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NEOGENOMICS INC
Form 10QSB
June 20, 2003

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

FORM 10-QSB

(X) Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934.

For the quarterly period ended March 31, 2003.

() Transition report pursuant to Section 13 or 15(d) of the Exchange Act for the transition period from _____ to _____ .

Commission File Number: 333-72097

NeoGenomics, Inc.
(F/K/A American Communications Enterprises, Inc.)
(Exact name of registrant as specified in charter)

Nevada
(State or other jurisdiction of incorporation or organization)

74-2897368
(I.R.S. Employer Identification No.)

1726 Medical Blvd, Suite 101, Naples, FL 34110

(Address of principal executive offices)

(239) 513-1992

(Registrant's Telephone Number, Including Area Code)

Check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES (X) NO ()

State the number of shares outstanding of each of the issuer's classes of common equity, as of June 15, 2003.

18,409,416

Transitional Small Business Disclosure Format:

YES () NO (X)

NeoGenomics, Inc.

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PART I

FORWARD-LOOKING STATEMENTS

Certain statements contained in this filing are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements relating to financial results and plans for future business development activities, and are thus prospective. These statements appear in a number of places in this Form 10-QSB and include all statements that are not statements of historical fact regarding intent, belief or our current expectations, with respect to, among other things: (i) our financing plans; (ii) trends affecting our financial condition or results of operations; (iii) our growth strategy and operating strategy; and (iv) the declaration and payment of dividends. The words "may," "would," "could," "will," "expect," "estimate," "anticipate," "believe," "intend," "plan," and similar expressions and variations thereof are intended to identify forward-looking statements.

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Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond our ability to control. Actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Among the key risks, assumptions and factors that may affect operating results, performance and financial condition are changes in technology, fluctuations in our quarterly results, ability to continue and manage our growth, liquidity and other capital resources issues, competition and the other factors discussed in detail in our filings with the Securities and Exchange Commission.

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NeoGenomics, Inc.

CONSOLIDATED BALANCE SHEET AS OF
March 31, 2003
(unaudited)

ASSETS

CURRENT ASSETS:

| | | |
|--|----|---------------|
| Cash | \$ | 1,741 |
| Accounts receivable (net of allowance for doubtful accounts of \$17,394) | | 73,522 |
| Inventory | | <u>24,704</u> |
| Total current assets | | 99,967 |

| | | |
|--|--|---------|
| PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$50,228) | | 379,244 |
|--|--|---------|

| | | |
|-------------------------|--|------------|
| OTHER ASSETS - Deposits | | <u>516</u> |
|-------------------------|--|------------|

| | | |
|--------------|-----------|----------------|
| TOTAL | \$ | 479,727 |
| | | ===== |

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

| | | |
|-------------------------------|----|----------------|
| Accounts payable | \$ | 126,118 |
| Deferred revenue | | 100,000 |
| Accrued and other liabilities | | 59,234 |
| Due to affiliates | | <u>215,666</u> |
| Total current liabilities | | 501,018 |

LONG TERM LIABILITIES:

| | | |
|-------------------|--|----------------|
| Due to affiliates | | <u>58,666</u> |
| Total Liabilities | | <u>559,684</u> |

STOCKHOLDERS' DEFICIT:

| | | |
|--|--|-------------|
| Common stock, \$.001 par value, 100,000,000 shares authorized; 4,482,354 shares issued and outstanding | | 4,482 |
| Additional paid-in capital | | 8,698,857 |
| Deficit accumulated during the development stage | | (8,668,491) |

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| | |
|------------------------------------|---------------------|
| Deficit | <u>(114,805)</u> |
| Total stockholders' deficit | <u>(79,957)</u> |
| TOTAL | \$ 479,727 ===== |

See notes to consolidated financial statements.

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NeoGenomics, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

| | For the Three-Months Ended <u>March 31, 2003</u> | For the Three-Months Ended <u>March 31, 2002</u> |
|--|---|---|
| REVENUE | \$ 70,169 | \$ - |
| COST OF REVENUE | <u>97,043</u> | <u>-</u> |
| GROSS (DEFICIT) PROFIT | <u>(26,874)</u> | <u>-</u> |
| OPERATING EXPENSES: | | |
| Stock based compensation | - | 491,916 |
| General and administrative | 75,488 | 88,925 |
| Research and development | 8,175 | - |
| Interest expense | <u>4,269</u> | <u>-</u> |
| Total operating expenses | <u>87,932</u> | <u>589,841</u> |
| NET INCOME (LOSS) | \$ (114,806) ===== | \$ (580,841) ===== |
| NET INCOME (LOSS) PER SHARE - Basic and Diluted | \$ (0.03) ===== | \$ (0.14) ===== |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - Basic and Diluted | 4,482,354 ===== | 4,050,000 ===== |

See notes to consolidated financial statements.

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NeoGenomics, Inc.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| | For the Three-Months Ended <u>March 31, 2003</u> | For the Three-Months Ended <u>March 31, 2002</u> |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (114,806) | \$ (580,841) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation | 11,864 | 5,156 |
| Amortization of deferred stock compensation | - | 491,916 |
| Provision for bad debts | 7,406 | - |
| Non-cash expenses | 11,504 | - |
| Changes in assets and liabilities, net: | | |
| (Increase) decrease in accounts receivables, net of write-offs | (40,846) | - |
| (Increase) decrease in inventory | (5,398) | - |
| (Increase) decrease in other receivables | 2,000 | - |
| (Increase) decrease in deposits | (3,400) | (516) |
| Increase (decrease) in due to bank | (13,518) | - |
| Increase (decrease) in deferred revenues | - | - |
| Increase (decrease) in accounts payable and other liabilities | <u>16,708</u> | <u>25,920</u> |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | <u>(121,686)</u> | <u>(58,365)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES - | | |
| Purchases of property and equipment | <u>(8,573)</u> | <u>(123,476)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Advances from affiliates, net | - | 105,653 |
| Advances from investors | <u>132,000</u> | <u>-</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>132,000</u> | <u>105,653</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,741) | (76,188) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>-</u> | <u>77,216</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 1,741 ===== | \$ 1,028 ===== |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Interest paid | \$ - ===== | \$ - ===== |
| Income taxes paid | \$ - ===== | \$ - ===== |

See notes to consolidated financial statements.

NeoGenomics, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE A - ORGANIZATION AND DESCRIPTION OF BUSINESS

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").

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 April 2003 reverse stock split as though it had been completed as of June 1, 2001.

Basis of Presentation

Our accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-QSB and Rule 10-1 of Regulation S-X of the Securities and Exchange Commission (the "SEC"). Accordingly, these consolidated financial statements do not include all of the footnotes required by accounting principles generally accepted in the United States of America. In our opinion, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003. The accompanying consolidated financial statements and the notes thereto should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2002 contained in our Form 10-KSB.

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

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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.

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Allowance for Doubtful Accounts

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 its accounts receivable and our historical collection experience for each type of payer.

Use of Estimates

The preparation of 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 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.

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 substantial additional capital investment to implement our business plan. Since our inception, our operations have been funded through private equity and debt, and we expect to continue to seek additional funding through private or public equity and debt. As discussed in Note D, 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. In addition, we have recently completed laboratory facilities to run scientific tests that we believe will begin to generate operating revenues. However, 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 - RELATED PARTY TRANSACTIONS

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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 upon demand. At March 31, 2003, we owed NWC approximately \$117,300. Approximately \$58,700 of this amount was repaid in April 2003 in connection with the financing transaction described in Note D.

During the three months ended March 31, 2003, in order to meet short term cash needs, we borrowed \$132,000 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 Note D). These amounts, having a stated interest rate of 8%, were repaid in April 2003 in connection with the financing transaction described in Note D.

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NOTE D - OTHER SUBSEQUENT EVENTS

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. The debt financing and approximately 50.5% 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 will be able to borrow up to 80% of "eligible" accounts receivable, 50% of our net furniture and equipment balance, and up to \$500,000 on an unsecured basis. 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 the time of the closing of this transaction, we entered into a one year employment agreement with our President. The agreement, which renews automatically for an unlimited number of terms of one year (unless a "Notice of Termination" is delivered), provides for a base salary equal to 20% of the net cash provided by operations of NEO (subject to a monthly cap of \$20,000). In addition, the agreement provides for a bonus of 10% of any amount by which our quarterly net revenues exceed certain targets as established by our Board of Directors.

End of Financial Statements

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

Overview

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NeoGenomics, Inc. owns and operates a medical testing laboratory and research facility based in Naples, Florida that is targeting the rapidly growing genetic and molecular testing sub 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.

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 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 monthly, 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 testing sub segments.

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Comparison of the Medical Testing Laboratory Market Segments:

| <u>Attributes</u> | <u>Clinical</u> | <u>Anatomic Pathology</u> | <u>Ge</u> |
|--|---------------------|---------------------------|-----------|
| 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 |
| Level of Automation | High | None | Mole |
| Diagnostic in Nature | Usually Not | Yes | |
| Types of Diseases Tested | Many Possible | Primarily Cancer | R |
| Estimated Revenue/Test | \$5 - \$35/Test | \$25 - \$100/Test | \$2 |
| 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: Wall Street Research Analysts and Company Estimates

The following discussion and analysis should be read in conjunction with the financial statements for the three months ended March 31, 2003, included with this Form 10-QSB. Readers are also referred to the cautionary statement, 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 for the fiscal year ended December 31, 2002 included in our Form 10-KSB. 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 three months ended March 31, 2003

During the three months ended March 31, 2003, we generated revenues and costs of revenues of approximately \$70,200 and \$97,000 and we incurred a net loss of approximately \$114,800. We believe our gross margin will improve as we continue to add more testing volume to our business. Our general and administrative expenses were approximately \$75,500 and are mainly comprised of administrative services expenses, wages and depreciation. Research and development expenses were approximately \$8,200 and are mainly comprised of wages and other expenses to put our research program into place. Interest expenses were approximately \$4,300 and are mainly comprised of interest payable on advances from related parties.

Testing volumes and revenues began to show significant increases during the three months ended March 31, 2003. During the quarter we billed \$70,169 for 174 tests which resulted in average revenue per test of \$403.27. Revenues per test

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are a function of both the nature of the test and the payer (Medicare, Medicaid, third party insurer, etc.). Our policy is to record amounts billed at the amounts we expect to be collected based on published or contracted amounts and prior experience with the payer. We have established a reserve for uncollectible amounts based on estimates of what we will collect from co-payments and those procedures performed that are not covered by insurance.

Since we did not begin laboratory testing operations until May 2002, operating comparisons with the three months ended March 31, 2002 are not relevant. However, on a sequential basis, our revenues increased by approximately 23% and our testing volumes increased by approximately 44% compared to the three months ending December 31, 2002.

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Liquidity and Capital Resources

During the three months ended March 31, 2003, our operating activities used approximately \$121,700 in cash. This amount primarily represented cash used to pay general and administrative expenses associated with our operations. We also spent \$8,600 on new equipment. We were able to finance operations and equipment purchases primarily through net advances of approximately \$132,000 received from significant shareholders. At March 31, 2003, we had cash and cash equivalents of approximately \$1,741.

On April 15th, 2003, the Company entered into agreements with MVP 3 LP ("MVP 3"), 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 revolving credit agreement, advances to the Company 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) beginning on July 1, 2003, \$500,000 that is not tied to any specific collateral. Interest under the revolving credit agreement is payable monthly at the prime rate plus a spread of 8.0%.

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 2004. Over the next twelve months, we 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.

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Capital Expenditures

Management currently forecasts capital expenditures for the coming year in order

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to execute on its business plan. We plan to fund these expenditures through borrowings under our revolving credit facility with MVP 3, LP and through traditional lease financing from equipment lessors. There can be no assurance that the Company will be eligible to obtain all of its capital equipment 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 its equipment purchases which may have an impact on the Company's ability to generate revenues.

Staffing

We plan to increase our work force. Currently, we have five full-time and two part-time employees. 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. We also plan to continue building our sales force to continue to increase our sales to customers and we intend to add personnel in the management, accounting, and administrative areas. Management added six employees during 2002 and expects to add further personnel during the balance of 2003.

CAUTIONARY STATEMENT

This Form 10-QSB, 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 and Section 21E of the Securities Exchange Act of 1934. The words expect, anticipate, believe, goal, plan, intend, estimate and similar expressions and variations thereof if used are intended to specifically identify forward-looking statements. Those statements appear in a number of places in this Form 10-QSB and in other places, particularly, Management's Discussion and Analysis or Results of Operations, and include statements regarding the intent, belief or current expectations us, our directors or our officers with respect to, among other things: (i) our liquidity and capital resources; (ii) our financing opportunities and plans and (iii) our future performance and operating results. 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) any material inability of us to successfully internally develop our products; (ii) any adverse effect or limitations caused by Governmental regulations; (iii) any adverse effect on our positive cash flow and abilities to obtain acceptable financing in connection with our growth plans; (iv) any increased competition in business; (v) any inability of us to successfully conduct our business in new markets; and (vi) 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-QSB to reflect events or circumstances after the date of this Form 10-QSB or to reflect the occurrence of unanticipated events.

Item 3 - 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 our President and an individual providing financial management functions, of the design and operation of our disclosure controls and procedures. Based on this evaluation, our President 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 II. - OTHER INFORMATION

Item 1. Legal Proceedings

NONE

Item 2. Changes in Securities

During the three months ending March 31, 2003, we did not issue any securities.

Item 3. Defaults Upon Senior Securities

NONE

Item 4. Submission of Matters to a Vote of Securities Holders

NONE

Item 5. Other Information

NONE

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--|
| 3.1.2 | Amendment to Articles of Incorporation filed with the Nevada Secretary of State on January 3, 2002 (previously filed as Exhibit 3.1.2 to Form 10-KSB on May 20, 2003). |
| 3.1.3 | Amendment to Articles of Incorporation filed with the Nevada Secretary of State on April 11, 2003 (previously filed as Exhibit 3.1.3 to Form 10-KSB on May 20, 2003). |
| 3.2.1 | Amended & Restated Bylaws, dated April 15, 2003 (previously filed as Exhibit 3.2.1 to Form 10-KSB on May 20, 2003). |
| 10.1 | American Communications Enterprises, Inc. 2000 Stock Plan (previously filed as Exhibit 10.7 to Form 10-KSB filed April 16, 2001). |
| 10.2 | Plan of Exchange, dated as of November 14, 2001, among the Company, Tampa Bay Financial, Inc., Dr. Dent, M.D. and NeoGenomics, Inc. (Previously filed as Exhibit 2.1 to Form 10-QSB on November 19, 2001). |
| 10.3 | Employment Agreement, dated as of November 16, 2001, between the Company and Michael T. Dent, M.D. (previously filed as Exhibit 10.16 to Form 10-QSB on November 19, 2001). |

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- 10.4 Stock Option Agreement, dated as of November 16, 2001, between the Company and Michael T. Dent, M.D. (previously filed as Exhibit 10.15 to Form 10-QSB on November 19, 2001).
- 10.5 Consulting Agreement, dated as of November 16, 2001, between the Company and Tampa Bay Financial, Inc. (previously filed as Exhibit 10.14 to Form 10-QSB on November 19, 2001).

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- 10.6 Shareholders Agreement, dated as of November 16, 2001, between the Company, the Operating Subsidiary, selected Company shareholders, Tampa Bay Financial, Inc and Michael T. Dent, M.D. (previously filed as Exhibit 10.15 to Form 10-QSB on November 19, 2001).
- 10.7 Letter Agreement, dated as of November 16, 2001, between the Company and Tampa Bay Financial, Inc. (previously filed as Exhibit 10.7 to Form 10-KSB on May 21, 2002).
- 10.8 Research and License Agreement Between the Company and CIPHERGEN Biosystems, Inc. (previously filed as Exhibit 10.8 to Form 10-QSB on November 20, 2002)
- 10.9 Employment Agreement, dated as of April 15, 2003, between the Company and Michael T. Dent, M.D (previously filed as Exhibit 10.9 to Form 10-KSB on May 20, 2003).
- 10.10 Stock Purchase Agreement, dated as of April 15, 2003, between the Company and MVP 3, LP (previously filed as Exhibit 10.10 to Form 10-KSB on May 20, 2003).
- 10.11 Stock Purchase Agreement, dated as of April 15, 2003, between the Company and John E. Elliott (previously filed as Exhibit 10.11 to Form 10-KSB on May 20, 2003).
- 10.12 Stock Purchase Agreement, dated as of April 15, 2003, between the Company and Steven C. Jones (previously filed as Exhibit 10.12 to Form 10-KSB on May 20, 2003).
- 10.13 Stock Purchase Agreement, dated as of April 15, 2003, between the Company and Lawrence R. Kuhnert (previously filed as Exhibit 10.13 to Form 10-KSB on May 20, 2003).
- 10.14 Shareholders Agreement, dated as of April 15, 2003, by and between the Company, MVP 3 LP, John E. Elliott, Steven C. Jones, Larry R. Kuhnert and Michael T. Dent (previously filed as Exhibit 10.14 to Form 10-KSB on May 20, 2003).
- 10.15 Registration Rights Agreement, dated as of April 15, 2003, by and between the Company, MVP 3 LP, John E. Elliott, Steven C. Jones, Larry R. Kuhnert and Michael T. Dent (previously filed as Exhibit 10.15 to Form 10-KSB on May 20, 2003).
- 10.16 Loan and Security Agreement, dated as of April 15, 2003, between the Company, the Operating Subsidiary and MVP 3, LP (previously filed as Exhibit 10.16 to Form 10-KSB on May 20, 2003).
- 10.17 Security Agreement, dated as of April 15, 2003, between the Operating Subsidiary and MVP 3, LP (previously filed as Exhibit 10.17

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to Form 10-KSB on May 20, 2003).

- 10.18 Guaranty, dated as of April 15, 2003, by the Company in favor of MVP 3, LP (previously filed as Exhibit 10.18 to Form 10-KSB on May 20, 2003).
- 10.19 Stock Pledge Agreement, dated as of April 15, 2003, between the Company, the Operating Subsidiary and MVP 3, LP (previously filed as Exhibit 10.19 to Form 10-KSB on May 20, 2003).
- 10.20 Loan and Security Agreement, dated as of April 15, 2003, by and between MVP 3 LP, Fifth Third Bank Florida, the Operating Subsidiary, John Elliott, Steven Jones, and Larry Kuhnert (previously filed as Exhibit 10.20 to Form 10-KSB on May 20, 2003).
- 10.21 Security Agreement, dated as of April 15, 2003, between the Operating Subsidiary and Fifth Third Bank, Florida (previously filed as Exhibit 10.21 to Form 10-KSB on May 20, 2003).
- 10.22 Guaranty, dated as of April 15, 2003, by the Operating Subsidiary in favor of Fifth Third Bank, Florida (previously filed as Exhibit 10.22 to Form 10-KSB on May 20, 2003).
- 10.23 Real Estate Lease Agreement, dated as of May 13, 2003, between the Operating Subsidiary and Cambridge Management Associates LP (previously filed as Exhibit 10.23 to Form 10-KSB on May 20, 2003).

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- 21 The Company's only subsidiary is NeoGenomics, Inc., a Florida corporation (the "Operating Subsidiary").
- 99.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

The following reports on Form 8-K were filed with the SEC during the period from December 31, 2002 until the date of this report on Form 10-QSB.

- 1) On April 4, 2003, we filed a Report of Form 8-K announcing that a majority of our shareholders had consented to amending our articles of incorporation to reduce the authorized number of shares of common stock from 500,000,000 shares to 100,000,000 shares and to authorize 10,000,000 shares of a new class of preferred stock. The shareholders also consented to effecting a 1:100 reverse stock split of our common stock.
- 2) On April 17, we filed a Report of Form 8-K announcing that the Company had experienced a change of control by virtue of the fact that MVP 3, LP and its affiliates had purchased 13,927,062 shares of our stock at a price of \$0.01 per share.

SIGNATURES

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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/ Michael T. Dent, M.D.
Michael T. Dent, M.D.
President, Chief Medical Officer and
Principal Accounting Officer

June 20, 2003

CERTIFICATION

I, Michael T. Dent, M.D., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Neogenomics, Inc;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial position, results of operations, and cash flows of the issuer as of, and for, the periods presented in this quarterly report.
4. I am responsible for establishing and maintaining disclosure controls and procedures for the registrant and I have:

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- (i) designed such disclosure controls and procedures to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (ii) evaluated the effectiveness of the registrant's disclosure controls and procedures as of March 31, 2003; and
 - (iii) presented in the report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of the board of directors (or persons fulfilling the equivalent function):
 - (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal

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controls; and

6. I have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

June 20, 2003

/s/ Michael T. Dent, M.D.
Michael T. Dent, M.D.
President, Chief Medical Officer and
Principal Accounting Officer