NEOGENOMICS INC
Form S-1/A
June 03, 2008

As filed with the U.S. Securities and Exchange Commission on June 3, 2008

Registration No. 333-126754

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

AMENDMENT NO. 3
TO
FORM SB-2 ON FORM S-1/A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Nevada (State or Other Jurisdiction of Incorporation or Organization)	NeoGenomics, Inc. (Name of Registrant in Our Charter)	74-2897368 (I.R.S. Employer Identification No.)
12701 Commonwealth Drive, Suite 9 Fort Myers, Florida 33913 (239) 768-0600 (Address and Telephone Number of Principal Executive Offices and Principal Place of Business)	8731 (Primary Standard Industrial Classification Code Number)	Robert P. Gasparini 12701 Commonwealth Drive, Suite 9 Fort Myers, Florida 33913 (239) 768-0600 (Name, Address and Telephone Number of Agent for Service)

With a copy to:
Clayton E. Parker, Esq.
Kirkpatrick & Lockhart Preston Gates Ellis LLP
200 S. Biscayne Boulevard, Suite 3900
Miami, Florida 33131
Telephone: (305) 539-3300
Facsimile: (305) 358-7095

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box. /X/

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. /_/

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. /_/

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. /_/

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

Large accelerated filer /__/ Accelerated filer /__/
Non-accelerated filer /__/ (Do not check if a smaller reporting company) Smaller reporting company /X/

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount Of Registration Fee
Common Stock, par value $0.001 per share	7,000,000 shares	$ 1.30	$ 9,100,000	$ 280.60(2)
TOTAL	7,000,000 shares	$ 1.30	$ 9,100,000	$ 280.60

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

(2) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

MI-268286 v5 0437575-00201

PROSPECTUS
NEOGENOMICS, INC.
7,000,000 shares of Common Stock

This prospectus relates to the sale of up to 7,000,000 shares of the Common Stock, par value $0.001 per share ("Common Stock") of NeoGenomics, Inc. (referred to individually as the "Parent Company" or, collectively with all of its subsidiaries, as the "Company", "NeoGenomics", or "we", "us", or "our") by certain persons who are stockholders of t Parent Company. The selling stockholders consist of:

- Those Investors set forth in the section herein entitled "Selling Stockholders" who intend to sell up to 2,666,667 shares of Common Stock previously issued and sold by the Parent Company to the Investors for a purchase price equal to $1.50 per share during the period from May 31, 2007 through June 6, 2007 pursuant to a private equity transaction (the "Private Placement"). The Investors received registration rights with their shares and therefore, such shares are being registered hereunder;

- Those Investors set forth in the section herein entitled "Selling Stockholders" who intend to sell up to 1,500,000 shares of Common Stock previously sold by Aspen Select Healthcare, L.P. ("Aspen") to the Investors during the period from June 1, 2007 through June 5, 2007 in connection with the Private Placement. The Investors received registration rights with their shares and therefore, such shares are being registered hereunder;

- Noble International Investments, Inc. ("Noble") which intends to sell up to 98,417 shares of Common Stock underlying warrants previously issued by the Parent Company to Noble on June 5, 2007 in consideration for Noble's services as placement agent in connection with the Private Placement. Noble received piggy back registration rights with its shares and therefore, such shares are being registered hereunder;

- Dr. Michael Dent, Chairman of the Board who intends to sell up to 345,671 shares of Common Stock previously issued and sold by the Company to Michael Dent as founder shares;

- Aspen, which intends to sell up to 1,889,245 shares of Common Stock previously issued and sold by the Company to Aspen on April 15, 2003. Aspen received registration rights with respect to these 1,889,245 shares and therefore, such shares are being registered hereunder; and

- Lewis Opportunity Fund and LAM Opportunity Fund are managed by Lewis Asset Management ("LAM"), which intends to sell up to 500,000 shares of Common Stock previously issued to LAM by the Company on June 6, 2007 upon conversion of certain warrants previously sold by Aspen to LAM on June 6, 2007. The Company issued these shares at an exercise price of $0.26 per share and received gross proceeds equal to $130,000. LAM received registration rights with its warrants and therefore, such shares underlying such warrants are being registered hereunder.

Please refer to "Selling Stockholders" beginning on page 22.

The Company is not selling any shares of Common Stock in this offering and therefore will not receive any proceeds from this offering. All costs associated with this registration will be borne by the Company.

Shares of Common Stock are being offered for sale by the selling stockholders at prices established on the Over-the-Counter Bulletin Board (the "OTCBB") during the term of this offering. On May 30, 2008, the last reported sale price of our Common Stock was $1.30 per share. Our Common Stock is quoted on the OTCBB under the symbol "NGMN.OB". These prices will fluctuate based on the demand for the shares of our Common Stock.

Brokers or dealers effecting transactions in these shares should confirm that the shares are registered under the applicable state law or that an exemption from registration is available.

These securities are speculative and involve a high degree of risk.

Please refer to “Risk Factors” beginning on page 10.

The information in this prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the U.S. Securities and Exchange Commission (the “SEC”) is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

No underwriters or persons have been engaged to facilitate the sale of shares of our Common Stock in this offering. None of the proceeds from the sale of stock by the selling stockholders will be placed in escrow, trust or any similar account.

The SEC and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is_____, 2008.

TABLE OF CONTENTS

PROSPECTUS SUMMARY

The following is only a summary of the information, Financial Statements and the Notes thereto included in this prospectus. You should read the entire prospectus carefully, including "Risk Factors" and our Financial Statements and the Notes thereto before making any investment decision.

Our Company

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

a) cytogenetics testing, which analyzes human chromosomes;

b) Fluorescence In-Situ Hybridization (FISH) testing, which analyzes abnormalities at the chromosomal and gene levels;

c) flow cytometry testing, which analyzes gene expression of specific markers inside cells and on cell surfaces; and

d) molecular testing which involves analysis of DNA and RNA to diagnose and predict the clinical significance of various genetic sequence disorders.

All of these testing services are widely utilized in the diagnosis and prognosis of various types of cancer.

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

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

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

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

Genetic and molecular testing typically involves analyzing chromosomes, genes or base pairs of DNA or RNA for abnormalities. New tests are being developed at an accelerated pace, thus this market niche continues to expand rapidly. Genetic and molecular testing requires highly specialized equipment and credentialed individuals (typically MD or PhD level) to certify results and typically yields the highest average revenue per test of the three market segments. The estimated size of this market is $4-$5 Billion and growing at an annual rate of greater than 25%.

Our primary focus is to provide high complexity laboratory testing for the community-based pathology and oncology marketplace. Within these key market segments, we currently provide our services to pathologists and oncologists in the United States that perform bone marrow and/or peripheral blood sampling for the diagnosis of blood and lymphoid tumors (leukemias and lymphomas) and archival tissue referral for analysis of solid tumors such as breast cancer. A secondary strategic focus targets community-based urologists due to the availability of UroVysion®, a FISH-based test for the initial diagnosis of bladder cancer and early detection of recurrent disease. We focus on community-based practitioners for two reasons: First, academic pathologists and associated clinicians tend to have their testing needs met within the confines of their university affiliation. Secondly, most of the cancer care in the United States is administered by community based practitioners, not in academic centers, due to ease of local access. Moreover, within the community-based pathologist

segment it is not our intent to willingly compete with our customers for testing services that they may seek to perform themselves. Fee-for-service pathologists for example, derive a significant portion of their annual revenue from the interpretation of biopsy specimens. Unlike other larger laboratories, which strive to perform 100% of such testing services themselves, we do not intend to compete with our customers for such specimens. Rather, our high complexity cancer testing focus is a natural extension of and complementary to many of the services that our community-based customers often perform within their own practices. As such, we believe our relationship as a non-competitive consultant, empowers these physicians to expand their testing breadth and provide a menu of services that matches or exceeds the level of service found in academic centers of excellence around the country.

We continue to make progress growing our testing volumes and revenue beyond our historically focused effort in Florida due to our expanding field sales footprint. As of May 15, 2008, NeoGenomics' sales and marketing organization totaled fourteen individuals, and we have received business from twenty-six states throughout the country. Recent, key hires included various territory business managers (sales representatives) in the Northeastern, Southeastern, and Western states. We intend to continue to add additional sales and marketing personnel throughout FY 2008. As more sales representatives are added, we believe that the base of our business outside of Florida will continue to grow and ultimately eclipse that which is generated within the state.

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

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

NeoFLOWTM tech-only flow cytometry was launched as a companion service to NeoFISHTM in late 2007. While not a first to market product line for NeoGenomics, the significant breadth of the service offering together with high usability scores from early customers indicate NeoFLOWTM will be a key growth driver in 2008. Moreover, the combination of NeoFLOWTM and NeoFISHTM serves to strengthen the market differentiation of each product line for NeoGenomics and allows us to compete more favorably against larger, more entrenched competitors in our testing niche.

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

We believe NeoGenomics average 3-5 day turn-around time for our cytogenetics services continues to remain an industry-leading benchmark for national laboratories. The timeliness of results continues to increase the usage patterns of cytogenetics and act as a driver for other add-on testing requests by our referring physicians. Based on anecdotal information, we believe that typical cytogenetics labs have 7-14 day turn-around times on average with some labs running as high as twenty-one days. Traditionally, longer turn-around times for cytogenetics tests have resulted in fewer FISH and other molecular tests being ordered since there is an increased chance that the test results will not be returned within an acceptable diagnostic window when other adjunctive diagnostic test results are available. We believe our turn-around times result in our referring physicians requesting more of our testing services in order to augment or confirm other diagnostic tests, thereby giving us a significant competitive advantage in

marketing our services against those of other competing laboratories.

In 2007 we continued an aggressive campaign to regionalize our laboratory operations around the country to be closer to our customers. High complexity laboratories within the cancer testing niche have frequently operated a core facility on one or both coasts to service the needs of their customers around the country. Informal surveys of customers and prospects uncovered a desire to do business with a laboratory with national breadth but with a more local presence. In such a scenario, specimen integrity, turnaround-time of results, client service support, and interaction with our medical staff are all enhanced. In 2007, NeoGenomics operated three laboratory locations in Fort Myers, FL; Irvine, CA; and Nashville TN, each of which has received the appropriate state, Clinical Laboratory Improvement Amendments (CLIA), and College of American Pathologists (CAP) licenses and accreditations. As situations dictate and opportunities arise, we will continue to

develop and open new laboratories, seamlessly linked together by our optimized Laboratory Information System (LIS), to better meet the regionalized needs of our customers.

2007 also brought progress in the NeoGenomics Contract Research Organization ("CRO") division based at our Irvine, CA facility. This division was created to take advantage of our core competencies in genetic and molecular high complexity testing and acts as a vehicle to compete for research projects and clinical trial support contracts in the biotechnology and pharmaceutical industries. The CRO division will also act as a development conduit for the validation of new tests which can then be transferred to our clinical laboratories and be offered to our clients. We envision the CRO as a way to infuse some intellectual property into the mix of our services and, in time, create a more "vertically integrated" laboratory that can potentially offer additional clinical services of a more proprietary nature. 2007 brought the first revenue to NeoGenomics' CRO division. This initial revenue stream was small due to the size of contracts closed. In 2008, we hope to expand on our CRO revenue stream with more and larger contracts.

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

The above market strategy continues to bear fruit for the Company, resulting in strong year over year growth of 78% in FY 2007 versus FY 2006. Our average revenue/requisition in FY 2007 was approximately $702, which was an increase of approximately 4% from FY 2006. Our average revenue/test in FY 2007 was approximately $548, which was an increase of approximately 9% over FY 2006. FY 2007 saw a slight erosion of average tests per requisition due to the overwhelming success of our UroVysion (bladder cancer) product line, which tends to be a singly ordered test request. New sales hires and a new focus on global workups with interpretation and our integrated GPS product line should allow us to increase our average revenue per customer requisition in 2008.

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

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

About Us

Our principal executive offices are located at 12701 Commonwealth Drive, Suite 5, Fort Myers, Florida 33913. Our telephone number is (239) 768-0600. Our website can be accessed at www.neogenomics.org.

THE OFFERING

This prospectus relates to the sale of up to 7,000,000 shares of the Common Stock, par value $0.001 per share ("Common Stock") of NeoGenomics, Inc. (referred to individually as the "Parent Company" or, collectively with all of its subsidiaries, as the "Company", "NeoGenomics", or "we", "us", or "our") by certain persons who are stockholders of t Parent Company. The selling stockholders consist of:

- Those Investors set forth in the section herein entitled "Selling Stockholders" who intend to sell up to 2,666,667 shares of Common Stock previously issued and sold by the Parent Company to the Investors for a purchase price equal to $1.50 per share during the period from May 31, 2007 through June 6, 2007 pursuant to a private equity transaction (the "Private Placement"). The Investors received registration rights with their shares and therefore, such shares are being registered hereunder;

- Those Investors set forth in the section herein entitled "Selling Stockholders" who intend to sell up to 1,500,000 shares of Common Stock previously sold by Aspen Select Healthcare, L.P. ("Aspen") to the Investors during the period from June 1, 2007 through June 5, 2007 in connection with the Private Placement. The Investors received registration rights with their shares and therefore, such shares are being registered hereunder;

- Noble International Investments, Inc. ("Noble") which intends to sell up to 98,417 shares of Common Stock underlying warrants previously issued by the Parent Company to Noble on June 5, 2007 in consideration for Noble's services as placement agent in connection with the Private Placement. Noble received piggy-back registration rights with its shares and therefore, such shares are being registered hereunder;

- Dr. Michael Dent, Chairman of the Board who intends to sell up to 345,671 shares of Common Stock previously issued and sold by the Company to Michael Dent as founder shares;

- Aspen, which intends to sell up to 1,889,245 shares of Common Stock previously issued and sold by the Company to Aspen on April 15, 2003. Aspen received registration rights with respect to these 1,889,245 shares and therefore, such shares are being registered hereunder; and

- Lewis Opportunity Fund and LAM Opportunity Fund are managed by Lewis Asset Management ("LAM"), which intends to sell up to 500,000 shares of Common Stock previously issued to LAM by the Company on June 6, 2007 upon conversion of certain warrants previously sold by Aspen to LAM on June 6, 2007. The Company issued these shares at an exercise price of $0.26 per share and received gross proceeds equal to $130,000. LAM received registration rights with its warrants and therefore, such shares underlying such warrants are being registered hereunder.

Please refer to "Selling Stockholders" beginning on page 22.

The Company is not selling any shares of Common Stock in this offering and therefore will not receive any proceeds from this offering. All costs associated with this registration will be borne by the Company.

Shares of Common Stock are being offered for sale by the selling stockholders at prices established on the Over-the-Counter Bulletin Board (the "OTCBB") during the term of this offering. On May 30, 2008, the last reported sale price of our Common Stock was $1.30 per share. Our Common Stock is quoted on the OTCBB under the symbol "NGMN.OB". These prices will fluctuate based on the demand for the shares of our Common Stock.

The Company engaged Noble, an unaffiliated registered broker-dealer, to advise us as our placement agent in connection with the Private Placement pursuant to that certain Letter Agreement, dated May 21, 2007, by and between the Parent Company and Noble. In consideration for its services, Noble received (a) warrants to purchase 98,417 shares of our Common Stock, which warrants have a five (5) year term, an exercise price equal to $1.50 per share, cashless exercise provisions, customary anti-dilution provisions and the same other terms, conditions, rights and preferences as those shares sold to the Investors in the Private Placement, and (b) a cash fee equal to five percent (5%) of the gross proceeds from each sale made to the Investors introduced by Noble to the Company, or $147,625.

We also engaged Aspen Capital Advisors, a Company affiliated with one of our directors, to assist us in this offering. In consideration for its services, Aspen Capital Advisors received: (a) warrants to purchase 250,000 shares of our Common Stock, which warrants have a five (5) year term, an exercise price equal to $1.50 per share, cashless exercise provisions, customary anti-dilution provisions and the same other terms, conditions, rights and preferences as those shares sold to the Investors in the Private Placement, and (b) a cash fee equal to $52,375.

On August 31, 2007, the Company issued warrants to purchase 533,334 shares of it's Common Stock to the investors who purchased shares in the private placement. Such warrants have an exercise price of $1.50 per share and are exercisable for a period of two years. Such warrants also have a provision for piggyback registration rights in the first year and demand registration rights in the second year. No shares underlying are being registered hereunder.

Common Stock Offered	7,000,000 shares by selling stockholders
Offering Price	Market price
Common Stock Currently Outstanding	31,365,021 shares as of May 30, 2008
Use of Proceeds	We will not receive any proceeds of the shares offered by the selling stockholders. See "Use of Proceeds".
Risk Factors	The securities offered hereby involve a high degree of risk. See "Risk Factors".
Over-the-Counter Bulletin Board Symbol	NGNM.OB

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The Summary Consolidated Financial Information set forth below was excerpted from the Company's unaudited Quarterly Report on Form 10-Q for the three months ended March 31, 2008 and 2007, as filed with the SEC.

Statement of Operations Data

	For the Three Months Ended	
	March 31, 2008	March 31, 2007
Net Revenue	$ 4,162,762	$ 2,242,661
Cost of Revenue	1,858,474	936,734
Gross Profit	2,304,288	1,305,927
Other Operating Expenses:		
General and administrative	2,514,555	1,426,548
Interest expense, net	55,096	98,924
Total Operating Expenses	2,569,651	1,525,472
Net Loss	$ (265,363)	$ (219,545)
Net Loss Per Share - Basic And Fully Diluted	$ (0.01)	$ (0.01)
Weighted Average Number Of Shares Outstanding – Basic and Fully Diluted	$ 31,400,947	$ 27,371,233

Balance Sheet Data

	March 31, 2008	March 31, 2007
Current Assets		
Cash and cash equivalents	$ 330,358	$ 575,393
Accounts receivable (net of allowance for doubtful accounts of $390,275 and $126,363, respectively)	2,937,905	1,986,229
Inventories	245,986	155,190
Other current assets	426,739	106,039
Total current assets	3,940,988	2,822,851
Property and equipment (net of accumulated depreciation of $1,018,446 and $862,030, respectively)	2,032,537	1,409,381
Other assets	248,374	39,791
Total Assets	$ 6,221,899	$ 4,272,023
Liabilities And Stockholders' Equity:		
Current Liabilities		
Accounts payable	$ 1,609,775	$ 761,071
Accrued compensation	-	162,672
Due to affiliates	-	1,674,186
Accrued expenses and other liabilities	1,280,212	132,030
Short-term portion of equipment capital leases	288,415	142,318
Total current liabilities	3,178,402	2,872,277
Long Term Liabilities		
Long-term portion of equipment capital leases	890,468	610,056
Total Liabilities	4,068,870	3,482,333
Stockholders' Equity		
Common stock, $.001 par value, (100,000,000 shares authorized; 31,415,021 and 31,391,660 shares issued and outstanding, respectively)	31,407	27,698
Additional paid-in capital	16,917,216	12,342,983
Deferred stock compensation	-	(211,388)
Accumulated deficit	(14,795,594)	(11,369,603)
Total stockholders' equity	2,153,029	789,690
Total Liabilities and Stockholders' Equity	$ 6,221,899	$ 4,272,023

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

Statement of Operations Data

	For the Periods Ended December 31,	
	2007	2006
Net Revenue	$ 11,504,725	$ 6,475,996
Cost of Revenue	5,522,775	2,759,190
Gross Profit	5,981,950	3,716,806
Other Operating Expense:		
General and Administrative	9,122,922	3,576,812
Income / (Loss) from Operations	(3,140,972)	139,994
Other Income / (Expense):		
Other Income	24,256	55,.970
Interest expense	(263,456)	(325,625)
Other income / (expense) – net	(239,200)	(269,655)
Net Loss	$ (3,380,172)	$ (129,661)
Net Loss Per Share – Basic and Diluted	$ (0.11)	$ (0.0)
Weighted Average Number of Shares Outstanding – Basic		
Diluted	29,764,289	26,166,031

8

Balance Sheet Data

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

9

RISK FACTORS

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

Risks Related To Our Business

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

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

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

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

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

Our recent growth has placed, and is expected to continue to place, a significant strain on our managerial, operational and financial resources. To manage our potential growth, we must continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. We may not be able to effectively manage the expansion of our operations and our systems, procedures or controls may not be adequate to support our operations. Our management may not be able to achieve the rapid execution necessary to fully exploit the market opportunity for our products and services. Any inability to manage growth could have a material adverse effect on our business, results of operations, potential profitability and financial condition.

Part of our business strategy may be to acquire assets or other companies that will complement our existing business. At this time, we are unable to predict whether or when any material transaction will be completed should negotiations commence. If we proceed with any such transaction, we may not effectively integrate the acquired operations with

our own operations. We may also seek to finance any such acquisition by debt financings or issuances of equity securities and such financing may not be available on acceptable terms or at all.

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

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

We May Face Fluctuations in Results of Operations Which Could Negatively Affect Our Business Operations and We are Subject to Seasonality in our Business

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

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

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

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

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

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

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

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

We compete in the market place primarily on three factors: a) the quality and accuracy of our test results; b) the speed or turn-around times of our testing services; and c) our ability to provide after-test support to those physicians requesting consultation. Any unforeseen increase in the volume of customers could strain the capacity of our personnel and systems, which could lead to inaccurate test results, unacceptable turn-around times, or customer service failures. In addition, as the number of customers and cases increases, our products, services, and infrastructure may not be able to scale accordingly. Any failure to handle higher volume of requests for our products and services could lead to the loss of established customers and have a material adverse effect on our business, results of operations and financial condition.

If we produce inaccurate test results, our customers may choose not to use us in the future. This could severely harm our business, results of operations and financial condition. In addition, based on the importance of the subject matter of our tests, inaccurate results could result in improper treatment of patients, and potential liability for us.

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

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

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

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

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

Our performance is substantially dependent on the performance of our senior management and key technical personnel. In particular, our success depends substantially on the continued efforts of our senior management team, which currently is composed of a small number of individuals. The loss of the services of any of our executive officers, our laboratory director or other key employees could have a material adverse effect on our business, results of operations and our financial condition.

Our future success also depends on our continuing ability to attract and retain highly qualified technical and managerial personnel. Competition for such personnel is intense and we may not be able to retain our key managerial and technical employees or may not be able to attract and retain additional highly qualified technical and managerial personnel in the future. The inability to attract and retain the necessary technical and managerial personnel could have a material adverse effect upon our business, results of operations and financial condition.

12

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

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

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

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

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

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

Among many other factors complicating billing are:

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

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

Our Operations are Subject to Strict Laws Prohibiting Fraudulent Billing and Other Abuse, and our Failure to Comply with Such Laws could Result in Substantial Penalties

Of particular importance to our operations are federal and state laws prohibiting fraudulent billing and providing for the recovery of non-fraudulent overpayments, as a large number of laboratories have been forced by the federal and state governments, as well as by private payors, to enter into substantial settlements under these laws. In particular, if an entity is determined to have violated the federal False Claims Act, it may be required to pay up to three (3) times the actual damages sustained by the government, plus civil penalties of between $5,500 to $11,000 for each separate false claim. There are many potential bases for liability under the federal False Claims Act. Liability arises, primarily, when an entity knowingly submits, or causes another to submit, a false claim for reimbursement to the federal government. Submitting a claim with reckless disregard or deliberate ignorance of its truth or falsity could result in substantial civil liability. A trend affecting the healthcare industry is the increased use of the federal False Claims Act and, in particular, actions under the False Claims

Act's "whistleblower" or "qui tam" provisions to challenge providers and suppliers. Those provisions allow a private individual to bring actions on behalf of the government alleging that the defendant has submitted a fraudulent claim for payment to the federal government. The government must decide whether to intervene in the lawsuit and to become the primary prosecutor. If it declines to do so, the individual may choose to pursue the case alone, although the government must be kept apprised of the progress of the lawsuit. Whether or not the federal government intervenes in the case, it will receive the majority of any recovery. In addition, various states have enacted laws modeled after the federal False Claims Act.

Government investigations of clinical laboratories have been ongoing for a number of years and are expected to continue in the future. Written "corporate compliance" programs to actively monitor compliance with fraud laws and other regulatory requirements are recommended by the Department of Health and Human Services' Office of the Inspector General.

The Failure to Comply With Significant Government Regulation and Laboratory Operations May Subject the Company to Liability, Penalties or Limitation of Operations

As discussed in the Government Regulation section of our business description, we are subject to extensive state and federal regulatory oversight. Our laboratory locations may not pass inspections conducted to ensure compliance with CLIA `88 or with any other applicable licensure or certification laws. The sanctions for failure to comply with CLIA `88 or state licensure requirements might include the inability to perform services for compensation or the suspension, revocation or limitation of the laboratory location's CLIA `88 certificate or state license, as well as civil and/or criminal penalties. In addition, any new legislation or regulation or the application of existing laws and regulations in ways that we have not anticipated could have a material adverse effect on the Company's business, results of operations and financial condition.

Existing federal laws governing Medicare and Medicaid, as well as some other state and federal laws, also regulate certain aspects of the relationship between healthcare providers, including clinical and anatomic laboratories, and their referral sources, including physicians, hospitals and other laboratories. Certain provisions of these laws, known as the "anti-kickback law" and the "Stark Laws", contain extremely broad proscriptions. Violation of these laws may result in criminal penalties, exclusion from Medicare and Medicaid, and significant civil monetary penalties. We will seek to structure our arrangements with physicians and other customers to be in compliance with the anti-kickback, Stark and state laws, and to keep up-to-date on developments concerning their application by various means, including consultation with legal counsel. However, we are unable to predict how these laws will be applied in the future and the arrangements into which we enter may become subject to scrutiny thereunder.

Furthermore, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and other state laws contains provisions that affect the handling of claims and other patient information that are, or have been, transmitted electronically and regulate the general disclosure of patient records and patient health information. These provisions, which address security and confidentiality of patient information as well as the administrative aspects of claims handling, have very broad applicability and they specifically apply to healthcare providers, which include physicians and clinical laboratories. Although we believe we have complied with the Standards, Security and Privacy rules under HIPAA and state laws, an audit of our procedures and systems could find deficiencies. Such deficiencies, if found, could have a material adverse effect on the Company's business, results of operations and financial condition and subject us to liability.

We Are Subject to Security Risks Which Could Harm Our Operations

Despite the implementation of various security measures by us, our infrastructure is vulnerable to computer viruses, break-ins and similar disruptive problems caused by our customers or others. Computer viruses, break-ins or other security problems could lead to interruption, delays or cessation in service to our customers. Further, such break-ins

whether electronic or physical could also potentially jeopardize the security of confidential information stored in our computer systems of our customers and other parties connected through us, which may deter potential customers and give rise to uncertain liability to parties whose security or privacy has been infringed. A significant security breach could result in loss of customers, damage to our reputation, direct damages, costs of repair and detection, and other expenses. The occurrence of any of the foregoing events could have a material adverse effect on our business, results of operations and financial condition.

We Are Controlled by Existing Stockholders And Therefore Other Stockholders Will Not Be Able to Direct The Company

The majority of our shares and thus voting control of the Company is held by a relatively small group of stockholders. Because of such ownership, those stockholders will effectively retain control of our Board of Directors and determine all of our corporate actions. In addition, the Company and stockholders owning 11,220,453 shares, or approximately 36% of the Company's voting shares outstanding as of May 30, 2008 have executed a Shareholders'

Agreement that, among other provisions, gives Aspen, our largest stockholder, the right to elect three (3) out of the seven (7) Directors authorized for our Board, and nominate one (1) mutually acceptable independent Director. Accordingly, it is anticipated that Aspen and other parties to the Shareholders' Agreement will continue to have the ability to elect a controlling number of the members of our Board of Directors and the minority stockholders of the Company may not be able to elect a representative to the our Board of Directors. Such concentration of ownership may also have the effect of delaying or preventing a change in control of the Company.

No Foreseeable Dividends

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

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

We cannot predict the extent to which investor interest in our Company will sustain an active trading market for our Common Stock on The NASDAQ Over The Counter Bulletin Board ("OTCBB") or any other stock market or how liquid any such market might remain. If an active public market is not sustained, it may be difficult for our stockholders to sell their shares of Common Stock at a price that is attractive to them, or at all.

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

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

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

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

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

Governmental payors, as well as private insurers and private payors, have implemented and will continue to implement measures to control the cost, utilization and delivery of healthcare services, including clinical laboratory and pathology services. Congress has from time to time considered and implemented changes to laws and regulations governing healthcare service providers, including specialized diagnostic service providers. These changes have adversely affected and may in the future adversely affect coverage for our services. We also believe that healthcare professionals will not use our services if third party payors do not provide adequate coverage and reimbursement for

them. These changes in federal, state, local and third party payor regulations or policies may decrease our revenues and adversely affect our results of operations and financial condition. We will continue to be a non-contracting provider until such time as we enter into contracts with third party payors for whom we are not currently contracted. Because a portion of our revenues is from third-party payors with whom we are not currently contracted, it is likely that we will be required to make positive or negative adjustments to accounting estimates with respect to contractual allowances in the future, which may adversely affect our results of operations, our credibility with financial analysts and investors, and our stock price.

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

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

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

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

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

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

perform our specialized diagnostic services and experience other disruptions that would adversely affect our business, results of operations and financial condition.

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

Expedited, reliable shipping is essential to our operations. One of our marketing strategies entails highlighting the reliability of our point-to-point transport of patient samples. We rely heavily on a single carrier, Federal Express, and also our local courier, for reliable and secure point-to-point transport of patient samples to our laboratory and enhanced tracking of these patient samples. Should Federal Express encounter delivery performance issues such as loss, damage or destruction

of a sample, it may be difficult to replace our patient samples in a timely manner and such occurrences may damage our reputation and lead to decreased demand for our services and increased cost and expense to our business. In addition, any significant increase in shipping rates could adversely affect our operating margins and results of operations. Similarly, strikes, severe weather, natural disasters or other service interruptions by delivery services we use would adversely affect our ability to receive and process patient samples on a timely basis. If Federal Express or we were to terminate our relationship, we would be required to find another party to provide expedited, reliable point-to-point transport of our patient samples. There are only a few other providers of such nationwide transport services, and there can be no assurance that we will be able to enter into arrangements with such other providers on acceptable terms, if at all. Finding a new provider of transport services would be time-consuming and costly and result in delays in our ability to provide our specialized diagnostic services. Even if we were to enter into an arrangement with such provider, there can be no assurance that they will provide the same level of quality in transport services currently provided to us by Federal Express. If the new provider does not provide the required quality and reliable transport services, it could adversely affect our business, reputation, results of operations and financial condition.

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

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

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

Reimbursement from Medicare and Medicaid accounted for approximately 52% and 38% of our revenues for the years ended December 31, 2007 and 2006, respectively. The Medicare program imposes extensive and detailed requirements on diagnostic services providers, including, but not limited to, rules that govern how we structure our relationships with physicians, how and when we submit reimbursement claims and how we provide our specialized diagnostic services. Our failure to comply with applicable Medicare, Medicaid and other governmental payor rules could result in our inability to participate in a governmental payor program, our returning funds already paid to us, civil monetary penalties, criminal penalties and/or limitations on the operational function of our laboratory. If we were unable to receive reimbursement under a governmental payor program, a substantial portion of our revenues would be lost, which would adversely affect our results of operations and financial condition.

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

Our laboratory currently uses the services of outside reference laboratories to provide certain complementary laboratory services to those services provided directly by our laboratory. Although Medicare policies do not prohibit certain independent-laboratory-to-independent-laboratory referrals and subsequent mark-up for services, California and other states have rules and regulations that prohibit or limit the mark-up of these laboratory-to-laboratory services. A

challenge to our charge-setting procedures under these rules and regulations could have a material adverse effect on our business, results of operations and financial condition.

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

The HIPAA privacy and security regulations establish comprehensive federal standards with respect to the uses and disclosures of PHI by health plans and healthcare providers, in addition to setting standards to protect the confidentiality, integrity and availability of electronic PHI. The regulations establish a complex regulatory framework on a variety of subjects, including the circumstances under which uses and disclosures of PHI are permitted or required without a specific authorization by the patient, including but not limited to treatment purposes, activities to obtain payments for services and healthcare operations activities; a patient's rights to access, amend and receive an accounting of certain disclosures of PHI;

the content of notices of privacy practices for PHI; and administrative, technical and physical safeguards required of entities that use or receive PHI electronically. We have implemented policies and procedures related to compliance with the HIPAA privacy and security regulations, as required by law. The privacy regulations establish a uniform federal "floor" and do not supersede state laws that are more stringent. Therefore, we are required to comply with both federal privacy regulations and varying state privacy laws. The federal privacy regulations restrict our ability to use or disclose patient identifiable laboratory data, without patient authorization, for purposes other than payment, treatment or healthcare operations (as defined by HIPAA), except for disclosures for various public policy purposes and other permitted purposes outlined in the privacy regulations. The privacy and security regulations provide for significant fines and other penalties for wrongful use or disclosure of PHI, including potential civil and criminal fines and penalties. Although the HIPAA statute and regulations do not expressly provide for a private right of damages, we also could incur damages under state laws to private parties for the wrongful use or disclosure of confidential health information or other private personal information.

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

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

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

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

We Have Material Weaknesses In Our Internal Control Over Financial Reporting That May Prevent The Company From Being Able To Accurately Report Its Financial Results Or Prevent Fraud, Which Could Harm Its Business And Operating Results.

Effective internal controls are necessary for us to provide reliable and accurate financial reports and prevent fraud. In addition, Section 404 under the Sarbanes-Oxley Act of 2002 requires that we assess the design and operating effectiveness of internal control over financial reporting. If we cannot provide reliable and accurate financial reports and prevent fraud, our business and operating results could be harmed. We have discovered, and may in the future discover, areas of internal controls that need improvement. We have identified four material weaknesses in our internal controls as of December 31, 2007. These matters and our efforts regarding remediation of these matters, as well as efforts regarding internal controls generally are discussed in detail in our Annual Report on Form 10-KSB. However, as our material weaknesses in internal controls demonstrate, we cannot be certain that the remedial measures taken to date will ensure that we design, implement, and maintain adequate controls over financial processes and reporting in the future. Remedying the material weaknesses that have been presently identified, and any

additional deficiencies, significant deficiencies or material weaknesses that we may identify in the future, could require us to incur significant costs, hire additional personnel, expend significant time and management resources or make other changes. Disclosure of our material weaknesses, any failure to remediate such material weaknesses in a timely fashion or having or maintaining ineffective internal controls could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our Common Stock and access to capital.

Risks Related To This Offering

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

Sales of our Common Stock in the public market following this offering could lower the market price of our Common Stock. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future

at a time and price that our management deems acceptable or at all. Of the 31,365,021 shares of Common Stock outstanding as of May 30, 2008, 15,270,341 shares are freely tradable without restriction, unless held by our "affiliates". The remaining 16,094,680 shares of our Common Stock which are held by existing stockholders, including the officers and Directors, are "restricted securities" and may be resold in the public market only if registered or pursuant to an exemption from registration. Some of these shares may be resold under Rule 144.

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

The selling stockholders intend to sell in the public market 7,000,000 shares of our Common Stock being registered in this offering. That means that up to 7,000,000 shares may be sold pursuant to this Registration Statement. Such sales may cause our stock price to decline. Our Officers and Directors and those stockholders who are significant stockholders as defined by the SEC will continue to be subject to the provisions of various insider trading and Rule 144 regulations.

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

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

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

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

- With a price of less than $5.00 per share;
- That are not traded on a "recognized" national exchange;
- Whose prices are not quoted on the Nasdaq automated quotation system;
- Nasdaq stocks that trade below $5.00 per share are deemed a "penny stock" for purposes of Section 15(b)(6) of the Exchange Act;
- In issuers with net tangible assets less than $2.0 million (if the issuer has been in continuous operation for at least three (3) years) or $5.0 million (if in continuous operation for less than three (3) years), or with average revenues of less than $6.0 million for the last three (3) years.
- Broker/dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker/dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. These requirements may reduce the potential market for our Common Stock by reducing the number of potential investors. This may make it more difficult for investors in our Common Stock to sell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

19

FORWARD-LOOKING STATEMENTS

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

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

SELLING STOCKHOLDERS

The following table presents information regarding our selling stockholders who intend to sell up to 7,000,000 shares of our Common Stock. A description of each stockholder's relationship to the Company and how each selling stockholder acquired or will acquire shares to be sold in this offering is detailed in the information immediately following this table.

Selling Stockholders	Shares Beneficially Owned Before Offering(1)		Percentage of Outstanding Shares Beneficially Owned Before Offering(1)	Shares To Be Sold In The Offering		Percentage of Outstanding Shares Beneficially Owned After The Offering
James R. Rehak & Joann M. Rehak JTWROS	330,714		1.05%	33,333		*%
Leonard Samuels IRA	148,842		*	110,000		*
A. Scott Logan Revocable Living Trust	3,500,000	(2)	10.81%	500,000		9.41%
William J. Robison	91,000		*	55,000		*
Mosaic Partners Fund	-		*	177,500	(10)	*
Mosaic Partners Fund (US), LP	-		*	72,500	(11)	*
Ridgecrest Ltd.	63,600		*	53,000		*
Ridgecrest Partners QP, LP	246,000		*	205,000		*
Ridgecrest, LP	14,400		*	12,000		*
Leviticus Partners, LP	640,000		2.04%	200,000		1.41%
1837 Partners, L.P.	1,948,354		6.17%	886,000	(3)	3.46%
1837 Partners QP, L.P.	719,211		2.29%	228,200	(4)	1.57%
1837 Partners, Ltd.	734,325		2.34%	235,500	(5)	1.60%
Lewis Opportunity Fund, LP	215,523		*	1,077,617	(6)	*
LAM Opportunity Fund, Ltd.	44,143		*	220,717	(7)	*
Mark G. Egan IRA Rollover	720,000		2.29%	600,000	(8)	*
Aspen Select Healthcare, L.P.	9,553,279		27.76%	1,889,245		23.56%
Michael T. Dent, M.D.	2,655,463		8.33%	345,671		7..32%
Noble International Investments, Inc.	98,417	(9)	*	98,417	(9)	*
Total:	21,723,271		58.89%	7,000,000		49.26%

* Less than one percent (1%).

(1)

Applicable percentage of ownership is based on 31,365,021 shares of our Common Stock outstanding as of May 30, 2008, together with securities exercisable or convertible into shares of Common Stock within sixty (60) days of May 30, 2008, for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of Common Stock are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Note that affiliates are subject to Rule 144 and insider trading regulations - percentage computation is for form purposes only.

(2) SKL Family Limited Partnership has direct ownership of 2,000,000 shares and currently exercisable warrants to purchase 1,000,000 shares. A. Scott Logan Revocable Living Trust has direct ownership of 500,000 shares. A. Scott Logan is the general partner SKL Limited Family Partnership and trustee for A. Scott Logan Revocable Living Trust. A. Scott Logan has only 1% of the assets of SKL Family Limited Partnership. An additional 1% of asset is owned by A. Scott Logan son's, and 98% of asserts is owned by a grantor retained annuity trust.

(3) Of these shares, 383,100 were acquired by 1837 Partners, L.P. as an Investor from the Company and 502,900 were acquired as an Investor from Aspen in connection with the Private Placement.

(4) Of these shares, 108,000 were acquired by 1837 Partners QP, L.P. as an Investor from the Company and 120,500 were acquired as an Investor from Aspen in connection with the Private Placement.

(5) Of these shares, 108,900 were acquired by 1837 Partners Ltd. as an Investor from the Company and 126,600 were acquired as an Investor from Aspen in connection with the Private Placement.