

NEOPROBE CORP  
Form PREM14A  
June 14, 2011

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

NEOPROBE CORPORATION  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

The purchase price payable under the Asset Purchase Agreement consists of \$30,000,000, subject to a possible adjustment as set forth in the Asset Purchase Agreement, plus royalty payments up to a maximum of \$20,000,000 over the course of six fiscal years. Solely for purposes of calculating the filing fee, the registrant estimates a purchase price of \$50,000,000.

(4) Proposed maximum aggregate value of transaction: \$50,000,000

(5) Total fee paid: \$5,805

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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  - (4) Date Filed:
-

2011 ANNUAL MEETING OF STOCKHOLDERS

[•], 2011

Dear Stockholder:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders of Neoprobe Corporation, which will be held at 9:00 a.m., Eastern Daylight Time, on August 15, 2011, at the Embassy Suites Hotel, 5100 Upper Metro Place, Dublin, Ohio 43017 (phone: 614-790-9000). The matters on the meeting agenda are described in the Notice of 2011 Annual Meeting of Stockholders and proxy statement which accompany this letter.

We hope you will be able to attend the meeting, but regardless of your plans, we ask that you please complete, execute, and date the enclosed proxy card and return it in the envelope provided so that your shares will be represented at the meeting.

Very truly yours,

Dr. Mark J. Pykett  
President and Chief  
Executive Officer

NEOPROBE CORPORATION  
425 Metro Place North, Suite 300  
Dublin, Ohio 43017

NOTICE OF 2011 ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of  
NEOPROBE CORPORATION:

The Annual Meeting of the Stockholders of Neoprobe Corporation, a Delaware corporation (the “Company”), will be held at the Embassy Suites Hotel, 5100 Upper Metro Place, Dublin, Ohio 43017 (phone: 614-790-9000), on August 15, 2011, at 9:00 a.m., Eastern Daylight Time, for the following purposes:

1. To approve the sale (the “Asset Sale”) of our GDS line of gamma detection device systems (the “GDS Business”) to Devicor Medical Products, Inc. (“Devicor” or the “Buyer”) pursuant to the terms and conditions of an asset purchase agreement dated as of May 24, 2011, by and between the Company and Devicor (the “Asset Purchase Agreement”). The Asset Purchase Agreement is attached as Appendix A to this proxy statement;
2. To elect three directors, to serve for a term of three years and until their successors are duly elected and qualified;
3. To approve and amend the Company’s Amended and Restated 2002 Stock Incentive Plan (the “2002 Plan”) to increase the maximum number of shares of Common Stock issuable under the 2002 Plan to 10,000,000 shares and to extend the term of the 2002 Plan to March 7, 2015;
4. To hold an advisory vote on the frequency of voting on the compensation of our named executive officers;
5. To hold an advisory vote relating to the compensation of our named executive officers;
6. To ratify the appointment of BDO USA, LLP as the Company’s independent registered public accounting firm for 2011;
7. To adjourn the Annual Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies in favor of the proposal to approve the Asset Sale if there are insufficient votes to approve the Asset Sale; and
8. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on June 17, 2011, as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. A list of stockholders will be available for examination by any stockholder at the Annual Meeting and for a period of 10 days before the Annual Meeting at the executive offices of the Company.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on August 15, 2011: The proxy statement and annual report to security holders is available at <http://neoprobe2011.investorroom.com>.

Whether or not you plan to attend the Annual Meeting, please sign, date, and return the enclosed proxy card in the envelope provided or take advantage of the opportunity to vote your proxy online. If you have any questions or need assistance voting your shares of our Common Stock, please contact [•], our proxy solicitor, by calling toll-free at [•] or by e-mailing [•].

By Order of the Board  
of Directors

Dr. Mark J. Pykett  
President and Chief  
Executive Officer

Dublin, Ohio  
[•], 2011

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PROXY STATEMENT FOR  
2011 ANNUAL MEETING OF STOCKHOLDERS

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## CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you to in this proxy statement, contain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including, among others, under the headings “Summary,” “Questions and Answers About the Asset Sale,” “Asset Sale,” “The Asset Purchase Agreement,” “Proposal No 1 – The Asset Sale and the Asset Purchase Agreement,” and in statements containing the words “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “should,” “plans,” “targets” and/or similar words and expressions. Forward-looking statements also include the following: (1) statements containing projections of revenues, operating expenses, income (or loss), earnings (or loss) per share, capital expenditures, dividends, capital structure, and other financial items; (2) statements concerning the plans and objectives of Neoprobe management for future operations, including plans or objectives relating to its products or services; (3) statements of future economic performance; (4) statements of the assumptions underlying or relating to any statement described in (1), (2), or (3); and (5) statements regarding the timing or completion of the Asset Sale. Actual results could differ materially from those predicted by these forward-looking statements.

You should be aware that forward-looking statements involve known and unknown risks and uncertainties as well as assumptions, among other things, about us and regulatory, clinical, economic and market factors, among others. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of Neoprobe. These forward-looking statements speak only as of the date on which the statements were made and we undertake no obligation to publicly update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future developments or otherwise.

Forward-looking statements are not guarantees of future performance, and actual results may differ materially from those contemplated by forward-looking statements. You should not place undue reliance on any forward-looking statements contained herein, which speak only as of the date of this proxy statement, or, in the case of documents referred to in this proxy statement, as of the respective dates of such documents. These and other factors are discussed in our current filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and our subsequent SEC filings. In addition to other factors and matters contained in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the failure to satisfy any of the conditions to complete the Asset Sale, including the receipt of the required stockholder approval;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Asset Purchase Agreement;
- the outcome of any legal proceedings instituted against us and others in connection with the proposed Asset Sale;
  - the failure of the Asset Sale to close for any other reason;
    - the amount of the costs, fees, expenses and charges relating to the Asset Sale;
    - business uncertainty and contractual restrictions prior to the Asset Sale close;
- delays in the timing of the acceptance and/or approval of our New Drug Application (NDA) for Lymphoseek®;
  - delays in advancing our RIGScan™ technology toward re-initiation of clinical development;
  - competition generally and the increasingly competitive nature of our industry;
    - stock price and interest rate volatility; and
    - failure to operate our business successfully.

The foregoing list and the risks reflected in this proxy statement should not be construed to be exhaustive. Actual results or matters related to the Asset Sale could differ materially from the forward-looking statements contained in

this proxy statement as a result of the timing of the completion of the Asset Sale or the impact of the Asset Sale on our results of operations, financial condition, cash flows, capital resources, profitability, cash requirements, management resources and liquidity. In view of these uncertainties, you should not place undue reliance on any forward-looking statements, which are based on our current expectations.

## SUMMARY

This summary highlights selected information contained in this proxy statement and does not contain all of the information that may be important to you. We urge you to read carefully this proxy statement in its entirety, as well as the appendices. Additional, important information is also contained in the documents incorporated by reference into this proxy statement; see the section entitled “Where You Can Find More Information; Incorporation by Reference.”

### The Annual Meeting (page [•])

The 2011 Annual Meeting of Stockholders of Neoprobe Corporation will be held at 9:00 a.m., Eastern Daylight Time, on August 15, 2011, at the Embassy Suites Hotel, 5100 Upper Metro Place, Dublin, Ohio 43017 (phone: 614-790-9000).

### The Asset Sale (page [•])

On May 23, 2011, the members of our Board of Directors present at a meeting duly called and held (one member of our Board of Directors, Dr. Jess Emery Jones, was not present at the meeting), unanimously adopted and approved the Asset Sale pursuant to the Asset Purchase Agreement, a copy of which is included as Appendix A to this proxy statement (portions of which have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment). Please read it carefully. Pursuant to the terms of the Asset Purchase Agreement:

- we agreed to sell the assets and assign certain liabilities, in each case, that are primarily related to the GDS Business; and
- in exchange for the assets of the GDS Business, Devicor agreed to: (i) make a cash payment to us of \$30,000,000; (ii) assume certain liabilities of the Company associated with the GDS Business as specified in the Asset Purchase Agreement; and (iii) make royalty payments to us of up to an aggregate maximum amount of \$20,000,000 based on the net revenue attributable to the GDS Business over the course of the six fiscal years ended December 31, 2012, 2013, 2014, 2015, 2016 and 2017 (collectively, the “Aggregate Consideration”) which Aggregate Consideration is subject to a possible adjustment as set forth in the Asset Purchase Agreement and more fully described below under “Proposal No. 1 – The Asset Sale and the Asset Purchase Agreement – Asset Purchase Agreement – General” beginning on page [•].

If all necessary approvals have been obtained or waived, including stockholder approval and any third party consents, we expect to complete the Asset Sale shortly after this Annual Meeting scheduled for August 15, 2011.

### Parties to the Asset Sale (page [•])

#### Neoprobe Corporation

Neoprobe is a biomedical company focused on enhancing oncology patient care and improving patient benefit through radiopharmaceutical product development. Neoprobe is actively developing two radiopharmaceutical agent platforms – Lymphoseek and RIGScan – to help physicians better identify and treat certain types of cancer. Neoprobe’s subsidiary, Cira Biosciences, Inc., is also advancing a patient-specific cellular therapy technology platform called ACT. Neoprobe’s strategy is to deliver superior growth and shareholder return by bringing to market novel radiopharmaceutical agents and advancing the Company’s pipeline program through continued investment and selective licenses or acquisitions. We have agreed to sell our GDS Business pursuant to the Asset Purchase

Agreement. For more information please visit our website at [www.neoprobe.com](http://www.neoprobe.com). Our common stock is listed on the NYSE Amex stock exchange under the symbol "NEOP." Neoprobe is a Delaware corporation. Our principal executive office is located at 425 Metro Place North, Suite 300, Dublin, Ohio 43017. The telephone number there is (614) 793-7500.

Devicor Medical Products, Inc.

Devicor is a company dedicated to acquiring and growing medical device companies. With an initial focus on the breast cancer market, the company is focused on building a global business through the investment in, and development of, tools and technologies that facilitate minimally invasive medical procedures. For more information, please visit [www.devicormedical.com](http://www.devicormedical.com). Devicor is a Delaware corporation. Its principal executive office is located at Summit Woods Corporate Center II, 5th Floor, 300 E-Business Way, Cincinnati, Ohio 45241. The telephone number there is (513) 864-9000.

Reasons for the Asset Sale (page [•])

In evaluating the Asset Sale, our Board of Directors considered various factors. For the material factors considered by our Board of Directors in reaching its decision to adopt and approve the Asset Sale and the Asset Purchase Agreement, see “Proposal No. 1 – The Asset Sale and the Asset Purchase Agreement – The Asset Sale—Reasons for the Asset Sale,” beginning on page [•].

Post-Closing Business and Proceeds from the Asset Sale (page [•])

If the Asset Sale is approved by our stockholders and the other conditions to the closing of the Asset Sale are satisfied or waived, Devicor will acquire the GDS Business. We expect to focus on our remaining businesses following the closing of the Asset Sale, including: (i) developing, commercializing, marketing, selling and distributing biologics or pharmaceuticals, (ii) developing and commercializing personalized cell processing technology and cellular therapeutics; and (iii) advancing our technology for the detection of fluorescence labeled compounds and antibodies (hereinafter referred to collectively as the “Remaining Businesses”). If the Asset Sale is consummated, our lead radiopharmaceutical pipeline products and drug development portfolio will be our only operating businesses and, accordingly, our profitability will be entirely dependent upon those lines of business. If the Asset Sale is not approved by the holders of a majority of our outstanding shares of Common Stock, then Devicor may terminate the Asset Purchase Agreement and our Board of Directors, along with our management, will reassess our options in light of our long-term strategic goals. We currently anticipate that we will retain all of the net cash proceeds from the Asset Sale for working capital and general corporate purposes. We may use a portion of the net cash proceeds for future acquisitions complementary to the Remaining Businesses. However, at this time, no specific acquisition targets have been identified. If we have adequate working capital and establish adequate cash reserves without using all of our cash, and if we are unable to identify suitable acquisition targets that are appropriately valued, we will consider alternate uses of any excess cash in order to enhance stockholder value.

Recommendation of Our Board of Directors (page [•])

After careful consideration our Board of Directors:

- adopted and approved the Asset Purchase Agreement; and
- determined the Asset Sale to be in the best interests of Neoprobe and our stockholders, and recommended to our stockholders that the Asset Purchase Agreement and the transactions contemplated thereby, including the Asset Sale, be adopted and approved by our stockholders.

Opinion of Our Financial Advisor (page [•] and Appendix B)

In connection with the Asset Sale, our Board of Directors received a written opinion, dated May 23, 2011, from our financial advisor, UBS Securities LLC, referred to as UBS, as to the fairness, from a financial point of view and as of

the date of such opinion, to Neoprobe of the consideration to be received by Neoprobe in the Asset Sale. The full text of UBS' written opinion, dated May 23, 2011, is attached to this proxy statement as Appendix B. Holders of our Common Stock are encouraged to read UBS' opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. UBS' opinion was provided for the benefit of our Board of Directors (in its capacity as such) in connection with, and for the purpose of, its evaluation of the consideration from a financial point of view and did not address any other aspect of the Asset Sale. The opinion did not address the relative merits of the Asset Sale as compared to other business strategies or transactions that might be available with respect to the GDS Business or Neoprobe's underlying business decision to effect the Asset Sale. The opinion does not constitute a recommendation to any stockholder as to how to vote or act with respect to the Asset Sale.

Other Agreements and Transactions Related to the Asset Sale (page [•])

In addition to the Asset Purchase Agreement, we intend to enter into a number of related agreements, including a transition services agreement with Devicor pursuant to which we shall provide certain transitional, administrative and support services to Devicor on a short-term basis.

Interests of Our Directors and Executive Officers in the Asset Sale (page [•])

In considering the recommendation of our Board of Directors to vote for the proposal to adopt and approve the Asset Sale and the Asset Purchase Agreement, you should be aware that some of our directors and executive officers may have personal interests in the Asset Sale that are, or may be, different from, or in addition to, your interests. All of our directors and executive officers own shares of our Common Stock and/or options to purchase shares of our Common Stock, and to that extent, their interests in the Asset Sale are the same as that of other holders of our Common Stock. To the extent our directors and executive officers are parties to agreements that confer certain rights and obligations upon a change in control, such individuals have executed waivers provided that the Asset Sale is not a change in control under such agreements. See “Interests of Our Directors and Executive Officers in the Asset Sale,” beginning on page [•].

Appraisal Rights (page [•])

You will not experience any change in your rights as a stockholder as a result of the Asset Sale. Delaware law, our certificate of incorporation, and our bylaws do not provide for appraisal or other similar rights for dissenting stockholders in connection with the Asset Sale, and we are not independently providing stockholders with any such right. Accordingly, you will have no right to dissent and obtain payment for your shares in connection with the Asset Sale.

Material U.S. Federal, State and Local Income Tax Consequences (page [•])

The Asset Sale will not result in any material U.S. federal, state or local income tax consequences to our stockholders. The transaction will be a taxable event to us for U.S. federal, state and local income tax purposes, but we anticipate that a portion of the taxable gain for U.S. federal, state and local income tax purposes resulting from the Asset Sale will be offset by net operating losses and tax credits. For a complete description of the material tax consequences of the Asset Sale to Neoprobe, please see “Material U.S. Federal, State and Local Income Tax Consequences,” beginning on page [•].

Regulatory Matters (Page [•])

The Asset Sale is not subject to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or the reporting and waiting requirements of any other United States antitrust law. We are not aware of any other material regulatory consents that are required in connection with the Asset Sale.

Asset Purchase Agreement (Page [•] and Appendix A)

General (page [•])

Pursuant to the Asset Purchase Agreement, Devicor has agreed to:

- make a cash payment to us of \$30,000,000 (subject to a possible adjustment based on the amount of working capital at closing as provided in the Asset Purchase Agreement);

- assume certain liabilities associated with the GDS Business as specified in the Asset Purchase Agreement; and



- make royalty payments to us of up to an aggregate maximum amount of \$20,000,000 based on the net revenue attributable to the GDS Business over the course of the six fiscal years ended December 31, 2012, 2013, 2014, 2015, 2016 and 2017

#### Covenants and Agreements (page [•])

The parties have agreed to certain covenants, including, without limitation, covenants requiring that:

- the Company operate its business generally in the ordinary course until the closing of the Asset Sale;
- the Company not solicit alternative acquisition proposals or provide information or engage in discussions with third parties in connection with any such acquisition proposal; and
- as soon as practicable after the closing date of the Asset Sale, and in any event within six months following the closing date, the Company cease to make use of certain of our trade names and trademarks.

#### Covenant Not to Compete (page [•]).

Under the Asset Purchase Agreement, we have also agreed, subject to certain exceptions, that for five years following the closing of the Asset Sale, the Company will not compete with, assist in or provide financial resources to any activity which involves the marketing, distribution or sale of devices primarily used for the diagnosis or identification of cancer in human beings.

#### Distribution Rights (page [•])

In the event the Company desires to engage a third party to distribute any medical device used in surgical oncology primarily having a diagnostic purpose, including, without limitation, medical devices used for the detection of fluorescence labeled compounds or antibodies, during the 12-year period following the consummation of the Asset Sale, the terms of the Asset Purchase Agreement give Devicor certain rights of first refusal to distribute such products based on the terms of the existing distribution agreement between Devicor and the Company (during the first 5 years) and the terms offered by an unaffiliated third party (during the succeeding 7 years).

#### No Negotiation (page [•])

The Asset Purchase Agreement restricts our ability to solicit or engage in discussions or negotiations with third parties regarding specified transactions involving the GDS Business or the sale of Neoprobe as a whole.

#### Conditions to Completion of the Asset Sale (page [•])

Before we can complete the Asset Sale, a number of conditions must be satisfied. These include, among other things:

- the receipt of our stockholders' approval;
- all filings with governmental authorities shall have been made and any necessary authorizations, consents or approvals required from such authorities shall have been obtained; and
- the absence of any valid order, statute, rule, regulation, executive order, stay, decree, judgment or injunction which prohibits or prevents the consummation of the Asset Sale.

In addition, the obligations of Devicor to complete the Asset Sale are subject to the satisfaction by us or waiver by Devicor of conditions, including the following:

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- All of our representations and warranties shall be true and correct in all material respects, except for those representations and warranties that are qualified as to materiality which shall be true and correct in all respects, on and as of the closing date of the Asset Sale with the same effect as if such representations and warranties had been made on that date (except to the extent that any such representation or warranty by its terms relates to an earlier date), and we shall have complied in all material respects with all agreements contained in the Asset Purchase Agreement required to be performed prior to the closing of the Asset Sale; and
- After the date of the Asset Purchase Agreement no event shall have occurred that had, or would reasonably be expected to have, a Material Adverse Effect (as defined below under “Proposal No 1 –The Asset Sale and the Asset Purchase Agreement – Asset Purchase Agreement – Representations and Warranties”).

Finally, our obligations to complete the Asset Sale are subject to the satisfaction by Devicor or waiver by us of certain conditions, including that the representations and warranties made by Devicor are true and correct in all material respects, except for those representations and warranties that are qualified as to materiality which shall be true and correct in all respects, on and as of the closing date of the Asset Sale with the same effect as if such representations and warranties had been made on that date (except to the extent that any such representation or warranty by its terms relates to an earlier date), and Devicor shall have complied in all material respects with all agreements contained in the Asset Purchase Agreement required to be performed or complied with at or prior to the closing of the Asset Sale.

Termination (page [•])

The parties may, by mutual written consent, terminate the Asset Purchase Agreement at any time prior to the completion of the Asset Sale. Devicor may terminate the Asset Purchase Agreement at any time following the Annual Meeting of Stockholders if the Company does not receive stockholder approval for the Asset Sale at the meeting.

In addition, either we or Devicor may, in writing, terminate the Asset Purchase Agreement at any time prior to the effective date of the Asset Sale:

- if the other party shall have breached any material provision of the Asset Purchase Agreement and shall not have cured such breach within 10 days of receiving notice; or
  - if the Asset Sale has not been completed on or before August 22, 2011.

Termination Fee (page [•])

If the Asset Sale is not approved by our stockholders pursuant to the terms of the Asset Purchase Agreement, we will be required to reimburse Devicor for its expenses not to exceed \$500,000. We may also be required to pay an additional \$1,000,000 termination fee if the Asset Purchase Agreement is terminated by Devicor as a result of our breach of any of certain covenants set forth in the Asset Purchase Agreement which require, among other things that the Company’s Board of Directors use its reasonable best efforts to obtain the approval of the Company’s stockholders for the Asset Sale, and not withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to Devicor, its recommendation that the stockholders approve the Asset Sale or approve or recommend, or propose publicly to approve or recommend, or otherwise permit or cause the Company to accept, any other transaction which effects an acquisition, merger, consolidation or other business combination involving the GDS Business or the Company.

## QUESTIONS AND ANSWERS ABOUT THE ASSET SALE

The following questions and answers briefly address some commonly asked questions about the Asset Sale and the Asset Purchase Agreement. These questions and answers may not address all questions that may be important to you as a stockholder. You should still carefully read this entire proxy statement, including each of the appendices.

This proxy statement is furnished to the holders of common stock, \$0.001 par value per share (“Common Stock”), of Neoprobe Corporation, a Delaware corporation (“Neoprobe” or the “Company”), in connection with the solicitation of proxies for use at the Annual Meeting of stockholders, and at any adjournment of that meeting. In this proxy statement the terms “Neoprobe,” “Company,” “we,” “our,” “ours,” and “us” refer to Neoprobe Corporation and its subsidiaries. The term “Asset Purchase Agreement” refers to the asset purchase agreement, dated as of May 24, 2011, by and between the Company and Devicor Medical Products, Inc., as it may be amended, restated, modified or superseded from time to time in accordance with its terms (the “Asset Purchase Agreement”). The term “GDS Business” refers to the Company’s GDS line of gamma detection device systems as further described in the Asset Purchase Agreement. The term “Asset Sale” refers to the proposed sale of the GDS Business pursuant to the Asset Purchase Agreement. The term “Devicor” or the “Buyer” refers to Devicor Medical Products, Inc., a Delaware corporation. Each of Neoprobe and Devicor are sometimes referred to in this proxy statement as a party, or collectively as the parties.

### The Asset Sale

Q: What is the proposed transaction?

A: The Asset Purchase Agreement provides for the sale of the GDS Business to Devicor for: (i) a cash payment of \$30,000,000; (ii) the agreement of Devicor to assume certain liabilities of the Company associated with the GDS Business as specified in the Asset Purchase Agreement; and (iii) royalty payments of up to an aggregate maximum amount of \$20,000,000 based on the net revenue attributable to the GDS Business over the course of the six fiscal years ended December 31, 2012, 2013, 2014, 2015, 2016 and 2017 (the foregoing consideration hereinafter referred to collectively as the “Aggregate Consideration”). The amount of the Aggregate Consideration is subject to a possible adjustment as set forth in the Asset Purchase Agreement and more fully described below under “Proposal No. 1 – The Asset Sale and the Asset Purchase Agreement – Asset Purchase Agreement – General” beginning on page [•].

Q: Why are we asking for a stockholder vote?

A: Stockholder approval of the Asset Sale is required under Delaware General Corporation Law (DGCL) Section 271 and is a condition to the closing of the Asset Sale under the terms of the Asset Purchase Agreement we negotiated with Devicor.

Q: What is the purpose of the proposed transaction?

A: The purpose of the Asset Sale is to allow the Company to strategically focus its expertise, competencies and resources on radiopharmaceutical products. The Asset Sale provides the Company with access to resources to support and advance development of its RIGS technology, to evaluate additional opportunities for its Lymphoseek product and to pursue growth of its pipeline with other product candidates.

Q: What are the estimated net cash proceeds from the Asset Sale?

A: We currently estimate the net cash proceeds from the Asset Sale to be approximately \$27.3 million after the payment of estimated transaction costs of \$2.7 million. This estimate assumes that the Asset Sale is completed before August 18, 2011, and does not include any of the potential additional \$20 million in royalty payments

available pursuant to the terms of the Asset Purchase Agreement. The actual amount of net cash proceeds from the Asset Sale may vary from this estimate. In addition, this estimate does not include, and the actual amount of cash proceeds from the Asset Sale will be reduced by, among other things, continuing benefit costs for departing employees.

Q: How does Neoprobe plan to use the net cash proceeds from the Asset Sale?

A: We currently anticipate that we will retain all of the net cash proceeds from the Asset Sale for working capital and general corporate purposes and to continue investing in our remaining businesses, including our businesses: (i) of developing, commercializing, marketing, distributing and selling biologics or pharmaceuticals, including our particular focus on radiopharmaceuticals, (ii) of developing and commercializing personalized cell processing technology; or (iii) of advancing our technology for the detection of fluorescence labeled compounds and antibodies (hereinafter referred to collectively as the “Remaining Businesses”). We may use a portion of the net cash proceeds for future acquisitions complementary to our remaining businesses; however, at this time no specific acquisition targets have been identified. If we have adequate working capital and establish adequate cash reserves without using all of our cash, and if we are unable to identify suitable acquisition targets that are appropriately valued, we will consider alternate uses of any excess cash in order to enhance stockholder value.

Q: When will the Asset Sale be consummated?

A: In the event the stockholders approve the Asset Sale and the Asset Purchase Agreement, we expect that the Asset Sale will close promptly following our Annual Meeting. However, the consummation of the Asset Sale is contingent upon other customary closing conditions including: (i) the absence of a material adverse effect on the assets of the GDS Business subject to the Asset Sale, the liabilities of the GDS Business to be assumed by the Buyer, or the financial condition or results of operations of the GDS Business; (ii) the representations and warranties of the parties being true and correct in all material respects at closing; (iii) there being no material breaches of the terms of the Asset Purchase Agreement; (iv) the absence of any litigation or other legal requirement prohibiting the consummation of the Asset Sale; (v) the receipt of certain third party consents; and (vi) certain other customary closing conditions.

Q: Will Neoprobe continue to be publicly traded following the Asset Sale? Will its NYSE Amex ticker symbol change?

A: The Company will continue to be a publicly traded company whether or not the Asset Sale closes and we will continue to be subject to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”) and the NYSE Amex stock exchange. Our NYSE Amex ticker symbol will not change and will remain “NEOP” whether or not the Asset Sale closes. The Asset Purchase Agreement provides that within six months following the closing of the Asset Sale, the Company shall cease to make use of certain of its trade names and trademarks, including the Neoprobe name. In connection with this requirement, the Company will change its name, and the Company's NYSE Amex ticker symbol may change in connection with a change of our corporate name. As of the date of this proxy statement, the Company had made no decisions regarding the new corporate name it will use following the closing of the Asset Sale or changing its NYSE Amex ticker symbol.

Q: What vote of our stockholders is required to adopt and approve the Asset Sale and the Asset Purchase Agreement?

A: For us to complete the Asset Sale, stockholders holding at least a majority of the shares of our outstanding Common Stock at the close of business on the Record Date must vote “FOR” the proposal adopting and approving the Asset Sale and the Asset Purchase Agreement.

Q: What will happen if the Asset Sale and Asset Purchase Agreement are not adopted and approved?

A: If the Asset Sale and the Asset Purchase Agreement are not adopted and approved, we will not complete the Asset Sale and the other transactions contemplated by the Asset Purchase Agreement. In that event, we expect to reassess our options in light of our long-term strategic goals. Under the Asset Purchase Agreement, we would also be required to pay Devicor a fee equal to the amount of the reasonable out-of-pocket expenses, actually documented and incurred or payable by or on behalf of Devicor in connection with or in anticipation of the Asset Sale and the agreements related thereto, including all attorney's fees, financial advisor's fees, accountants' fees and filing fees (the "Termination Expenses") (provided, however, that in no event will the "Termination Expenses" exceed \$500,000, in the aggregate). We may also be required to pay a \$1,000,000 termination fee plus the amount of the Termination Expenses if the Asset Purchase Agreement is terminated by Devicor as a result of our breach of any of the covenants set forth in Section 6.4 of the Asset Purchase Agreement which require, among other things, that the Company's Board of Directors use its reasonable best efforts to obtain the approval of the Company's stockholders for the Asset Sale, and not withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to Devicor, its recommendation that the stockholders approve the Asset Sale or approve or recommend or propose publicly to approve or recommend, or otherwise permit or cause the Company to accept, any other transaction which effects an acquisition, merger, consolidation or other business combination involving the GDS Business or the Company.

Q: Who will solicit and pay the cost of soliciting proxies?

A: All expenses in connection with this solicitation of proxies will be paid by us. Proxies will be solicited principally by mail, but directors, officers and certain other individuals authorized by us may personally solicit proxies. We have retained [•], a proxy solicitation firm, to assist in the solicitation of proxies. Neoprobe will reimburse custodians, nominees or other persons for their out-of-pocket expenses in sending proxy materials to beneficial owners and will pay [•] a fee of approximately [•], plus out-of-pocket expenses.

Q: Who can help answer any other questions I might have?

A: If you have additional questions about the Asset Sale or need assistance in submitting your proxy or voting your shares of our Common Stock, please contact [•], our proxy solicitor, by calling toll-free at [•] or by e-mailing [•]. You can also refer to the section of this proxy statement entitled, "Where You Can Find More Information; Incorporation by Reference."

NEOPROBE CORPORATION

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2011 ANNUAL MEETING OF STOCKHOLDERS

August 15, 2011

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PROXY STATEMENT

Dated [•], 2011

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GENERAL INFORMATION

**Date, Time and Place of Annual Meeting.** The Annual Meeting of the Stockholders of Neoprobe Corporation will be held at the Embassy Suites Hotel, 5100 Upper Metro Place, Dublin, Ohio 43017 (phone: 614-790-9000), on August 15, 2011, at 9:00 a.m., Eastern Daylight Time.

**Solicitation.** This proxy statement is furnished to the stockholders of Neoprobe Corporation, a Delaware corporation, in connection with the solicitation by the Board of Directors of the Company of proxies to be voted at the Company's 2011 Annual Meeting of Stockholders to be held on August 15, 2011, and any adjournment thereof. This proxy statement and the accompanying proxy card are first being mailed to stockholders on or about [•], 2011. All expenses in connection with this solicitation of proxies will be paid by us. Proxies will be solicited principally by mail, but directors, officers and certain other individuals authorized by us may personally solicit proxies. We have retained [•], a proxy solicitation firm, to assist in the solicitation of proxies. We will reimburse custodians, nominees or other persons for their out-of-pocket expenses in sending proxy materials to beneficial owners and will pay [•] a fee of approximately [•], plus out-of-pocket expenses.

**Company Address.** The mailing address of our principal executive offices is 425 Metro Place North, Suite 300, Dublin, Ohio 43017.

**Voting Rights.** Stockholders of record at the close of business on June 17, 2011 (the "Record Date"), are entitled to notice of and to vote at the Annual Meeting. As of that date, there were [•] shares of Common Stock outstanding. Each holder of Common Stock of record on June 17, 2011, is entitled to one vote per share held with respect to all matters which may be brought before the Annual Meeting.

**Authorization.** The shares represented by the accompanying proxy will be voted as directed if the proxy is properly completed, signed, and received by us. The proxy will be voted at the discretion of the persons acting under the proxy to transact such other business as may properly come before the Annual Meeting and any adjournment thereof. If you are a holder of record and you sign, date, and send in your proxy but do not indicate how you want to vote, your proxy will be voted "For" each of the proposals to be voted on at the Annual Meeting and "For" holding an advisory vote on executive compensation every third year.

**Revocation.** Any stockholder returning the accompanying proxy has the power to revoke it at any time before its exercise by giving notice of revocation to the Company, by duly executing and delivering to the Company a proxy card bearing a later date, or by voting in person at the Annual Meeting. Please note, however, if your shares are held of record by a broker, bank, or other nominee and you wish to vote at the Annual Meeting, you must obtain from the record holder a proxy issued in your name.





Tabulation. Under Section 216 of the Delaware General Corporation Law (DGCL) and our bylaws, the presence, in person or by proxy, of the holders of a majority of the outstanding shares of our Common Stock is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Shares represented by signed proxies that are returned to the Company will be counted toward the quorum even though they are marked as “Abstain,” “Against” or “Withhold Authority” on one or more, or all matters, or they are not marked at all. Brokers, banks, or other nominees who hold their customers’ shares in street name, may, under the applicable rules of the exchanges and other self-regulatory organizations of which such brokers, banks, or other nominees are members, sign and submit proxies for such shares and may vote such shares on routine matters. The proposal to ratify the appointment of BDO USA, LLP as the Company’s independent registered public accounting firm is considered a routine matter. Brokers, banks, or other nominees may not vote on matters considered non-routine without specific instructions from the customer who owns the shares. The proposals to approve the Asset Sale, elect directors, approve the 2002 Plan, approve the compensation of our named executive officers and the frequency of voting to approve such compensation, and adjourn the Annual Meeting, if necessary or appropriate, are not considered routine matters. Proxies signed and submitted by brokers, banks, or other nominees that have not been voted on certain matters are referred to as broker non-votes. Such proxies count toward the establishment of a quorum. We encourage you to provide voting instructions to any broker, bank or other nominee that holds your shares by carefully following the instructions provided in the notice from such entity.

Under Section 271 of the DGCL, the proposal to approve the Asset Sale pursuant to the terms of the Asset Purchase Agreement requires the affirmative vote of the holders of a majority of our Common Stock outstanding as of the Record Date. Broker “non-votes” and abstentions will have the same effect as votes “Against” the proposal.

Under Section 216 of the DGCL and our bylaws, the election of the director nominees requires the favorable vote of a plurality of all votes cast by the holders of our Common Stock at a meeting at which a quorum is present. Proxies that are marked “Withhold Authority” and broker non-votes will not be counted toward a nominee’s achievement of a plurality and, thus, will have no effect.

Under Section 216 of the DGCL and our bylaws, the proposal to approve and amend the 2002 Plan requires the affirmative vote of a majority of the shares of our Common Stock represented in person or by proxy at the Annual Meeting. Abstentions will be counted as represented and entitled to vote and will therefore have the effect of a vote “Against” the proposal. Broker non-votes are disregarded and will have no effect.

Under our bylaws, approval of the proposal relating to the compensation of our named executive officers requires the affirmative vote of a majority of the shares of our Common Stock represented in person or by proxy at the Annual Meeting. Abstentions will be counted as represented and entitled to vote and will therefore have the effect of a vote “Against” the proposal. Broker non-votes are disregarded and will have no effect.

The ratification of BDO USA, LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the shares of our Common Stock represented in person or by proxy at the Annual Meeting. Abstentions will be counted as represented and entitled to vote and will therefore have the effect of a vote “Against” the proposal. Broker non-votes are disregarded and will have no effect.

If submitted to our stockholders at the Annual Meeting, the proposal to adjourn the Annual Meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to approve the Asset Sale, requires the affirmative vote of a majority of the shares of our Common Stock represented in person or by proxy at the Annual Meeting. Neither broker non-votes nor abstentions are included in the tabulation of the voting results and, therefore, they do not have the effect of votes “Against” such proposal.

Effect of Not Casting Your Vote. If you hold your shares in street name it is critical that you cast your vote if you want it to count. In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank, broker, or other nominee was allowed to vote those shares on your behalf in the election of directors as they felt appropriate. Recent changes in regulation were made to take away the ability of your bank, broker, or other nominee to vote your uninstructed shares in the election of directors on a discretionary basis. If you hold your shares in street name and you do not instruct your bank, broker, or other nominee how to vote, no votes will be cast on your behalf for any of the proposals to be considered at the Annual Meeting; except, your bank, broker, or other nominee will continue to have discretion to vote any uninstructed shares on the proposal to ratify the appointment of BDO USA, LLP as the Company's independent registered public accounting firm.

## ASSET SALE

The following is a description of the material aspects of the Asset Sale, including background information relating to the proposed terms of the Asset Purchase Agreement. While we believe that the following description covers the material terms of the Asset Sale, the Asset Purchase Agreement, and other arrangements between Devicor and us, the description may not contain all of the information that is important to you. You should carefully read this proxy statement and the other documents to which we refer, including the Asset Purchase Agreement, for a complete understanding of the terms of the Asset Sale.

### Parties to the Asset Sale

#### Neoprobe Corporation

Neoprobe is a biomedical company focused on enhancing oncology patient care and improving patient benefit through radiopharmaceutical product development. Neoprobe is actively developing two radiopharmaceutical agent platforms – Lymphoseek® and RIGScan™ – to help surgeons better identify and treat certain types of cancer. Neoprobe’s subsidiary, Cira Biosciences, Inc., is also advancing a patient-specific cellular therapy technology platform called ACT. Neoprobe’s strategy is to deliver superior growth and shareholder return by bringing to market novel radiopharmaceutical agents and advancing the Company’s pipeline program through continued investment and selective acquisitions. We have agreed to sell our GDS Business pursuant to the Asset Purchase Agreement. For more information please visit our website at [www.neoprobe.com](http://www.neoprobe.com). Our Common Stock is listed on the NYSE Amex stock exchange under the symbol “NEOP.” Neoprobe is a Delaware corporation. Our principal executive office is located at 425 Metro Place North, Suite 300, Dublin, Ohio 43017. The telephone number there is (614) 793-7500.

#### Devicor Medical Products, Inc.

Devicor is a company dedicated to acquiring and growing medical device companies. With an initial focus on the breast cancer market the company is focused on building a global business through the investment in, and development of, tools and technologies that facilitate minimally invasive medical procedures. For more information, please visit [www.devicormedical.com](http://www.devicormedical.com). Devicor is a Delaware corporation. Its principal executive office is located at Summit Woods Corporate Center II, 5th Floor, 300 E-Business Way, Cincinnati, Ohio 45241. The telephone number there is (513) 864-9000.

### Background of the Asset Sale

Our senior management and Board of Directors periodically review the performance of our businesses and our strategies, opportunities, and objectives in the markets in which we operate. In conjunction with those reviews, we assess the short- and long-term prospects of our business segments and our company as a whole. We evaluate opportunities to grow our businesses based on our current assets and technology platforms, as well as, by means of mergers, acquisitions, licenses, divestitures, asset sales, and strategic alliances with other companies.

In March 2010, the Company was initially approached by senior management from Devicor regarding Devicor’s interest in potentially acquiring the GDS Business. From March through July of 2010, our senior management met internally and discussed a number of potential strategic alternatives to enhance stockholder value, including, without limitation, the possibility of selling the GDS Businesses. Our management discussed these potential strategic alternatives at length with our Board of Directors at the regularly-scheduled meeting of our Board of Directors in July 2010. Our Board of Directors instructed our management to continue to evaluate potential strategic alternatives for the GDS Businesses and to further apprise the Board regarding those alternatives.

On August 24, 2010, the Company entered into a confidentiality agreement with Devicor for the purpose of supporting preliminary diligence discussions following its expression of interest. In October 2010, our senior management met with management from Devicor to determine in greater detail Devicor's level of interest in the potential acquisition by Devicor of the GDS Business. Also in October 2010, we discussed with UBS Securities LLC ("UBS"), which previously had been engaged as our financial advisor, potential strategic alternatives, including, without limitation, a potential sale of the GDS Business. On October 26, 2010, Devicor commenced preliminary due diligence.

On October 27, 2010, we engaged Porter, Wright, Morris & Arthur LLP (“Porter Wright”), our outside legal counsel, to advise us with respect to any potential strategic alternatives.

From November 2010 through December 2010, we explored a potential sale of the GDS Business to buyers other than Devicor. Two potential acquirers were approached and provided with an initial set of materials describing the GDS Business generally. Neither of the parties expressed interest.

On December 7, 2010, we coordinated a second-phase diligence process and provided to Devicor additional materials about the GDS Business and its customers, products, operations, financial results, employees and intellectual property.

On January 28, 2011, our Board of Directors met to discuss further potential strategic options for the GDS Business in light of our long-term strategy and prospects for the GDS Business and our other businesses. Senior management and the Board discussed the anticipated benefits, risks and effects of a sale of the GDS Business, including, without limitation, the impact on enhancing stockholder value in light of our strategic objectives and plans for our other businesses following a sale of the GDS Business.

On February 9, 2011, we received a non-binding indication of interest from Devicor to acquire the GDS Business for an amount of up to \$30 million.

On February 17, 2011, we received a second indication of interest from an unsolicited third party that had not been contacted originally regarding its interest in acquiring the GDS Business. We evaluated, with the assistance of our management and advisors, the party’s interest and ability to execute on an acquisition and subsequently entered into a confidentiality agreement with the party.

On March 1, 2011, our Board of Directors met, together with our management, to discuss the non-binding indications of interest which had been received and a proposed strategy to continue discussions with Devicor as well as initiating discussions with the second interested party. We subsequently provided initial diligence materials to the second interested party and received a written, non-binding indication of interest in purchasing the GDS Business for \$24 million. We responded to the third party that the indication was significantly less than our other indication of interest and such party declined to make any additional proposals.

On March 21, 2011, Devicor also provided an updated letter of interest that included a provision for royalties to us following the Asset Sale in the event Devicor achieved annual revenue from the GDS Business in excess of \$21 million.

On April 5, 2011, we executed a letter agreement providing Devicor with exclusivity in negotiations regarding the GDS Business for a period of time that, as extended, covered the period through which a definitive asset purchase agreement was executed.

On April 6, 2011, the Company began receiving a third phase of diligence material requests from Devicor.

On April 19, 2011, our Board of Directors met to discuss the diligence being conducted by Devicor. Our senior management reviewed the progress of diligence and document review, the schedule for management meetings with Devicor, and the timeline for preparation of asset purchase documents. At this meeting, our senior management also reviewed with our Board of Directors the status of the GDS Business sale process, including the non-binding indication of interest received from Devicor and the expected timeline and next steps in the sale process.

On April 21, 2011, we received an initial draft of the proposed Asset Purchase Agreement from Devicor.

On May 11, 2011, our senior management and Porter Wright met with Devicor and Bryan Cave LLP (“Bryan Cave”), Devicor’s outside legal counsel, in Devicor’s offices in Cincinnati, Ohio to discuss Devicor’s proposed asset purchase agreement.

From May 12, 2011 through May 18, 2011, our senior management and legal advisor held additional conference calls with Devicor and its advisors to discuss the proposed terms of the Asset Purchase Agreement and to address certain due diligence items raised by Devicor.

On May 16, 2011, our Board of Directors met to, among other things, discuss the status of negotiations with Devicor. The Board of Directors directed our senior management to continue negotiating with Devicor through the end of the week.

On May 18, 2011, Porter Wright, on our behalf, sent a draft of the disclosure schedules to the Asset Purchase Agreement to Devicor.

Between May 18, 2011 and May 23, 2011, our senior management and legal advisor and representatives of Devicor and its advisors continued negotiating various terms and conditions of the Asset Purchase Agreement and related documents and circulated revised drafts of such documents. Also during this period, representatives of Devicor continued their due diligence review of the GDS Business and its products.

On May 23, 2011, our Board of Directors convened a meeting to discuss the proposed terms of the transaction and the proposed Asset Purchase Agreement and related documents. Our senior management and representatives of our legal and financial advisors also were present at the meeting. At the meeting, a representative of Porter Wright updated our Board of Directors with respect to the resolution of the remaining open items relating to the Asset Purchase Agreement and the related documents. UBS reviewed with our Board of Directors UBS' financial analysis of the proposed consideration and delivered to our Board an oral opinion, confirmed by delivery of a written opinion dated May 23, 2011, to the effect that, as of that date and based upon and subject to various assumptions, matters considered and limitations set forth in its opinion, the consideration to be received by Neoprobe in the Asset Sale was fair, from a financial point of view, to Neoprobe. Our Board of Directors also discussed the advantages and risks of the proposed transaction that are described in "Reasons for the Asset Sale" below. Following discussion, our Board of Directors determined that the Asset Sale and Asset Purchase Agreement were in the best interests of Neoprobe and our stockholders, approved the Asset Purchase Agreement and the Asset Sale, and recommended that our stockholders adopt and approve the Asset Purchase Agreement and the Asset Sale.

The Asset Purchase Agreement was executed by Neoprobe and Devicor on the evening of May 24, 2011.

On May 25, 2011, following the close of trading on the NYSE Amex that day, Neoprobe issued a press release announcing the execution of the Asset Purchase Agreement and other matters.

#### Reasons for the Asset Sale

Our Board of Directors recommends approving the Asset Sale because we believe that separating the GDS Business from our Remaining Businesses will enhance value for our stockholders. We believe that focusing on our Remaining Businesses will permit greater management and resource focus on what we believe to be the most substantial opportunity for growth and the creation of long-term stockholder value. The separation of the GDS Business from our Remaining Businesses will better position the GDS Business and our Remaining Businesses to each realize its full potential without any restrictions from the other.

We have been in the GDS Business since the late 1990s when we launched our first commercial gamma detection probe. However, our roots in developing, commercializing, marketing, distributing and selling biologics or pharmaceuticals (the "Pharmaceutical Business") began approximately a decade before that, and in the last ten years, our Remaining Businesses have again assumed a more prominent role in our overall company strategy. Our Remaining Businesses now comprise 65% of our employees and have represented an average of 85% of our research and development efforts for the last three years.

We believe that the specialty pharmaceutical market for products such as our radiopharmaceutical pipeline products, Lymphoseek (tilmanocept) and RIGScan, offers us the opportunity for continuing strong growth in our



Pharmaceutical Business, and the opportunity to pursue efforts to expand our drug development portfolio. According to one industry research report, sales of radiopharmaceuticals are projected to grow to \$5.4 billion by 2015. In light of this large and growing market, we believe the radiopharmaceutical pipeline products offered by our Pharmaceutical Business afford us a meaningful opportunity to create revenue growth and enable short- and long-term value for our stockholders.

The growth of our Pharmaceutical Business will require increasing investment of our resources and focus as we seek to increase revenue, diversify revenue sources, and achieve profitability in that business. The Asset Sale will allow us to increase our focus on the Pharmaceutical Business.

As we have expressed in our previous public filings, the rate of growth of the GDS Business, in the absence of a new impetus such as Lymphoseek, may decline over time. The recent volatility in the global financial markets and macroeconomic environment also poses challenges for our GDS Business as an enterprise generally. There is no guarantee that economic conditions will improve or that the opportunity to find a suitable purchaser for the GDS Business will arise again in the future.

In evaluating the Asset Purchase Agreement and the Asset Sale, our Board of Directors consulted with our senior management, outside legal counsel and financial advisor. Our Board of Directors also consulted with outside legal counsel regarding our Board of Directors' fiduciary duties, legal due diligence matters, and the terms of the Asset Purchase Agreement and related agreements. Based on the factors discussed below, our Board of Directors concluded that the Asset Sale is in the best interests of our stockholders and recommended that our stockholders adopt and approve the Asset Purchase Agreement and the Asset Sale.

The factors that our Board of Directors considered in reaching its determination included, but were not limited to, the following:

- the value and the consideration to be received by us pursuant to the Asset Purchase Agreement, including the fact that we would receive an up-front payment without the placement of any funds in escrow;
- the potential for us to receive additional consideration in the form of royalty payments based on the net revenue attributable to the GDS Business over the course of the six fiscal years ended December 31, 2012, 2013, 2014, 2015, 2016 and 2017;
- the form of the consideration in the Asset Sale being cash (both in respect of the up-front payment and any continuing royalty payments), and the certainty of the value of such cash consideration compared to stock or other possible forms of consideration;
- financial information concerning the GDS Business and our other businesses (including, without limitation, information relating to the financial condition and prospects of our GDS Business and other businesses), current industry, economic and market conditions relating to our GDS Business and other businesses and the possibility that the short- and long-term prospects of the GDS Business may face increasing market pressures while our Remaining Businesses (including the Pharmaceutical Business) are presented with continued opportunities to grow;
  - the financial projections for our GDS Business summarized under “Financial Projections” on page [•];
- the fact that the continued operation of both our GDS Business and Remaining Businesses together could place certain restrictions on each of the businesses, due to strategic, competitive and operational considerations, that may hinder their respective abilities to achieve their goals in the future;
- the possibility that our Pharmaceutical Business' current and prospective customers, employees and other business partners may find advantages and synergies working with our company as a “pure play” specialty pharmaceutical company;
- the creation of a more focused business model and a clearer investment opportunity for our current and future stockholders and for our continuing employees who hold stock options and other equity in our company;
- the increased focus and resource allocation we could place on our growing Pharmaceutical Business following the Asset Sale;

- the additional financial flexibility to continue to aggressively grow our Pharmaceutical Business, both with our current assets and technologies and through additional licenses or acquisitions;
- the comprehensive strategic review process undertaken by us, which included the retention of recognized advisors, and ultimately resulted in the agreement with Devicor to acquire the GDS Business;

- the alternatives available if we did not sell the GDS Business to Devicor, including independent pursuit of growth of the GDS Business, through acquisitions or otherwise, all of which involve meaningful risks, financial commitments, and uncertainties, none of which, in the view of our Board of Directors, were as favorable to us and our stockholders as, nor more favorable to us and our stockholders than, the Asset Sale;
- the opinion of UBS, dated May 23, 2011, to our Board of Directors as to the fairness, from a financial point of view and as of the date of the opinion, to Neoprobe of the consideration to be received by Neoprobe in the Asset Sale, as more fully described below under the caption “Opinion of Our Financial Advisor;”
- the business reputation and experience of Devicor and its management, directors and shareholders and its financial resources which our Board of Directors believed supported the conclusion that a transaction with Devicor could be completed in an efficient and orderly manner;
  - the impact of the Asset Sale on our customers, employees, and other business partners; and
- the reasonable likelihood of the consummation of the Asset Sale in light of the relatively limited conditions to Devicor’s obligations to consummate the Asset Sale, including the fact that the consummation of the Asset Sale is not contingent on Devicor’s ability to secure financing commitments or third party consents.

Our Board of Directors also identified and considered a number of uncertainties, risks and potentially negative factors in its deliberations concerning the Asset Sale, including:

- the possibility that the transactions contemplated by the Asset Purchase Agreement, including the Asset Sale, might not be consummated, and the fact that if the Asset Sale is not consummated, (a) our directors, executive officers and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the transaction, (b) we will have incurred significant transaction costs, and (c) the potential negative market perception of our continuing business could potentially result in a loss of customers, business partners, channel partners and employees, any of which may have a material and adverse effect on our results of operations and our stock price;
- the effect of the public announcement of the Asset Sale and the Asset Purchase Agreement, including effects on our sales, customer and channel partner relationships, operating results, stock price, and our ability to attract and retain key management and sales and marketing personnel and technical support agents;
- the resultant loss of all of our existing product sales and related gross profit as a result of selling the GDS Business;
- the fact that, after the Asset Sale, we will be entirely dependent on the performance of our Pharmaceutical Business, which is in a research and development stage and has not been profitable to date;
- our obligations to provide services to Devicor for a period of time following the closing pursuant to the terms of the transition services agreement;
- the restrictions on the conduct of the GDS Business prior to completion of the Asset Sale, requiring us to conduct the GDS Business only in the ordinary course, subject to specific limitations or Devicor’s consent, which may delay or prevent us from undertaking business opportunities that may arise pending completion of the Asset Sale;
- the restrictions on our Board of Directors’ ability to solicit or engage in discussions or negotiations with a third party regarding alternative transactions, and the requirement that we pay for Devicor’s transaction expenses, or Devicor’s transaction expenses plus a \$1,000,000 termination fee, in certain cases in the event of a termination of the Asset

Purchase Agreement;

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- the risk that we will not be able to satisfy some or all of the conditions to Devicor obligations to consummate the Asset Sale;
- the risk that we could be exposed to future indemnification payments for a breach or violation of the representations and warranties or covenants contained in the Asset Purchase Agreement;
- the performance of the GDS Business as operated by Devicor following the Asset Sale which could result in our not receiving a portion, or any, of the additional \$20,000,000 in consideration available pursuant to the Asset Purchase Agreement in the form of royalty payments based on the net revenue attributable to the GDS Business over the course of the six fiscal years ended December 31, 2012, 2013, 2014, 2015, 2016 and 2017;
- the expectation that a portion of the consideration we will receive in connection with the Asset Sale will be subject to certain U.S. federal, state, and local income and other taxes;
- the risk that unforeseen liabilities and expenses may be incurred that may limit the ultimate amount of net proceeds from the Asset Sale;
  - the significant costs involved in consummating the Asset Sale, including legal, accounting, and financial advisory fees and other costs, which we estimate to be approximately \$2.7 million; and
- the interests that our executive officers and directors may have with respect to the Asset Sale in addition to their interests as stockholders of our company.

After careful and due consideration, our Board of Directors concluded that overall, the risks, uncertainties, restrictions and potentially negative factors associated with the Asset Sale were outweighed by the potential benefits of the Asset Sale, and that many of these risks could be managed or mitigated prior to the consummation of the Asset Sale or were unlikely to have a material adverse effect on our company.

The foregoing information and factors considered by our Board of Directors are not intended to be exhaustive. In view of the variety of factors and the amount of information considered, our Board of Directors did not find it practicable to, and did not, quantify, rank or otherwise assign relative weights to the specific factors it considered in approving the Asset Sale and the Asset Purchase Agreement. In addition, individual members of our Board of Directors may have given different weights to different factors. Our Board of Directors considered all of these factors as a whole, and overall considered them to be favorable to and to support its determination.

#### Post-Closing Business and Proceeds from the Asset Sale

Upon the closing of the Asset Sale, our Board of Directors and management will focus their attention on our Pharmaceutical Business. We will continue to pursue our Pharmaceutical Business growth strategy and the development of our radiopharmaceutical pipeline products, Lymphoseek and RIGScan. We will also investigate possibilities for enhancing our Pharmaceutical Business that may have been less available to us, due to competitive factors, resource issues, or otherwise, when we operated both the GDS Business and the Pharmaceutical Business.

Our goals following the conclusion of the Asset Sale will be to continue to grow and diversify revenue in our other businesses while driving to achieve profitability. To achieve growth, our plan is to bolster our product development pipeline with the addition of relatively late stage assets (i.e., product candidates that are in or have completed Phase II clinical testing and/or are in or ready to enter Phase III testing). We expect to continue to explore both internal and external growth opportunities in our Pharmaceutical Business. In particular, we plan to pursue growth of our pipeline with other product candidates and may license complementary technologies and product candidates or acquire

complementary companies that can contribute to the strategic, operational and financial performance of our Pharmaceutical Business. During our growth process, we expect to add some additional employees to assist us both in identifying and securing additional development assets as well as developing and commercializing such assets; however, we also expect to continue to outsource certain capabilities to augment our internal subject matter experts. In the event that we are unable to identify suitable product candidates and acquisition targets that are appropriately valued, we will evaluate other possible uses of our available cash reserves consistent with the best interests of our stockholders.

### Recommendation of Our Board of Directors

After careful consideration, the members of our Board of Directors adopted and approved the Asset Purchase Agreement and determined the Asset Sale to be in the best interests of the Company and our stockholders, and recommended to our stockholders that the Asset Purchase Agreement and the transactions contemplated thereby, including the Asset Sale, be approved by our stockholders.

### Opinion of Our Financial Advisor

On May 23, 2011, at a meeting of Neoprobe's Board of Directors held to evaluate the proposed Asset Sale, UBS delivered to Neoprobe's Board an oral opinion, confirmed by delivery of a written opinion dated May 23, 2011, to the effect that, as of that date and based on and subject to various assumptions, matters considered and limitations described in its opinion, the consideration to be received by Neoprobe in the Asset Sale was fair, from a financial point of view, to Neoprobe.

The full text of UBS' opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. This opinion is attached as Appendix B and is incorporated into this proxy statement by reference. Holders of Neoprobe Common Stock are encouraged to read UBS' opinion carefully in its entirety. UBS' opinion was provided for the benefit of Neoprobe's Board of Directors (in its capacity as such) in connection with, and for the purpose of, its evaluation of the consideration from a financial point of view and did not address any other aspect of the Asset Sale. The opinion did not address the relative merits of the Asset Sale as compared to other business strategies or transactions that might be available with respect to the GDS Business or Neoprobe's underlying business decision to effect the Asset Sale. The opinion does not constitute a recommendation to any stockholder as to how to vote or act with respect to the Asset Sale. The following summary of UBS' opinion is qualified in its entirety by reference to the full text of UBS' opinion.

In arriving at its opinion, UBS, among other things:

- reviewed certain publicly available business and financial information of Neoprobe relating to the GDS Business;
- reviewed certain internal financial information and other data relating to the GDS Business and its financial prospects that were not publicly available, including certain financial forecasts and estimates prepared by Neoprobe's management that Neoprobe's Board of Directors directed UBS to utilize for purposes of its analysis;
- conducted discussions with members of Neoprobe's senior management concerning the GDS Business and its financial prospects;
- performed a discounted cash flow analysis of the GDS Business in which UBS analyzed the future cash flows of the GDS Business based on the financial forecasts and estimates referred to above;
  - reviewed a draft, dated May 23, 2011, of the Asset Purchase Agreement; and
- conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.

In connection with its review, with the consent of Neoprobe's Board of Directors, UBS assumed and relied upon, without independent verification, the accuracy and completeness in all material respects of the information provided to or reviewed by UBS for the purpose of its opinion. In addition, with the consent of Neoprobe's Board of Directors, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise)



of the GDS Business, and was not furnished with any such evaluation or appraisal. With respect to the financial forecasts and estimates referred to above, UBS assumed, at the direction of Neoprobe's Board of Directors, that they had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Neoprobe's management as to the future financial performance of the GDS Business. These forecasts and estimates contemplated that Neoprobe would not receive any royalty payments pursuant to the Asset Purchase Agreement following consummation of the Asset Sale. As Neoprobe's Board of Directors was aware, the financial and operating characteristics of the GDS Business caused its financial results to have limited comparability, for valuation purposes, to those of companies and transactions that UBS reviewed in the medical technology industry and, accordingly, UBS relied primarily on a discounted cash flow analysis for purposes of its opinion. UBS also relied, at the direction of Neoprobe's Board of Directors, without independent verification, upon the assessments of Neoprobe's management as to the products and technology of the GDS Business and the risks associated with such products and technology. UBS' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information available to UBS as of, the date of its opinion.

At the direction of Neoprobe's Board of Directors, UBS was not asked to, and it did not, offer any opinion as to the terms, other than the consideration to be received by Neoprobe in the Asset Sale to the extent expressly specified in UBS' opinion, of the Asset Purchase Agreement or any related documents or the form of the Asset Sale. In addition, UBS expressed no opinion as to the fairness of the amount or nature of any compensation to be received by any officers, directors or employees of any parties to the Asset Sale, or any class of such persons, relative to the proposed consideration in such transaction. In rendering its opinion, UBS assumed, with the consent of Neoprobe's Board of Directors, that (i) the final executed form of the Asset Purchase Agreement would not differ in any material respect from the draft that UBS reviewed, (ii) the parties to the Asset Purchase Agreement would comply with all material terms of the Asset Purchase Agreement, and (iii) the Asset Sale would be consummated in accordance with the terms of the Asset Purchase Agreement without any adverse waiver or amendment of any material term or condition of the Asset Purchase Agreement. UBS also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Asset Sale would be obtained without any material adverse effect on Neoprobe, the GDS Business or the Asset Sale. At the request of Neoprobe's Board of Directors, UBS contacted third parties to solicit indications of interest in a possible transaction with Neoprobe in early 2010, and UBS also more recently contacted selected third parties to solicit indications of interest in a possible transaction with respect to the GDS Business and held discussions with a third party that contacted Neoprobe regarding such a transaction prior to the date of UBS' opinion. Except as described in this summary, Neoprobe's Board of Directors imposed no other instructions or limitations on UBS with respect to the investigations made or the procedures followed by UBS in rendering its opinion. The issuance of UBS' opinion was approved by an authorized committee of UBS.

In connection with rendering its opinion to Neoprobe's Board of Directors, UBS performed a financial analysis which is summarized below. The following summary is not a complete description of the financial analysis performed and all factors considered by UBS in connection with its opinion. The preparation of a financial opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. UBS' financial analysis necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect such analysis. UBS believes that its financial analysis and the summary below must be considered as a whole and that selecting portions of its financial analysis and factors without considering all portions of its financial analysis and factors could create a misleading or incomplete view of the processes underlying UBS' financial analysis and opinion. UBS did not draw, in isolation, conclusions from or with regard to any one factor for purposes of its opinion, but rather arrived at its ultimate opinion based on the results of all factors assessed as a whole.

The estimates of the future performance of the GDS Business provided by Neoprobe's management in or underlying UBS' financial analysis are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. In performing its financial analysis, UBS considered industry performance, general business and economic conditions and other matters, many of which were beyond Neoprobe's control. Estimates of the financial value of companies do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold or acquired.

The consideration in the Asset Sale was determined through negotiations between Neoprobe and Devicor and the decision by Neoprobe to enter into the Asset Purchase Agreement was solely that of Neoprobe's Board of Directors. UBS' opinion and financial analysis were only one of many factors considered by Neoprobe's Board of Directors in its evaluation of the Asset Sale and should not be viewed as determinative of the views of Neoprobe's Board of Directors or management with respect to the Asset Sale or the proposed consideration.

The following is a brief summary of the discounted cash flow analysis performed by UBS and reviewed with Neoprobe's Board of Directors on May 23, 2011 in connection with UBS' opinion relating to the proposed Asset Sale. Considering the data below without considering the full narrative description of UBS' financial analysis, including the methodologies and assumptions underlying the analysis, could create a misleading or incomplete view of UBS' financial analysis.

**Discounted Cash Flow Analysis of the GDS Business.** UBS performed a discounted cash flow analysis of the GDS Business utilizing financial forecasts and estimates relating to the GDS Business prepared by Neoprobe's management. UBS calculated a range of implied present values (as of May 31, 2011) of the standalone unlevered, after-tax free cash flows that the GDS Business was forecasted to generate from June 1, 2011 through the fiscal year ending December 31, 2022, and of estimated terminal values for the GDS Business, representing the value of the estimated unlevered after-tax free cash flows to be generated after such period based on estimated unlevered after-tax free cash flows for the fiscal year ending December 31, 2022, using a range of perpetuity growth rates of (1%) to 1%. Present values of cash flows and terminal values were calculated using discount rates ranging from 15% to 20%. The discounted cash flow analysis indicated a range of implied present values for the GDS Business of approximately \$16.4 million to \$20.0 million, as compared to the \$30 million consideration to be received by Neoprobe in the Asset Sale (assuming no royalty payments).

#### Miscellaneous

Under the terms of UBS' engagement, Neoprobe has agreed to pay UBS for its financial advisory services in connection with the Asset Sale an aggregate fee of \$2.5 million, a portion of which was payable in connection with UBS' opinion and a significant portion of which is contingent upon consummation of the Asset Sale. In addition, Neoprobe has agreed to reimburse UBS for its reasonable expenses, including fees, disbursements and other charges of counsel, and to indemnify UBS and related parties against liabilities, including liabilities under federal securities laws, relating to, or arising out of, its engagement.

In the past, UBS and its affiliates provided services to Devicor and its affiliate, GTCR Golder Rauner II, LLC and certain of its portfolio companies or other affiliates unrelated to the proposed Asset Sale ("GTCR"), for which UBS and its affiliates received compensation, including, without limitation, during the two-year period prior to the date of UBS' opinion, (i) acting as a financial advisor to Devicor in connection with a potential acquisition and (ii) providing financing to GTCR and certain of its portfolio companies or other affiliates in connection with certain acquisitions. In addition, an affiliate of UBS as of the date of UBS' opinion was a participant in credit facilities of certain portfolio companies of GTCR, for which such UBS affiliate had received and, as of the date of UBS' opinion, continued to receive fees and interest payments. In the ordinary course of business, UBS and its affiliates may hold or trade, for their own accounts and the accounts of their customers, securities of Neoprobe and certain portfolio companies and other affiliates of GTCR and, accordingly, may at any time hold a long or short position in such securities.

Neoprobe's Board of Directors selected UBS as its financial advisor in connection with the Asset Sale because UBS is an internationally recognized investment banking firm with substantial experience in similar transactions. UBS is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities and private placements.

#### Other Agreements and Transactions Related to the Asset Sale

##### Transition Services Agreement

Pursuant to the Asset Purchase Agreement, we have agreed to enter into a transition services agreement with Devicor pursuant to which we shall provide certain transitional, administrative and support services to Devicor following the closing of the Asset Sale.

Voting Agreement

In connection with the Asset Purchase Agreement, David C. Bupp, our former CEO and a director of Neoprobe has agreed to vote shares held by him in favor of the Asset Sale.

## Interests of Our Directors and Executive Officers in the Asset Sale

In connection with the signing of the Asset Purchase Agreement, each of our executive officers who is party to an employment agreement that provides for payment upon a change in control has executed a waiver providing that the Asset Sale is not a change in control for purposes of the employment agreements. Additionally, David C. Bupp, our former CEO and a director of Neoprobe, has executed a waiver providing that the Asset Sale will not trigger any rights or obligations under that certain Certificate of Designations, Voting Powers, Preferences, Limitations, Restrictions, and Relative Rights of Series C Convertible Preferred Stock governing the Series C Convertible Preferred Stock held by Mr. Bupp.

## Appraisal Rights

You will not experience any change in your rights as a stockholder as a result of the Asset Sale. None of Delaware law, our certificate of incorporation, or our bylaws provides for appraisal or other similar rights for dissenting stockholders in connection with the Asset Sale, and we are not independently providing stockholders with any such right. Accordingly, you will have no right to dissent and obtain payment for your shares in connection with the Asset Sale. Our shares of Common Stock will remain publicly traded on the NYSE Amex Equities stock market following the closing of the Asset Sale.

## Accounting Treatment of the Asset Sale

Under accounting principles generally accepted in the United States of America, we expect to reflect the results of operations of the GDS Business as discontinued operations beginning on the date of the closing of the Asset Sale. The anticipated gain on the sale, net of any applicable taxes, will be reflected in our financial statements commencing with the quarter during which the Asset Sale is completed, following stockholder approval of the Asset Sale pursuant to the terms of the Asset Purchase Agreement. For further information, see the unaudited pro forma condensed financial information included in this proxy statement.

## Financing; Source and Amount of Funds

The Asset Sale is not conditioned on Devicor's ability to obtain financing.

## Material U.S. Federal, State and Local Income Tax Consequences

The Asset Sale will not result in any material U.S. federal, state or local income tax consequences to our stockholders. The transaction will be a taxable event to Neoprobe for U.S. federal, state and local income tax purposes. The Asset Sale is expected to result in the recognition of gain for U.S. federal income tax purposes and the imposition of some U.S. federal income tax on Neoprobe in the year of the sale and may be subject to alternative minimum tax despite our cumulative federal net operating losses and federal income tax credits. In addition, we expect that all or substantially all of the taxable gain resulting from the Asset Sale will be subject to state and local income taxes and the imposition of state and local income tax on Neoprobe despite our cumulative state and local income tax losses and income tax credits. The Asset Sale also may result in Neoprobe being subject to state or local sales, use, gross receipts or other taxes in jurisdictions in which we file tax returns or have assets or activities.

## Regulatory Matters

We have determined that the Asset Sale is not subject to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or the reporting and waiting requirements of any other United States antitrust law. We are not aware of any other material regulatory approvals that are required to complete the Asset Sale.



## Financial Projections

Neoprobe's management does not as a matter of course make public full year projections. However, in connection with the process of evaluating a potential sale of the GDS Business, our management provided certain GDS Business projections to Devicor in connection with its diligence process. We believe Devicor, by virtue of its acquisition of the breast care biopsy business of Ethicon Endo-Surgery, Inc., our previous distribution partner, was uniquely qualified to evaluate the growth potential of the GDS Business. As such, as a part of its diligence process, we provided two projection scenarios to Devicor, which we refer to as the middle case and the optimistic case, the net operating incomes from which are summarized below. The middle case and the optimistic case were based on Devicor's own sales projections for 2011 and 2012 with an average growth rate of 7.1% and 18.2%, respectively by scenario, per year thereafter through 2015 and a modest growth rate of 0.6% and 0.4%, respectively by scenario, thereafter through 2022. The optimistic case reflected the possibility that our drug product, Lymphoseek, may positively influence future sales of our gamma detection devices for several years following Lymphoseek's approval. This assumed growth was the basis for the "earn-out" royalty which we may earn if Devicor achieves net revenue related to the GDS Business in excess of \$21 million. In addition, we provided these two projection scenarios to our financial advisor, and also provided our financial advisor with a third scenario, referred to as the conservative case, which is also summarized below. The third scenario also used Devicor's sales projections for 2011 as a starting point, but then assumed that, starting in 2012, the GDS Business, in the absence of positive external influences or if the current installed base of devices were underutilized, would begin to experience market saturation and that sales would start to decline at an estimated rate of 8.7% per year. Our management informed our financial advisor that, in management's opinion, the conservative case was the most appropriate scenario to use for purposes of UBS's opinion.

Below, we have included material portions of these projections, which we refer to as the Projections, to give our stockholders access to certain nonpublic information prepared for purposes of considering and evaluating the Asset Sale. In all scenarios prepared, gross margins on product sales were held consistent with our historical range of experience and direct operating expenses were assumed at historical levels with an assumed growth. The Projections were prepared by Neoprobe's management for internal use and were not prepared with a view toward public disclosure or compliance with published guidelines of the SEC or the American Institute of Certified Public Accountants regarding forward-looking information or generally accepted accounting principles.

Neither Neoprobe's independent registered public accounting firm, BDO USA, LLP, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Projections, nor have they expressed any opinion or given any form of assurance on the projections or their achievability. The Projections are the sole responsibility of our management. Furthermore, the Projections:

• necessarily make numerous assumptions, many of which are beyond the control of Neoprobe and may not prove to be accurate;

• except as indicated below, do not necessarily reflect changes in general business or economic conditions, or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the projections were prepared;

• are not necessarily indicative of current values or future performance, which may be significantly more favorable or less favorable than as set forth below; and

- should not be regarded as a representation that they will be achieved.

The Projections are not a guarantee of performance. They involve significant risks, uncertainties and assumptions. The future financial results of the GDS Business may materially differ from those expressed in the Projections due to

factors that are beyond our ability to control or predict. We cannot assure you that the Projections will be realized or that the future financial results of the GDS Business will not materially vary from the Projections. We do not intend to update or revise the Projections.

The Projections are forward-looking statements. For information on factors which may cause our future financial results to materially vary, see “Cautionary Statement Concerning Forward-Looking Information” on page [•], “Risk Factors Related to the Asset Sale” on page [•], and the “Risk Factors” included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and our subsequent SEC filings.

The Projections estimate profitability at the operating income level related to the GDS Business only. They include operating expenses directly attributable to the GDS Business in the form of research and development costs and manufacturing-support related expenses but include only a small allocation for general and administrative expenses which management believes could be readily attributed to, and fairly reflect the requirements of, the support of manufacturing, shipping and invoicing activities for GDS-related products that a company such as Devicor or another third party with similar marketing and distribution infrastructure and expertise might reasonably expect to incrementally incur related to operating the GDS Business. Expenses related to the Remaining Businesses as well as general and administrative expenses which support the Company’s overall corporate infrastructure have been excluded as well interest income, other income and expenses, and all income taxes which have also been excluded. The Projections have been prepared on a non-GAAP basis, which excludes general corporate overhead, stock-based compensation expenses, and amortization of intangible assets. In 2010, these expenses totaled \$75,000, \$77,000 and \$8,000, respectively.



Non-GAAP Projections (in thousands)

Conservative  
Case

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Operating Income	\$5,878	\$5,836	\$5,704	\$5,348	\$5,218	\$4,626	\$4,098	\$3,582	\$3,079	\$2,554	\$2,340	\$2,173

Middle  
Case