years ended December 31, 2003 and 2002 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and stockholders of NeoGenomics, Inc. and subsidiary:

We have audited the accompanying consolidated balance sheet of NeoGenomics, Inc. and subsidiary (collectively the "Company"), as of December 31, 2003, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2003, and the results of its operations and its cash flows for the years ended December 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes A and B to the consolidated financial statements, the Company has suffered recurring losses from operations and will require a significant amount of capital to implement its business plan. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note B. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Kingery, Crouse & Hohl, P.A.

February 23, 2004
Tampa, FL

NEOGENOMICS, INC.

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2003

ASSETS

CURRENT ASSETS:	
Cash	$ 25,051
Accounts receivable (net of allowance for doubtful	

accounts of $3,770)	63,861
Inventory	10,593
Other	2,627
Total current assets	102,132
FURNITURE AND EQUIPMENT (net of accumulated depreciation of $85,740)	397,686
OTHER ASSETS - Deposits	7,221
TOTAL	$ 507,039

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:	
Accounts payable	$ 70,343
Deferred revenue	110,000
Due to affiliates	58,666
Accrued and other liabilities	45,832
Total current liabilities	284,841
LONG TERM LIABILITIES - Due to affiliates	590,000
Total Liabilities	874,841
STOCKHOLDERS' EQUITY:	
Common stock, $.001 par value, (100,000,000 shares authorized; 18,449,416 shares issued and outstanding)	18,449
Additional paid-in capital	8,818,002
Deficit accumulated during the Development Stage	(8,668,490)
Accumulated deficit	(535,763)
Total stockholders' deficit	(367,802)
TOTAL	$ 507,039

See notes to consolidated financial statements.

NEOGENOMICS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
NET REVENUE	$ 369,972	$ 93,491
COST OF REVENUE	481,593	189,958

GROSS MARGIN (DEFICIT)	(111,621)	(96,467)
OTHER OPERATING EXPENSES:		
Stock based compensation, net of option cancellations	-	(41,177)
General and administrative	382,711	481,969
Research and development	-	46,414
Interest expense	41,431	6,851
Total other operating expenses	424,142	494,057
NET LOSS	$ (535,763)	$ (590,524)
NET LOSS PER SHARE - Basic and Diluted	$ (0.04)	$ (0.14)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - Basic and Diluted	14,385,009	4,212,894

See notes to consolidated financial statements.

NEOGENOMICS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital
BALANCES, DECEMBER 31, 2001	**4,050,000**	**$ 4,050**	**$ 11,759,9**
Contribution of services and office space	-	-	9,7
Common stock issuances for services:			
at $1.00 per share on July 23, 2002	138,339	138	140,2
at $1.00 per share on September 3, 2002	38,431	38	39,5
at $1.00 per share on November 22, 2002	45,612	46	48,9
Conversion of stockholder advances:			
at $3.33 per share on June 7, 2002	90,000	90	299,9
at $3.33 per share on August 30, 2002	90,000	90	299,9
at $3.33 per share on November 22, 2002	30,000	30	99,9
Contribution of stockholder advances on December 23, 2002	-	-	25,5
Cancellation of stock option	-	-	(4,036,5
Adjustment for fractional shares in connection			

with reverse stock split	(28)	-	
Net loss	-	-	
BALANCES, DECEMBER 31, 2002	**4,482,354**	**$ 4,482**	**$ 8,687,3**
Contribution of services and office space	-	-	30,3
Common stock issuances at $0.01 per share on April 15, 2003	13,927,062	13,927	125,3
Transaction fees and expenses	-	-	(27,8
Common stock issuance for service at $0.07 per share on 6/27/03	40,000	40	2,7
Net loss	-	-	
BALANCES, DECEMBER 31, 2003	**18,449,416**	**$ 18,449**	**$ 8,818,0**

See notes to consolidated financial statements.

NEOGENOMICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (535,763)	$ (590,524)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	48,037	38,291
Amortization of deferred stock compensation	-	(245,598)
Stock based compensation and consulting	-	204,421
Provision for bad debts	16,378	22,120
Other non-cash expenses	30,346	9,759
Changes in assets and liabilities, net:		
(Increase) Decrease in accounts receivable, net	(40,158)	(62,202)
(Increase) Decrease in Inventory	8,713	(19,306)
(Increase) Decrease in other current assets	(627)	(2,000)
(Increase) Decrease in deposits	(3,305)	(2,616)
Increase (Decrease) in due to bank	(13,518)	13,518
Increase (Decrease) in deferred revenues	10,000	100,000
Increase (Decrease) in accounts payable and accrued and other liabilities	(52,469)	149,341
NET CASH USED IN OPERATING ACTIVITIES	(532,366)	(384,796)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment, net	(63,188)	(417,999)
NET CASH USED IN INVESTING ACTIVITIES	(63,188)	(417,999)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from affiliates, net	506,334	725,579

Issuances of common stock for cash, net of transaction expenses	114,271	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	620,605	725,579
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	25,051	(77,216)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-	77,216
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 25,051	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 9,456	$ 924
Income taxes paid	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Stockholder advances converted to equity	$ -	$ 725,561
Deferred compensation on grants of stock options	$ -	$ (4,036,500)

See notes to consolidated financial statements.

NEOGENOMICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - FORMATION AND OPERATIONS OF THE COMPANY

NeoGenomics, Inc. ("NEO") was incorporated under the laws of the state of Florida on June 1, 2001 and on November 14, 2001 agreed to be acquired by American Communications Enterprises, Inc. ("ACE"). ACE was formed in 1998 and succeeded to NEO's name on January 3, 2002 (collectively referred to as "we", "us", "our").

For financial statement purposes, the acquisition was treated as a reverse acquisition and a recapitalization with NEO being treated as the acquirer. In connection therewith, ACE issued 2,385,000 shares of its common stock to NEO's founder and sole stockholder in exchange for all of NEO's issued and outstanding common shares. The value of these shares, which was based on the number, and fair value of shares issued ($3.00 per share based on the price at which ACE's shares were trading at that time) was included in stock based compensation in the accompanying 2001 consolidated statement of operations. Immediately before

the acquisition, ACE had 1,317,339 shares outstanding and liabilities in excess of assets of approximately $170,000. Since the transaction was accounted for as a purchase, the deficiency of $170,000 was reflected as an adjustment to stockholders' equity as of the acquisition date. On November 21, 2001, we settled approximately $157,000 of these liabilities through the issuance of approximately 78,000 shares of our common stock at approximately $2.00 per share, which approximated the quoted market price of our common shares on that date.

On April 4, 2003, we amended our articles of incorporation to (1) effect a one-for-100 reverse split, (2) reduce the authorized number of common shares from 500,000,000 to 100,000,000, and (3) authorize 10,000,000 shares of preferred stock for future issuance, with such terms, restrictions and limitations as may be established by the Board of Directors.

As a result of the above, all references to the number of shares and par value in the accompanying consolidated financial statements and notes thereto have been adjusted to reflect the reverse acquisition and April 2003 reverse stock split as though all such changes had been completed as of June 1, 2001.

Through December 31, 2002, we were considered to be a development stage (as defined in Financial Accounting Standards Board Statement No. 7), bio-tech company organized for the principal purpose of developing a genetic and molecular biology testing and genomic research center. We commenced our planned principal operations in 2003, which include operating a medical testing and research laboratory in Fort Myers, Florida. We currently market our services to major hospitals and doctors' practices principally in southern and central Florida.

Principles of Consolidation

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

Revenue Recognition

Net revenues are recognized in the period when tests are performed and consist primarily of net patient revenues that are recorded based on established billing rates less estimated discounts for contractual allowances principally for patients covered by Medicare, Medicaid and managed care and other health plans.

These revenues also are subject to review and possible audit by the payers. We believe that adequate provision has been made for any adjustments that may result from final determination of amounts earned under all the above arrangements. There are no known material claims, disputes or unsettled matters with any payers that are not adequately provided for in the accompanying consolidated financial statements.

Accounts Receivable

We record accounts receivable net of estimated and contractual discounts. We provide for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to

their estimated net realizable value. We estimate this allowance based on the aging of our accounts receivable and our historical collection experience for each type of payer. Bad debts are charged off to the allowance account at the time they are deemed uncollectible.

Concentrations of Credit Risk

We grant credit without collateral to our customers, most of whom are local residents and are insured under third-party payer agreements or who are patients at hospitals whom we institutionally bill for services. As of December 31, 2003, approximately 26.3% and 25.0% of our receivables were from Medicare and Naples Community Hospital System ("NCHS"), respectively. In addition, during 2003, approximately 26% of our total testing revenue was derived from tests ordered by doctors with patients in NCHS.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The reported amounts of revenues and expenses during the reporting period may be affected by the estimates and assumptions we are required to make. Estimates that are critical to the accompanying consolidated financial statements include estimates related to contractual adjustments, and the allowance for doubtful accounts. It is at least reasonably possible that our estimates could change in the near term with respect to these matters.

Financial Instruments

We believe the book value of our current assets and liabilities approximates their fair values due to their short-term nature. Our "due to affiliates" liabilities represent notes payable to certain affiliates. It was not practical to estimate the fair market value of our "due to affiliates" liabilities because of the lack of similar type arrangements in the marketplace, thus these liabilities are carried at the face amount of such notes. The terms of all "due to affliates" notes payable are disclosed at Note G.

Furniture and equipment

Furniture and equipment are stated at cost. Major additions are capitalized, while minor additions and maintenance and repairs, which do not extend the useful life of an asset, are expensed as incurred. Depreciation is provided using the straight-line method over the assets' estimated useful lives.

Long-Lived Assets

Statement of Financial Accounting Standards (SFAS) 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" requires that long-lived assets, including certain identifiable intangibles, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the assets in question may not be recoverable. We evaluated our long-lived assets during 2003 and determined that they were not impaired at of December 31, 2003.

Income Taxes

We compute income taxes in accordance with Financial Accounting Standards Statement No. 109 "Accounting for Income Taxes" ("SFAS 109"). Under SFAS 109, 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 basis 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. There were no significant temporary differences as of December 31, 2003.

Stock-Based Compensation

We account for equity instruments issued to employees for services based on the fair value of the equity instruments issued and account for equity instruments issued to those other than employees based on the fair value of the consideration received or the fair value of the equity instruments, whichever is more reliably measurable.

We have adopted Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure" (SFAS No. 148). This statement amends FASB statement No. 123, "Accounting for Stock Based Compensation". It provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for employee stock based compensation. It also amends the disclosure provision of FASB statement No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. As permitted by SFAS No. 123 and amended by SFAS No. 148, we continue to apply the intrinsic value method under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," to account for our stock-based employee compensation arrangements.

Statement of Cash Flows

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

Net Loss Per Common Share

We compute loss per share in accordance with Financial Accounting Standards Statement No. 128 "Earnings per Share" ("SFAS 128") and SEC Staff Accounting Bulletin No. 98 ("SAB 98"). Under the provisions of SFAS No. 128 and SAB 98, basic net loss per share is computed by dividing the net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares outstanding as of December 31, 2003, which consisted of employee stock options, were excluded from diluted net loss per common share calculations as of such

date because they were anti-dilutive. There were no such options outstanding at December 31, 2002.

Recent Pronouncements

We do not expect that the adoption of any recent accounting pronouncements will have a material impact on our consolidated financial statements.

NOTE B - GOING CONCERN

Our consolidated financial statements were prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. We have incurred significant losses since our inception, and have experienced and continue to experience negative operating margins and negative cash flows from operations. In addition, we expect to have ongoing requirements for additional capital investment to implement our business plan. Since our inception, our operations have been funded through private equity and debt financing, and we expect to continue to seek additional funding through private or public equity and debt financing. As discussed at Note F, in connection with this matter, in April 2003, we secured a commitment from a related entity to provide us with $1.5 million of debt financing in the form of a revolving credit facility. While we have recently begun to ramp up our laboratory operations and generate operating revenues, there can be no assurance that we will be successful in these efforts, or that the credit facility will be adequate to meet our needs. These factors, among others, indicate that we may be unable to continue as a going concern for a reasonable period of time.

Our consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

NOTE C - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at December 31, 2003:

Equipment	$439,816
Furniture & Fixtures	$ 33,110
Leasehold Improvements	$ 10,500
Subtotal	$483,426
Less accumulated depreciation and amortization	($85,740)
Property and Equipment, net	$397,686

NOTE D - INCOME TAXES

We recognized losses for both financial and tax reporting purposes during each of the periods in the accompanying consolidate statements of operations. Accordingly, no provision for income taxes and/or deferred income taxes payable have been provided for in the accompanying consolidated financial statements.

Since our incorporation, we have incurred net operating losses for income tax purposes of approximately $1,260,000 (the significant difference between this

amount, and our deficit of $8,668,490, arises primarily from certain stock based compensation that is considered to be a permanent difference). Because the transaction discussed at Note G triggered certain "change in control" provisions of the Internal Revenue Code, a portion of these net operating loss carryforwards will be limited as they expire in various years through the year ended December 31, 2022. However, we have established a valuation allowance to fully reserve the related deferred income tax asset as such asset did not meet the required asset recognition standard established by SFAS 109.

At December 31, 2003 we had no deferred tax liabilities and our non-current deferred income tax asset (assuming an effective income tax rate of approximately 39%) consisted of the following:

Non-current deferred income tax asset:	Amounts
Net operating loss carryforwards	$ 491,400
Less valuation allowance	(491,400)
Total	$ -

The income tax benefit consists of the following for the years ended December 31, 2003 and 2002:

	2003	2002
Current	$ -	$ -
Deferred	208,800	156,600
Change in valuation allowance	(208,800)	(156,600)
	$ -	$ -

NOTE E - INCENTIVE STOCK OPTIONS AND AWARDS

In October 2002 our president agreed to cancel his option to purchase 1.35 million shares of our common stock that he was granted in 2001.

Our 2003 Equity Incentive Plan provides for the granting of stock options and awards to officers, directors, employees and consultants. We are authorized to grant awards for up to 2.0 million shares of our common stock, 1.1 million of which had been granted as of December 31, 2003. Vesting and exercise price provisions are determined by the board of directors at the time the awards are granted.

The status of our stock options is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2001	1,350,000	$ 0.01

Granted	-	-

Exercised	-	-
Canceled	(1,350,000)	0.01
Outstanding at December 31, 2002	-	-
Granted	1,100,000	0.07
Exercised	-	-
Canceled	-	-
Outstanding at December 31, 2003	1,100,000	$ 0.07
Exercisable at December 31, 2003	150,000	$ 0.07

We account for our stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". With respect to stock options granted during 2001, we initially recorded deferred stock compensation of $4,036,500, for the difference between the exercise price and the fair value of the common stock underlying the options on the date of the grant. This amount was being amortized consistent with the method described in FASB Interpretation No. 28 over the vesting period of the individual options, estimated to be 13-38 months. During 2002, as a result of the cancellations of the options, we reversed all previously recorded amortization of the deferred stock compensation. The 2001 Stock Plan was terminated in 2003.

Had our compensation expense for stock-based compensation plans been determined based upon fair values at the grant dates for awards under this plan in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," our net loss and pro forma net loss per share amounts would have been reflected as follows:

	2003	2002
Net loss:		
As reported	$ (535,763)	$ (590,524)
Pro forma	$ (557,763)	$ (590,524)
Loss per share:		
As reported	$ (0.04)	$ (0.14)
Pro forma	$ (0.04)	$ (0.14)

The weighted average fair value of options granted during 2003, estimated on the date of grant using the Black-Scholes option-pricing model, was approximately $0.02 per option share. The fair value of options granted was estimated on the date of the grants using the following approximate assumptions: dividend yield of 0 %, expected volatility of 20.0%, risk-free interest rate of 4%, and an expected life of 5 years.

NOTE F - COMMITMENTS

During September 2002, we entered into an agreement to perform collaborative research with Ciphergen Biosystems ("Ciphergen"). If a patented product or service results from this research, the patenting party will be obligated to pay a 4% royalty to the other party. In addition, each of us are to own 50% of any inventions developed jointly as a result of this research. In October 2002,

Ciphergen awarded us with a $100,000 research grant, which we have agreed to use to purchase supplies, labor and equipment for the research. As of December 31, 2003, we have not performed any of the testing, or spent any of the $100,000; accordingly, such amount has been recorded as deferred revenue in the accompanying consolidated balance sheet.

In August 2003, we entered into a three year lease for our laboratory facility. The lease, which commenced on August 8, 2003, requires average monthly rental payments of approximately $6,000 during the lease term (including estimated operating and maintenance expenses and sales tax). The lease contains a provision that allows us to extend the lease for two terms of three years each.

Future minimum payments required are approximately as follows:

Years ending December 31,	Amounts
2004	$ 72,000
2005	$ 72,000
2006	$ 48,000
Total	$ 192,000

Rent expense for 2003 and 2002 approximated $46,350 and $28,200, respectively.

In October 2003, we entered into an employment agreement with our CEO, Thomas H. White. The employment agreement has an initial term of three years; provided, however that either party may terminate the agreement by giving the other party sixty days written notice. The employment agreement specifies an initial base salary of $100,000/year with salary increases and bonuses at the discretion of the compensation committee of the Board of Directors. In addition, Mr. White was granted 900,000 Incentive Stock Options that have a ten year term so long as Mr. White remains an employee of the Company. Mr. White's employment agreement also specifies that he is entitled to various other benefits we do not believe to be signficant. In the event that Mr. White is terminated without cause by the Company, the Company has agreed to pay Mr. White's base salary and maintain his employee benefits for a period that is equal to one month for every full year of his employment by the Company (subject to a minimum of two months and a maximum of six months).

In December 2003, we received a $10,000 research grant from the Ovarian Cancer Alliance of Florida. As part of this grant we have agreed to research the potential causes of Ovarian Cancer in a limited number of tissue samples. As of December 31, 2003, we had not performed any of the research; accordingly, such amount has been recorded as deferred revenue in the accompanying consolidated balance sheet.

NOTE G- OTHER RELATED PARTY TRANSACTIONS

During 2002 we received net advances of approximately $625,000 from Tampa Bay Financial, Inc., ("TBF") one of our stockholders. These advances and advances of $100,000 from 2001, which were non-interest bearing, unsecured and due on demand, were converted to approximately 210,000 shares of our common stock in 2002 using a conversion price of $3.33 per share (which amount was greater than the approximate quoted market price of our common shares on the conversion dates).

During November 2001, we entered into an agreement with TBF to provide us with consulting services and pay certain of our expenses, including the salary of our

chief financial officer and costs incurred in preparing required filings under

securities laws. The term of this agreement was for one year and was terminated in 2002. During 2002, we incurred expenses of approximately $105,000, related to this agreement. In 2002 the related liability, including $15,000 from 2001, was settled through three separate issuances (totaling 117,000 shares) of our common stock using a conversion price of approximately $1.00 per share (which amount approximated the quoted market price of our common shares on the settlement dates).

During 2002, we issued approximately 105,000 shares of our common stock in settlement of approximately $110,000 of our president's accrued salary. The conversion price of approximately $1.00 per share approximated the quoted market price of our common shares on the settlement dates.

During 2003, we paid $72,500 to an individual who is a Director of the Company for various consulting work in connection with helping to organize and manage the financial affairs of the company.

We occasionally borrow funds from the Naples Women's Center ("NWC"), a company owned by our president, to meet our short-term cash needs. These amounts have been advanced to us with a stated interest rate of 8% and are due in October of 2004. At December 31, 2003, we owed NWC approximately $58,700.

In Late 2002 and early 2003, in order to meet short term cash needs, we borrowed $177,000 from three individuals who are affiliates of Medical Venture Partners, LLC ("Medical Venture Partners"), a venture capital firm with whom we were negotiating a financing transaction (see below). These amounts, having a stated interest rate of 8%, were repaid in April 2003 in connection with the financing transaction described below.

On April 15, 2003, we entered into debt and equity financing agreements with Medical Venture Partners and its principals. Under the terms of the agreements, affiliates of Medical Venture Partners purchased approximately 75% of our outstanding common stock and agreed to make available up to $1.5 million of debt financing in the form of a revolving credit facility, with a stated interest rate of prime + 8%. The debt financing and approximately 50.4% of the equity investment are being made through MVP 3, LP, a fund controlled by Medical Venture Partners. The remainder of the equity investment was made by the three principals of Medical Venture Partners acting individually.

Under the terms of the loan agreement, we are able to borrow up to 80% of "eligible" accounts receivable, 50% of our net furniture and equipment balance, secured by substantially all of our assets, and up to $500,000 on an unsecured basis. With respect to this agreement, we are subject to the following restrictive covenants: (i) we are not to incur indebtedness outside of this agreement in excess of $50,000 without written authorization of MVP 3, L.P., (ii) we cannot declare or pay any dividend on our common stock, and (iii) we are also subject to other general covenants typical of an instrument of this kind. In addition, as a condition to these transactions, NEO, our President, MVP 3 LP and the principals of Medical Venture Partners entered into a shareholders agreement that provides that MVP 3, LP will have the right to appoint up to four of seven of our directors. We also entered into a Registration Rights Agreement with MVP 3 LP and the principals of Medical Venture Partners granting them

certain demand and piggyback registration rights. At December 31, 2003, we owed MVP 3 , L.P. approximately $590,000 under this loan agreement, which is classified as "Due to affiliates" under the long-term liabilities section of our balance sheet. This obligation matures on March 31, 2005 and all amounts outstanding thereunder (including any unpaid interest) are due at that time.

End of Financial Statements

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 8A. CONTROLS AND PROCEDURES

Within 90 days prior to the date of filing of this report, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer, of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer concluded that our disclosure controls and procedures are effective for the gathering, analyzing and disclosing the information we are required to disclose in the reports we file under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth certain information regarding our executive officers and directors as of February 9, 2004:

Name	Age	Position
Thomas H. White	56	Chief Executive Officer, Director
Michael T. Dent	39	Chairman of the Board, President and Chief Medical Officer
John E. Elliott	47	Director
Steven C. Jones	40	Director
Lawrence R. Kuhnert	55	Director
Kevin Lindheim	44	Director

Thomas H. White - Chief Executive Officer

Mr. White has been our Chief Executive Officer since October 2003 and a Director since February 2004. Prior to NeoGenomics, Mr. White was the Chief

Operating Officer of SmartPill Diagnostics, Inc., a company focused on the development of a swallowable telemetry capsule to assist physicians in the diagnosis of GI disorders. Prior to that, Mr. White was the Chief Executive Officer of SmartPill Corporation where he completed the early development work and merged the company with APPRO Healthcare, Inc. to form SmartPill Diagnostics, Inc. Prior to that, among other positions, Mr. White was Chief Executive Officer of Conpharma Home Healthcare, Inc. a provider of infusion therapy and respiratory services, and Senior Vice President of Beverly Home Healthcare, Inc. He received his Bachelors and Masters degree from Western Michigan University in Kalamazoo, Michigan.

Michael T. Dent M.D. - Chairman of the Board, President and Chief Medical Officer

Dr. Dent has been our President and Chief Medical Officer since April 2003. Prior to that Dr. Dent was our President and Chief Executive Officer from June 2001, when he founded NeoGenomics, to April 2003. Dr. Dent founded the Naples Women's Center in 1996. He received his training in Obstetrics and Gynecology at the University of Texas in Galveston. He received his M.D. degree from the University of South Carolina in Charleston, S.C. in 1992 and a B.S. degree from Davidson College in Davidson, N.C. in 1986. He is a member of the American Association of Cancer Researchers and a Diplomat and fellow of the American College of Obstetricians and Gynecologists. He sits on the Board of the Florida Life science Biotech Initiative.

John E. Elliott - Director

Mr. Elliott became a director of the Company in October 2003. He is also presently chairman of AMI Holdings, Inc., a major shareholder in Fidlar Doubleday, Inc., SSAC, LLC, and the Company. Mr. Elliott has been involved in the healthcare industry since 1978, when he founded Allied Medical, Inc. ("Allied Medical"), a private label manufacturer of products such as wheelchairs, hospital beds, respiratory equipment, among many others. While Mr. Elliott served as Chief Executive Officer, Allied Medical grew to 16 regional warehouses in the U.S. and sales revenues of over $60 million before it was sold to Graham Field in 1992. Following the sale of Allied Medical, Mr. Elliott purchased Guardian Medical Supplies, Inc. and Medical Equipment Providers, Inc. both DME dealers, which were sold in 1997 to Rotech Medical, Inc. Contractually restricted in the healthcare business following this sale, Mr. Elliott formed a new business group in the education/governmental marketplace and lead an investment group in 1998 in the purchase of Doubleday Bros. & Co., the publishing unit of Standard Publishing Inc. (Standex) and Vista Business Forms, and in 1999, together with the financing from General Electric Capital, purchased Fidlar Chambers forming Fidlar Doubleday, Inc., of which he served as Chairman through 2002. Fidlar Doubleday, Inc. is a market leader in governmental software and holds a substantial share of the election business in the U.S. Mr. Elliott also served as CEO and Chairman of Standard Automotive Corporation from 2002-2004 in connection with a financial workout for that company. Mr. Elliott has a Bachelor of Science degree in Business Administration from Lawrence University.

Steven C. Jones - Director

Mr. Jones has served as a director since October 2003. He is a Managing Director in Medical Venture Partners, LLC, a venture capital firm established in

2003 for the purpose of making investments in the healthcare industry. Mr. Jones has also been President and a Managing Director of Aspen Capital Advisors since January 2001. Prior to that Mr. Jones was Executive Vice President and Chief Financial Officer of The Fiera Group, Inc., a technology-based, commerce enabling company. P:rior to that, among other positions, Mr. Jones was a Vice President in the Telecommunications, Media and Technology Investment Banking Group at Merrill Lynch & Co. Mr. Jones received his B.S. degree in Computer Engineering from the University of Michigan in 1985 and his MBA from the Wharton School of the University of Pennsylvania in 1991. He is also on the Board of Directors of T3 Communications, LLC, Aspen Capital Advisors, Inc. and C&S Capital Funding Corp.

Lawrence R. Kuhnert - Director

Mr. Kuhnert became a director of the Company in October 2003. He is currently an active venture and real estate investor. From 2000 to 2002, Mr. Kuhnert served as a Division Director for Rotech Healthcare Inc. ("Rotech"), a home healthcare equipment supplier. Since 1996, he had previously served Rotech as director of acquisitions in connection with a very active acquisition and corporate development campaign that took sales from approximately $230 million in 1996 to approximately $600 million in 2000. Mr. Kuhnert earned a B.A degree in 1973 from Michigan State University.

Kevin J. Lindheim - Director

Mr. Lindheim has served as a director since February, 2002. He is the President and Chief Executive Officer of Florida Valuation and Consultants, Inc., a full service commercial real estate advisory firm, a position he has held since 1992. He holds a B.S. Degree in Accounting from Louisiana University, and a postgraduate degree in Real Estate from Tulane University.

Audit Committee

Currently, the Company's Audit Committee of the Board of Directors is comprised of all the Directors. The Board of Directors believes that it has two "financial experts" (as defined in Regulation 228.401(e)(1)(i)(A) of Regulation S-B) serving on its Audit Committee. These two "financial experts" are Mr. Steven Jones and Mr. Larry Kuhnert, both of which are members of the general partner of MVP 3, L.P., a partnership which controls 50.4% of the voting stock of the Company. Thus neither Mr. Jones nor Mr. Kuhnert would be considered as "independent" directors under Item 7(d)(3)(iv) of Schedule 14A of the Securities Exchange Act of 1934.

Code of Ethics

The Company has adopted the Code of Ethics attached as Exhibit 14 to this Form 10-KSB for its senior financial officers and the principal executive officer.

ITEM 10. EXECUTIVE COMPENSATION

The following table provides certain summary information concerning compensation paid by the Company to or on behalf of our most highly compensated

executive officers for the fiscal years ended December 31, 2003, 2002 and 2001:

Summary Compensation Table

Name and Principal Capacity	Year	Salary	Other Compensation
Thomas H. White Chief Executive Officer	2003	$ 20,139 (1)	-
Dr. Michael T. Dent	2003	-	-
Chairman, President and	2002	$130,669 (2)	-
Chief Medical Officer	2001	9,600 (2)	$0 (3)

(1) Mr. White became the Company's Chief Executive Officer on October 20, 2003.

(2) During 2002, Dr. Dent Received 105,636 shares of the Company's common stock in lieu of cash salary payments due to him for salary earned in 2001 and the first nine months of 2002. Such shares were collectively valued at $109,021 at the various times of issue and were issued pursuant to a Registration Statement on Form S-8. As of February 6, 2004, Dr. Dent had not sold any of this stock or any other stock in the Company. The remaining $31,248 of salary earned by Dr. Dent was earned in the fourth quarter of 2002 and has been accrued as a cash obligation of the Company. As of February 6, 2004, $11,131 had been paid.

(3) In November, 2001, Dr. Dent received options to purchase 1,350,000 shares of common stock at $0.01 per share pursuant to an Option Agreement. This Option Agreement was terminated effective October 1, 2002 and Dr. Dent gave up any right or claim to such options.

Employment Agreements.

We entered into a new Employment Agreement with Dr. Michael Dent on April 15, 2003 to serve as our President and Chief Medical Officer. The employment agreement has an initial term of one year and will be automatically renewed for an unlimited number of additional terms of one year each unless either party elects to terminate the agreement. During the term of employment, Dr. Dent will serve as the President and Chief Medical Officer of the Company. Dr. Dent has agreed to devote at least 20% of his business time and efforts to the business affairs of the Company during the term of the agreement with such percentage subject to increase in certain instances. During the term of his employment Dr. Dent will be eligible to receive a base salary in any given month equal to 20% of the Operating Subsidiary's cash flow from operating activities for the preceding month (as reported on Operating Subsidiary's Statement of Cash Flows) subject to a $20,000 cap for any given month. Dr. Dent is also eligible to receive a bonus, on a quarterly basis, equal to 10% of the amount by which the Company's quarterly net revenues exceed targets established by the Company's Board of Directors. For the fiscal year 2003, such quarterly targets are as follows:

For the quarter ending June 30, 2003	$125,000
For the quarter ending September 30, 2003	$250,000
For the quarter ending December 31, 2003	$500,000

The new employment agreement also provides that once Dr. Dent is devoting 50% or more of his time to the business, the Company will pay for heath insurance for Dr. Dent and his family.

We entered into an employment agreement with Thomas H. White on October 14, 2003, to serve as our Chief Executive Officer. The employment agreement has an initial term of three years; provided, however that either party may terminate the agreement by giving the other party sixty days written notice. The employment agreement specifies an initial base salary of $100,000/year with salary increases and bonuses at the discretion of the compensation committee of the Board of Directors. In addition, Mr. White was granted 900,000 Incentive Stock Options that have a ten year term so long as Mr. White remains an employee of the Company. Such options vest according to the following schedule:

Time-Based Vesting

75,000 on 10/20/03;
100,000 on 10/20/04;
100,000 on 10/20/05;
100,000 on 10/20/06;

Performance-Based Vesting

125,000 when the Company reaches $2.5 million of consolidated revenue for the preceding twelve months;
125,000 when the Company reaches $5.0 million of consolidated revenue for the preceding twelve months;
125,000 when the Company's stock maintains an average closing bid price (as quoted on NASDAQ Bulletin Board) of $0.50/share over the previous 30 trading days.
150,000 when the Company's stock maintains an average closing bid price (as quoted on NASDAQ Bulletin Board) of $1.00/share over the previous 30 trading days.

Mr. White's employment agreement also specifies that he is entitled to a $500/month car allowance, four weeks of paid vacation per year and other health insurance and relocation benefits. In the event that Mr. White is terminated without cause by the Company, The Company has agreed to pay Mr. White's base salary and maintain his employee benefits for a period that is equal to one month for every full year of his employment by the Company (subject to a minimum of two months and a maximum of six months).

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of May 15, 2003, with respect to each person known by the Company to own beneficially more than 5% of the Company's outstanding common stock, each director and officer of the Company and all directors and executive officers of the Company as a group. The Company has no other class of equity securities outstanding other than common stock.

Title of Class	Name And Address Of Beneficial Owner	Amount and Nature Of Beneficial Ownership	Percent Of Class

Common	MVP 3, LP (1) 1740 Persimmon Drive Naples, FL 34109	9,303,279	50.4%
Common	John E. Elliott (2) 2709 Buckthorn Way Naples, FL 34105	10,844,540	58.8%
Common	Steven C. Jones (3) 1740 Persimmon Drive Naples, FL 34109	10,844,540	58.8%
Common	Lawrence R. Kuhnert (4) 5120 Timberview Terrace Orlando, FL 32819	10,844,540	58.8%
Common	Michael T. Dent M.D. 1726 Medical Blvd. Naples, FL 34110	2,490,634	13.5%
Common	Kevin Lindheim 9220 Bonita Beach Road Bonita Springs, FL 34135	3,845	*
Common	Directors and Officers as a Group 2 persons)	2,494,479	13.6%

* less than 1.0%

(1) MVP 3, LP has direct ownership of 9,303,279 shares. The general partner of MVP 3, LP is Medical Venture Partners, LLC, which has John E. Elliott, Steven C. Jones and Larry R. Kuhnert as its members.

(2) John E. Elliott has direct ownership of 1,541,261 shares, but as a member of the general partner of MVP 3, LP, he has the right to vote all shares held by MVP 3, LP, thus 9,303,279 shares have been added to his total.

(3) Steven C. Jones has direct ownership of 1,541,261 shares, but as a member of the general partner of MVP 3, LP, he has the right to vote all shares held by MVP 3, LP, thus 9,303,279 shares have been added to his total.

(4) Larry R. Kuhnert has direct ownership of 1,541,261 shares, but as a member of the general partner of MVP 3, LP, he has the right to vote all shares held by MVP 3, LP, thus 9,303,279 shares have been added to his total.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 2002 and the first eight months of 2003, the executive offices of the Company shared space, on a rent-free basis, with Naples Women's Center ("NWC"), a company owned by Dr. Michael Dent, our Chairman and President. In addition, Naples Women's Center provided bookkeeping services to the Company

free of charge. An estimate of the fair market value of these services has been expensed and added to paid in capital as a capital contribution.

During 2001 and 2002, we borrowed funds from the Naples Women's Center to meet our short-term cash needs. At December 31, 2003, we owed NWC approximately $58,666.

During the period December 2002 to April 2003, AMI Holdings Corp. (a company controlled by John E. Elliott), Steven C. Jones and Lawrence R. Kuhnert advanced $177,000 under various short term bridge loan agreements. Messrs. Elliott, Jones and Kuhnert are the three principals of MVP 3, LP, which consummated debt and equity financing transactions with the Company on April 15, 2003. All of these advances, plus $2,493 of accrued interest, were repaid to these individuals on April 17, 2003.

In order to facilitate the administration of MVP 3's revolving credit facility with the Company and fund it, MVP 3 arranged a similar credit facility with Fifth Third Bank. On April 15, 2003, the Company provided a guaranty of MVP 3's obligations to Fifth Third Bank for all amounts that are directly passed through MVP 3 and further loaned to the Company and has pledged all of its business assets to both Fifth Third Bank and MVP 3, LP.

During 2003, we also paid Mr. Steven Jones $72,500 in cash for various consulting work in connection with helping to organize and manage the financial affairs of the company.

PART IV

ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed (or incorporated by reference herein) as part of this Form 10-KSB.

Exhibit Number	Description
14	NeoGenomics, Inc. Code of Ethics for Senior Financial Officers and the Principal Executive Officer
31.1	Certification of NeoGenomics, Inc. Chief Executive and Principle Financial Officer, Thomas H. White, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of NeoGenomics, Inc. Chief Executive and Principle Financial Officer, Thomas H. White, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
21	The Company's only subsidiary is NeoGenomics, Inc., a Florida corporation (the "Operating Subsidiary").

(b) Reports on Form 8-K.

No reports on Form 8-K were filed with the SEC during the period from September 30, 2003 until the date of this report on Form 10-KSB.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Summarized below is the aggregate amount of various professional fees billed by our principal accountants with respect to our last two fiscal years:

	2003	2002
Audit fees	$ 11,028	$ 20,621
Audit-related fees	$ --	$ --
Tax fees	$ --	$ --
All other fees, including tax consultation and preparation	$ --	$ --

All audit fees are approved by our audit committee and board of directors. Kingery, Crouse & Hohl, P.A. does not provide any non-audit services to the Company.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NeoGenomics, Inc.

By: /s/ Thomas H. White
Thomas H. White
Chief Executive and
Principal Financial Officer

Date: February 23, 2004

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Michael T. Dent Michael T. Dent, M.D.	Director, President and Chief Medical Officer	February 23, 2004
/s/ John E. Elliott John E. Elliott	Director	February 23, 2004

/s/ Steven C. Jones Steven C. Jones	Director	February 23, 2004
/s/ Lawrence R. Kuhnert Lawrence R. Kuhnert	Director	February 23, 2004
/s/ Kevin J. Lindheim Kevin J. Lindheim	Director	February 23, 2004

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