UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED: SEPTEMBER 30, 1999

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT
FOR THE TRANSITION PERIOD FROM _____TO_____

COMMISSION FILE NUMBER: 0-26520

NEOPROBE CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	31-1080091
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

425 METRO PLACE NORTH, SUITE 300, DUBLIN, OHIO 43017
(Address of Principal Executive Offices)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 614.793.7500

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

Yes |X| No___

23,047,644 SHARES OF COMMON STOCK, PAR VALUE $.001 PER SHARE
(Number of shares of issuer's common equity outstanding as of the close of business on November 1, 1999

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEOPROBE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	SEPTEMBER 30,	DECEMBER 31,

	1999	1998
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 4,783,354	$3,054,936
Available-for-sale securities	-	448,563
Accounts receivable, net	1,914,199	2,069,633
Inventory	1,944,460	1,578,912
Prepaid expenses	414,875	720,420
Other current assets	39,830	147,008
Total current assets	9,096,718	8,019,472
Investment in affiliates	1,500,000	1,500,000
Property and equipment	3,085,859	3,073,931
Less accumulated depreciation and amortization	1,904,816	1,654,661
	1,181,043	1,419,270
Intangible assets, net	776,911	773,863
Other assets	1,552	281,594
Total assets	$ 12,556,224	$ 11,994,199

</TABLE>

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NEOPROBE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS, CONTINUED

<TABLE>
<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	SEPTEMBER 30, 1999	DECEMBER 31, 1998
<S>	<C>	<C>
Current liabilities:		
Line of credit	$ 480,000	$ 1,000,000
Notes payable to finance company	-	242,163
Capital lease obligations, current	98,831	99,539
Unearned license fees, current	800,000	-
Accounts payable	1,398,280	2,857,717
Accrued liabilities	3,247,892	2,813,321
Total current liabilities	6,025,003	7,012,740
Capital lease obligations	82,146	155,816
Unearned license fees	3,200,000	-
Total liabilities	9,307,149	7,168,556
Commitments and contingencies	-	-
Redeemable convertible preferred stock:		

Series B; $.001 par value; 63,000 shares and no shares authorized at September 30, 1999 and December 31, 1998, respectively; 30,000 shares and no shares issued and outstanding at September 30, 1999 and December 31, 1998, respectively	3,708,036	-
Stockholders' equity (deficit):		
Preferred stock; $.001 par value; 5,000,000 shares authorized at September 30, 1999 and December 31, 1998; none issued and outstanding (500,000 shares designated as Series A, $.001 par value, at September 30, 1999 and December 31, 1998; none outstanding)	-	-
Common stock; $.001 par value; 50,000,000 shares authorized; 23,046,644 shares issued and outstanding at September 30, 1999; 22,887,910 shares issued and outstanding at December 31, 1998	23,047	22,888
Additional paid-in capital	119,419,704	120,272,899
Accumulated deficit	(119,814,294)	(115,395,283)
Accumulated other comprehensive loss	(87,418)	(74,861)
Total stockholders' equity (deficit)	(458,961)	4,825,643
Total liabilities and stockholders' equity	$ 12,556,224	$ 11,994,199

</TABLE>

See accompanying notes to consolidated financial statements

NEOPROBE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Net sales	$ 1,400,785	$ 1,702,338	$ 5,226,406	$ 3,821,262
Cost of goods sold	468,553	454,024	1,745,476	1,019,081
Gross profit	932,232	1,248,314	3,480,930	2,802,181
Operating expenses:				
Research and development	77,807	2,732,569	892,103	10,659,296
Marketing and selling	1,623,874	1,561,904	3,881,296	3,780,418
General and administrative	1,077,589	1,256,487	2,893,814	4,008,141
Losses related to subsidiaries in liquidation	-	1,441,974	475,231	2,772,294
Total operating expenses	2,779,270	6,992,934	8,142,444	21,220,149
Loss from operations	(1,847,038)	(5,744,620)	(4,661,514)	(18,417,968)
Other income (expense):				
Interest income	15,916	105,861	63,906	555,317
Interest expense	(25,838)	(100,886)	(68,783)	(152,982)
Other	176,139	134,682	247,380	86,002
Total other income (expense)	166,217	139,657	242,503	488,337

Net loss	(1,680,821)	(5,604,963)	(4,419,011)	(17,929,631)
Conversion discount on preferred stock	-	-	1,795,775	-
Accretion to potential redemption value	1,804,225	-	1,804,225	-
Preferred stock dividend requirements	51,786	-	108,036	-
Loss attributable to common stockholders	$ (3,536,832)	$ (5,604,963)	$ (8,127,047)	$ (17,929,631)
Loss per common share (basic and diluted)	$ (0.15)	$ (0.24)	$ (0.35)	$ (0.79)
Weighted average shares outstanding during the period (basic and diluted)	23,044,405	22,884,528	22,988,908	22,823,382

</TABLE>

See accompanying notes to consolidated financial statements

NEOPROBE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998
<S>	<C>	<C>
Net cash used in operating activities	$ (631,700)	$ (18,674,539)
Cash flows from investing activities:		
Purchases of available-for-sale securities	-	(1,738,512)
Proceeds from sales of available-for-sale securities	443,729	3,741,357
Maturities of available-for-sale securities	4,467	11,050,000
Purchases of property and equipment	(67,065)	(2,405,865)
Proceeds from sales of property and equipment	23,439	-
Patent costs	(21,195)	(430,870)
Net cash provided by investing activities	383,375	10,216,110
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	145	196,343
Proceeds from issuance of redeemable convertible preferred stock, net	2,818,065	-
Proceeds from line of credit	480,000	700,000
Payments under line of credit	(1,000,000)	(275,750)
Payments under notes payable	(242,163)	(202,615)
Payments under capital leases	(74,378)	(118,271)
Proceeds from long-term debt	-	2,666,118
Net cash provided by financing activities	1,981,669	2,965,825
Effect of exchange rate changes on cash	(4,926)	(6,169)

Net increase (decrease) in cash and cash equivalents	1,728,418	(5,498,773)
Cash and cash equivalents at beginning of period	3,054,936	9,921,025
Cash and cash equivalents at end of period	$ 4,783,354	$ 4,422,252

</TABLE>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION:

The information presented for September 30, 1999 and 1998, and for the periods then ended is unaudited, but includes all adjustments (which consist only of normal recurring adjustments) which the management of Neoprobe Corporation (the "Company") believes to be necessary for the fair presentation of results for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The results for the interim period are not necessarily indicative of results to be expected for the year. The financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 1998, which were included as part of the Company's Annual Report on Form 10-K, as amended. Certain 1998 amounts have been reclassified to conform with the 1999 presentation.

2. COMPREHENSIVE INCOME (LOSS): Other comprehensive income (loss) consists of the following:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Net loss	$1,680,821	$5,604,963	$4,419,011	$17,929,631
Foreign currency translation adjustment	11,134	(15,224)	12,338	(5,202)
Unrealized (gains) losses on securities	-	(11,737)	219	(23,169)
Other comprehensive loss	$1,691,955	$5,578,002	$4,431,568	$17,901,260

</TABLE>

3. INVENTORY:

The components of inventory are as follows:

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1999	DECEMBER 31, 1998
<S>	<C>	<C>
Materials and component parts	$ 140,314	$ 277,505
Finished goods	1,804,146	1,301,407
	$ 1,944,460	$ 1,578,912

</TABLE>

4. DEBT:

At December 31, 1998, the Company had a $1 million revolving line of credit arrangement with a bank, which was secured by $1 million in pledged cash and investments of the Company. This line of credit expired under its terms on August 31, 1999. During August 1999, the Company negotiated a new line of credit with another bank. The new line of credit matures on December 31, 1999, provides for a maximum outstanding principal of $500,000 and bears interest at the bank's prime rate plus one percent. The new line of credit is secured by the assets of the Company, excluding intellectual property and equipment related to the Company's ILM technology. As of September 30, 1999, $480,000 was outstanding under the new line of credit.

5. EQUITY:

A. PRIVATE PLACEMENT: On February 16, 1999, the Company executed a Preferred Stock and Warrant Purchase Agreement (the "Purchase Agreement") to complete the private placement of 30,000 shares of 5% Series B Convertible preferred stock (the "Series B") for gross proceeds of $3 million ($2.8 million, net of transaction costs). The Series B have a $100 per share stated value and are convertible into common stock of the Company. In connection with the private placement, the Company also issued warrants to purchase 2.9 million shares of common stock of the Company at an initial exercise price of $1.03 per share.

The Company is required to pay a cumulative 5% annual dividend on the Series B. Dividends accrue daily and are payable on each six-month and one-year anniversary of the initial closing. Neoprobe has the option of paying these dividends in cash or in shares of common stock. On any day the common stock trades below $0.55 per share, the annual dividend rate will be 10%. The dividends are recorded as incremental yield to the preferred stockholders in the Company's loss per share calculation and are included in the carrying value of the Series B at September 30, 1999.

Generally, each share of the Series B may be converted, at the option of the owner, into the number of shares of common stock calculated by dividing the sum of $100 and any unpaid dividends on the share of Series B by the conversion price. The initial conversion price of the Series B sold is $1.03 per share of common stock. If, on February 16, 2000, the market value of common stock is less than $1.03, the conversion price will be reset to the market value of a share of common stock on February 16, 2000, but not less than $0.515. If the market value of common stock is less than $1.03, the conversion price will be the average of the three lowest closing bid prices for a share of common stock during the previous 10 trading days. The Company may refuse to convert a share of Series B that the Company sold if its conversion price is less than $0.55. However, if the conversion price of a share is less than $0.55 for more than 60 trading days in any 12-month period, then the Company must either convert a share at the share's conversion price or pay the owner cash based on the highest closing price for common stock during the period from the date of the owner's conversion request until the payment. The conversion price may also be adjusted to prevent dilution of the economic interests of the owners of Series B in the event certain other equity transactions are consummated by the Company. The exercise price of the warrants is also subject to adjustment based on terms defined in the Agreement, subject to a floor price of $0.62 per share.

Holders of the Series B (the "Series B Holders") have certain liquidation preferences over other stockholders under certain provisions as defined in the Purchase Agreement and have the right to cast the same number of votes as if the owner had converted on

the record date.

Pursuant to the private placement, the Company signed a financial advisory agreement with the placement agent providing the agent with the right to purchase 1,500 shares of Series B convertible into common stock, initially at $1.03 per share, and warrants to purchase 145,631 shares of common stock of the Company initially exercisable at $1.03 per share. Both the Series B and the warrants issuable under the financial advisory agreement are subject to repricing features similar to the outstanding Series B and related warrants. In addition, the Company agreed to pay the agent a monthly financial advisory fee and success fees based on certain investment transactions consummated during the 24-month term of the agreement, if any.

The Series B and the related warrants issued were recorded at the amount of gross proceeds less the costs of the financing based upon their relative fair values. The preferred stock, due to its redemption provisions, is classified as mezzanine financing above the stockholders' equity section on the balance sheet. The calculated conversion price at February 16, 1999, the first available conversion date, was $1.03 per share. In accordance with the FASB's Emerging Issues Task Force Topic D-60, the difference between this conversion price and the closing market price of $1.81 on February 16, 1999, not to exceed the amount allocated to the preferred stock, was reflected as incremental yield to the preferred stockholders in the Company's loss per common share calculation for the quarter ended March 31, 1999.

Under certain conditions, the Company may be obligated to redeem outstanding shares of Series B for $120 per share. Conditions under which redemption may be required include: failure to meet filing deadlines for a registration statement for common stock into which the Series B may be converted, a material breach of the Purchase Agreement, delisting from the NASDAQ Stock Market, a material qualification of the audit opinion on the consolidated financial statements, or the liquidation or merger of the Company or the sale of substantially all of the Company's assets.

The Company obtained a waiver from the Series B Holders related to redemption requirements associated with the issuance by the Company's auditors of a going concern opinion on the Company's consolidated financial statements for the year ended December 31, 1998. However, on July 28, 1999, the NASDAQ Stock Market, Inc. delisted the Company's common stock from the NASDAQ National Market System ("NASDAQ NMS"). Management believes that the likelihood that the Series B Holders will request redemption has increased as a result of the delisting and other events that occurred during the third quarter of 1999. Accordingly, the Company recorded a charge of $1.8 million during the quarter ended September 30, 1999 to accrete the originally recorded book value of $1.8 million up to the potential redemption value, stipulated in the Purchase Agreement, of $3.6 million.

b. STOCK OPTIONS: During the first quarter of 1999, the Board granted options to employees and certain directors of the Company under the 1996 Stock Incentive Plan (the "Plan") for 412,500 shares of common stock, exercisable at $1.25 per share, vesting over three to four years. During the second quarter of 1999, the Board of Directors granted 105,000 options to non-employee directors under the Plan, exercisable at $0.72 per share, in lieu of waived cash compensation. As of September 30, 1999, the Company has 1.4 million options outstanding under two stock option plans. Of the outstanding options, 614,000 options have vested as of September 30, 1999, at an average exercise price of $6.49 per share.

6. SEGMENTS AND SUBSIDIARIES INFORMATION:

Prior to the changes in the Company's business plan made starting in early 1998 and continuing through September 30, 1999, the Company's business was operated based on product development initiatives started under the Company's prior business plan. These strategic initiatives originally included development and commercialization of: hand-held gamma detection instruments currently used primarily in the application of Intraoperative Lymphatic Mapping ("ILM"), diagnostic radiopharmaceutical products to be used in the Company's proprietary RIGS(R) (radioimmunoguided surgery) process, and a therapeutic process using a patient's own cancer fighting cells referred to as Activated Cellular Therapy ("ACT"). The Company's current business plan focuses primarily on the hand-held gamma detection instruments while efforts are carried out to find partners or licensing parties to fund RIGS and ACT research, development and commercialization activities.

The Company's United States operations included activities for 1998 and prior years that benefited all three strategic initiatives. The suspended RIGS initiative included the operations of the Company's two subsidiaries, Neoprobe Europe AB ("Neoprobe Europe") and Neoprobe (Israel) Ltd. ("Neoprobe Israel"). Neoprobe Europe was acquired in 1993 primarily to perform a portion of the manufacturing process of the monoclonal antibody used in the first RIGS product to be used for colorectal cancer, RIGScan CR49. Neoprobe Israel was founded to radiolabel RIGScan CR49. Neoprobe Europe and Neoprobe Israel also both performed limited research and development activities related to the Company's RIGS process on behalf of the Company.

Under Statement of Financial Accounting Standards ("SFAS") No. 131, neither subsidiary has been considered a segment. Both Neoprobe Europe and Neoprobe Israel have been accounted for under the liquidation method of accounting as of December 31, 1998. The results of the operations of Neoprobe Europe and Neoprobe Israel for 1998, as well as the effects of adjustment of their related assets in conformity with the liquidation basis of accounting, have been reclassified from prior year presentations to

be presented as losses relating to subsidiaries in liquidation in the consolidated statements of operations. Accordingly, the consolidated balance sheet includes $13,000 and $96,000 in current assets at their net realizable values and $4,000 and $893,000 in liabilities at the amounts expected to settle the obligations due as of September 30, 1999 related to Neoprobe Europe and Neoprobe Israel, respectively. Neoprobe Europe is expected to file its final liquidation reports with the Swedish government as of October 31, 1999 at which time any residual net assets will be returned to the Company by the liquidator. The Company also believes that the appointment of a Receiver for Neoprobe Israel on October 24, 1999 (See Note 8.) may result in the settlement of the liabilities of Neoprobe Israel at substantially less than their recorded values. However, there can be no assurance that a settlement will occur, or if it occurs, that the settlement will result in a gain for the Company.

The information in the following table is derived directly from the segments' internal financial reporting used for corporate management purposes. The expenses attributable to corporate activity, including amortization and interest, and other general and administrative costs are not allocated to the individual segments.

Three months ended September 30, 1999 and 1998

<TABLE>
<CAPTION>

($ AMOUNTS IN THOUSANDS)	THREE MONTHS ENDED SEPTEMBER 30, 1999				
	RIGS	ILM	ACT	UNALLOCATED	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>

Revenue					
U.S. customers	$ -	$1,229	$ -	$ -	$ 1,229
International customers	-	172	-	-	172
Research and development expenses	-	78	-	-	78
Marketing and selling expenses	-	1,624	-	-	1,624
General and administrative expenses	-	-	-	1,078	1,078
Losses related to subsidiaries in liquidation	-	-	-	-	-
Other income	-	-	-	166	166

THREE MONTHS ENDED SEPTEMBER 30, 1998

	RIGS	ILM	ACT	UNALLOCATED	TOTAL
Revenue					
U.S. customers	$ -	$ 1,621	$ -	$ -	$ 1,621
International customers	-	81	-	-	81
Research and development expenses	1,650	707	376	-	2,733
Marketing and selling expenses	-	1,562	-	-	1,562
General and administrative expenses	-	-	-	1,256	1,256
Losses related to subsidiaries in liquidation	1,442	-	-	-	1,442
Other income	-	-	-	140	140

Nine months ended September 30, 1999 and 1998

($ AMOUNTS IN THOUSANDS) NINE MONTHS ENDED SEPTEMBER 30, 1999

	RIGS	ILM	ACT	UNALLOCATED	TOTAL
Revenue					
U.S. customers	$ -	$4,107	$ -	$ -	$ 4,107
International customers	-	1,119	-	-	1,119
Research and development expenses	-	892	-	-	892
Marketing and selling expenses	-	3,881	-	-	3,881
General and administrative expenses	-	-	-	2,894	2,894
Losses related to subsidiaries in liquidation	475	-	-	-	475
Other income	-	-	-	243	243

NINE MONTHS ENDED SEPTEMBER 30, 1998

	RIGS	ILM	ACT	UNALLOCATED	TOTAL
Revenue					
U.S. customers	$ -	$ 3,581	$ -	$ -	$ 3,581
International customers	-	240	-	-	240
Research and development expenses	6,667	2,727	1,265	-	10,659
Marketing and selling expenses	-	3,780	-	-	3,780
General and administrative expenses	-	-	-	4,008	4,008
Losses related to subsidiaries in liquidation	2,772	-	-	-	2,772
Other income	-	-	-	488	488

7. AGREEMENTS:

In April 1998, the Company executed a non-exclusive Sales and Marketing Agreement with Ethicon Endo-Surgery, Inc. ("EES"), a subsidiary of Johnson & Johnson, to market and promote certain of the Company's line of hand-held gamma detection instruments. On January 29, 1999, the Company provided EES with notice of the Company's intent to terminate

the Agreement effective March 1, 1999.

Effective February 1, 1999, the Company executed a Sales and Marketing Agreement with KOL BioMedical Instruments, Inc. ("KOL") to market the Company's current and future gamma guided surgery products in the U.S. The Company terminated the Sales and Marketing Agreement with KOL effective October 31, 1999. In connection with the termination, the Company agreed to pay KOL any outstanding commission amounts due as well as a fee to terminate the agreement. The $700,000 termination fee was accrued at September 30, 1999 and is included in Marketing and selling expenses for the quarter then ended. The Company also agreed to repurchase any unsold demonstration units that had been purchased by KOL for approximately $1 million.

The Company entered into a new Distribution Agreement (the "Agreement") with EES effective October 1, 1999 for an initial five-year term with options to extend for two successive two-year terms. Under the Agreement, the Company will manufacture and sell its ILM products (the "Products") exclusively to EES who will distribute the Products globally. EES agreed to purchase minimum quantities of the Company's Products over the first three years of the term of the Agreement and to reimburse the Company for certain research and development costs and a portion of the Company's warranty costs. EES also agreed to purchase the demonstration units returned from KOL. The Company is obligated to continue certain product maintenance activities and to provide ongoing regulatory support for the Products.

EES may terminate the Agreement if the Company fails to supply Products for specified periods, commits a material breach of the Agreement, suffers a change of control of the Company, or becomes insolvent. If

termination is due to failure to supply or a material breach by the Company, EES would have the right to use the Company's intellectual property and regulatory information to manufacture and sell the Products exclusively on a global basis for the remaining term of the Agreement with no additional financial obligation to the Company. If termination is due to insolvency or a change of control that does not affect supply of the Products, EES has the right to continue to sell the Products on an exclusive global basis for a period of six months or require the Company to repurchase any unsold Product in its inventory.

Under the Agreement, Ethicon received a non-exclusive, worldwide paid-up license (the "License") to the Company's ILM intellectual property to make and sell other products that may be developed using the Company's ILM intellectual property. The term of the License is the same as that of the Agreement. EES paid the Company a non-refundable license fee of $4 million. The Company intends to recognize the license fee as revenue over the five-year initial term of the Agreement. If the Agreement is terminated by the Company as a result of a material breach by EES, EES would be required to pay the Company a royalty on all products developed and sold by EES using the Company's ILM intellectual property. In addition, the Company is entitled to a royalty on any ILM product commercialized by EES that does not infringe any of the Company's existing intellectual property.

8. CONTINGENCIES:

a. POTENTIAL REDEMPTION OF SERIES B: On July 28, 1999, the NASDAQ Stock Market, Inc. delisted the Company's common stock from the NASDAQ NMS. Management believes that as a result of events which occurred subsequent to June 30, 1999, the holders of the Series B have the option to request redemption of the Series B. If the Series B holders decide to request redemption, the Purchase Agreement would appear to require the Company to pay the Series B holders approximately $3.6 million. Management of the Company has approached the holders of the Series B in an attempt to restructure the Series B transaction. However, there can be no assurances that the Company will be able to restructure the Series B transaction at terms acceptable to the Company or at all. Management believes the best

estimate of the potential settlement value to be an amount consistent with the $3.6 million redemption value stipulated in the Purchase Agreement.

b. NEOPROBE ISRAEL: Pursuant to the Company's decision to liquidate Neoprobe Israel, management of the Company believes Neoprobe Israel may be subject to claims from the State of Israel, a bank, and various unsecured vendors. On October 17, 1999 one of the unsecured vendors filed a motion with the Israeli courts for a "winding up" of Neoprobe Israel. On October 24, 1999, based on the bank's secured interest in the facility, the Israeli courts appointed a representative of the bank as Receiver for Neoprobe Israel. The appointment of a Receiver has superceded the motion from the unsecured vendor. The Company expects the Receiver to attempt to sell the facility and/or its equipment and to use any proceeds to repay the creditors of Neoprobe Israel to the extent possible. Management of the Company continues to believe that Neoprobe Corporation's only ongoing contractual obligation related to Neoprobe Israel relates to the limited amount guarantee which is fully secured through $993,000 in restricted cash and investments on deposit with the bank. However, it is possible that the Company may be subject to additional claims related to Neoprobe Israel. Management does not believe such claims, if any, would have a material adverse affect on the Company's financial position or results of operations.

9. LIQUIDITY:

Through September 30, 1999, the Company's activities have resulted in an accumulated deficit of $120 million. However, beginning in the first half of 1998, the Company began a series of changes to its business plan. Since that time, the Company has continued to modify its business plan to one that is almost solely focused on the continued development of the Company's ILM business. As of September 30, 1999, the Company had cash and cash equivalents of $4.8 million. This amount includes the $4 million up-front license payment received from EES. Of the $4.8 million, approximately $1.0 million is restricted related to the debt outstanding under the financing program for the construction of Neoprobe Israel's radiolabeling

facility. At September 30, 1999, the Company had access to approximately $3.8 million in unrestricted funds to finance its operating activities. The Company expects to generate positive cash flow from operations in the near term, possibly as early as the fourth quarter of 1999, as a result of the Distribution Agreement with EES. However, there can be no assurances that the Company will achieve the volume of sales anticipated in connection with the Agreement, or if achieved that the margin on such sales will be adequate to produce positive operating cash flow. The Company expects to continue to experience cost savings during the fourth quarter of 1999 as a result of the transfer of marketing responsibilities for the Company's ILM products to EES. The Company is also attempting to sell its $1.5 million investment in XTL Biopharmaceuticals Ltd. However, there can be no assurance that this asset will be sold during 1999, on terms acceptable to the Company, or at all. The Company believes that the aforementioned cash balances and sources of future cash flow are adequate for the Company to continue operating for the foreseeable future. If the Company does not receive adequate funds from the aforementioned sources, it may need to further modify its business plan and seek other financing alternatives. Such alternatives may include asset dispositions that could force the Company to further change its business plan.

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

The statements contained in this Management Discussion and Analysis of Financial

Condition and Results of Operations and other parts of this Report that are not purely historical or which might be considered an opinion or projection concerning the Company or its business, whether express or implied, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may include statements regarding the Company's expectations, intentions, plans or strategies regarding the future which involve risks and uncertainties. All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward looking statements. It is important to note that the Company's actual results in 1999 and future periods may differ significantly from the prospects discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, limited revenues, continuing net losses, accumulated deficit, future capital needs, uncertainty of capital funding, competition, limited marketing experience, limited manufacturing experience, dependence on principal product line, uncertainty of market acceptance, patents, proprietary technology and trade secrets, government regulation, risk of technological obsolescence, limited third party reimbursement, product liability, need to manage a changing business, possible volatility of stock, anti-takeover provisions, dependence on key personnel, and no dividends.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities. Through September 30, 1999, the Company's activities have resulted in an accumulated deficit of $120 million. Substantially all of the Company's efforts and resources through early 1999 were devoted to research and clinical development of innovative systems for the intraoperative diagnosis and treatment of cancers. These efforts were principally related to the Company's proprietary RIGS system. Efforts in recent years also included activities related to development of the Company's ACT process and ILM products. To-date, the Company's activities have been financed primarily through the public and private sale of equity securities.

Beginning in the first half of 1998, due primarily to feedback received from regulatory authorities in the U.S. and Europe related to the Company's applications for marketing approval for its RIGScan CR49 product, the Company began a series of changes to its business plan. Since that time, the Company has continued to modify its business plan to one that is almost solely focused on the continued development of the Company's ILM business. During the first nine months of 1999, the Company has continued the operating expense reduction efforts started in 1998 and has almost entirely eliminated non-ILM-related research and development activities. To further support the Company's goal of achieving operating profitability, the Company entered into a multi-year Distribution Agreement with EES, a subsidiary of Johnson & Johnson, effective October 1, 1999. As a result of entering the Agreement, the Company expects to achieve operating profitability in the near term, possibly as early as the fourth quarter of 1999. However, there can be no assurances that the Company will achieve the volume of sales anticipated in connection with the Agreement, or if achieved, that the margin on such sales will be adequate to achieve operating profitability in the near term, or at all. In order to support the anticipated increase in demand for the Company's ILM products

expected in connection with entering the Agreement, the Company increased its inventory levels during the third quarter of 1999. However, the Company expects both inventory and receivable levels to decrease over time as the strategic relationship progresses and the Company manages its production and sales to meet EES's ongoing needs.

Investing Activities. The Company's investing activities during the first nine months of 1999 involved primarily the sale of certain available-for-sale securities to fund operations. The Company engaged in similar activities in 1998. However, in the first nine months of 1998, the Company made significant capital expenditures on construction at Neoprobe Israel. Neoprobe Israel was founded by the Company and Rotem Industries Ltd. ("Rotem") in 1994 to construct and operate a radiolabeling facility near Dimona, Israel. Rotem, the private arm of the Israeli atomic energy authority, owns a 5% equity interest in Neoprobe Israel. Based on the status of the Company's marketing applications in the U.S.

and Europe, and the Company's inability to find a development partner for its RIGS products, the Company decided during 1998 to suspend construction and validation activities at Neoprobe Israel. Following suspension of RIGS development activities at Neoprobe Israel and unsuccessful attempts to market the facility, the Company initiated actions during the fourth quarter of 1998 to liquidate Neoprobe Israel. The Company, therefore, adopted the liquidation basis of accounting for Neoprobe Israel as of December 31, 1998. As the Company anticipated that Neoprobe Israel may have to relinquish ownership of the facility to the bank if a suitable buyer cannot be found on a timely basis, the Company wrote down the value of the fixed assets of the facility and reduced the recorded balance of the related debt to zero on the basis that the bank would assume ownership of the facility under the collateralization terms of the debt agreement. On October 24, 1999, due to the bank's secured interest in the facility, the Israeli courts appointed a representative of the bank as Receiver for Neoprobe Israel. The Company expects the Receiver to attempt to sell the facility and/or its equipment and to use any proceeds to repay the creditors of Neoprobe Israel to the extent possible. Management of the Company continues to believe that Neoprobe Corporation's only ongoing contractual obligation related to Neoprobe Israel relates to the limited amount guarantee which is fully secured through $993,000 in restricted cash and investments and that the appointment of a Receiver for Neoprobe Israel may result in the settlement of the liabilities of Neoprobe Israel at substantially less than their recorded values. However, there can be no assurance that a settlement will occur, or if it occurs, that the settlement will result in a gain for the Company. It is also possible that the Company may be subject to additional claims related to Neoprobe Israel. Management does not believe such claims, if any, would have a material adverse affect on the Company's financial position or results of operations.

Financing Activities. On February 16, 1999, the Company completed the private placement of $3.0 million of convertible preferred stock (i.e., the Series B). Under certain conditions, the Company may be obligated to redeem outstanding shares of Series B for $120 per share (or a total of $3.6 million). Conditions under which redemption may be required include: failure to meet filing deadlines for a registration statement for common stock into which the Series B may be converted, delisting from the NASDAQ Stock Market, a material qualification of the audit opinion on the consolidated financial statements, or the liquidation or merger of the Company or the sale of substantially all of the assets of the Company.

The Company obtained a waiver from the Series B Holders related to redemption requirements associated with the issuance by the Company's auditors of a going concern opinion on the Company's consolidated financial statements for the year ended December 31, 1998. However, on July 28, 1999, the NASDAQ Stock Market, Inc. delisted the Company's common stock from the NASDAQ National Market System ("NASDAQ NMS"). Management believes that the likelihood that the Series B Holders will request redemption of the Series B increased as a result of the delisting and other events that occurred during the third quarter of 1999. Accordingly, the Company recorded a charge of $1.8 million during the quarter ended September 30, 1999 to accrete the originally recorded book value of $1.8 million up to the potential redemption value of $3.6 million.

Operational Outlook. The Company's only approved products are instruments and related products used in gamma guided surgery. The Company does not currently have a RIGS drug or ACT product approved for commercial sale in any major market. The Company entered into a Distribution Agreement (the "Agreement") with Ethicon Endo-Surgery, Inc. ("EES"), a subsidiary of Johnson & Johnson, effective October 1, 1999, for an initial five-year term with options, on the part of EES, to extend for two successive two-year terms. Under the Agreement, the Company will manufacture and sell its ILM products (the "Products") exclusively to EES who will distribute the Products globally. EES agreed to purchase minimum quantities of the Company's Products over the first three years of the term of the Agreement and to reimburse the Company for certain research and development costs and a portion of

the Company's warranty costs. EES also agreed to purchase the demonstration units returned from KOL. The Company is obligated to continue certain product maintenance activities and to provide ongoing regulatory support for the Products. As a result of entering the Agreement, the Company expects to achieve

operating profitability in the near term, possibly as early as the fourth quarter of 1999. However, there can be no assurances that the Company will achieve the volume of sales anticipated in connection with the Agreement, or if achieved, that the margin on such sales will be adequate to achieve operating profitability in the near term, or at all.

EES may terminate the Agreement if the Company fails to supply Products for specified periods, commits a material breach of the Agreement, suffers a change of control of the Company, or becomes insolvent. If termination is due to failure to supply or a material breach by the Company, EES would have the right to use the Company's intellectual property and regulatory information to manufacture and sell the Products exclusively on a global basis for the remaining term of the Agreement with no additional financial obligation to the Company. If termination is due to insolvency or a change of control that does not affect supply of the Products, EES has the right to continue to sell the Products on an exclusive global basis for a period of six months or require the Company to repurchase any unsold Product in its inventory.

Under the Agreement, Ethicon received a non-exclusive, worldwide paid-up license (the "License") to the Company's ILM intellectual property to make and sell other products that may be developed using the Company's ILM intellectual property. The term of the License is the same as that of the Agreement. EES paid the Company a non-refundable license fee of $4 million. The Company intends to recognize the license fee as revenue ratably over the five-year initial term of the Agreement. If the Agreement is terminated by the Company as a result of a material breach by EES, EES would be required to pay the Company a royalty on all products developed and sold by EES using the Company's ILM intellectual property. In addition, the Company is entitled to a royalty on any ILM product commercialized by EES that does not infringe any of the Company's existing intellectual property.

As of September 30, 1999, the Company had cash and cash equivalents of $4.8 million. This amount includes the $4 million up-front license payment received from EES. Of the $4.8 million, approximately $1.0 million is restricted related to the debt outstanding under the financing program for the construction of Neoprobe Israel's radiolabeling facility. At September 30, 1999, the Company had access to approximately $3.8 million in unrestricted funds to finance its operating activities. The Company expects to generate positive cash flow from operations in the near term, possibly as early as the fourth quarter of 1999, as a result of the Distribution Agreement with EES. However, there can be no assurances that the Company will achieve the volume of sales anticipated in connection with the Agreement, or if achieved that the margin on such sales will be adequate to produce positive operating cash flow. The Company expects to continue to experience cost savings during the fourth quarter of 1999 as a result of the transfer of marketing responsibilities for the Company's ILM products to EES. The Company is also attempting to sell its $1.5 million investment in XTL Biopharmaceuticals Ltd. However, there can be no assurance that this asset will be sold during 1999, on terms acceptable to the Company, or at all. The Company believes that the aforementioned cash balances and sources of future cash flow are adequate for the Company to continue operating for the foreseeable future. If the Company does not receive adequate funds from the aforementioned sources, it may need to further modify its business plan and seek other financing alternatives. Such alternatives may include asset dispositions that could force the Company to further change its business plan.

The Company has also entered into preliminary discussions regarding the potential sale of the Company's ILM technology. If these discussions were to result in an offer to purchase the Company's ILM technology, the offer would be subject to the approval of the Series B Holders and Company's shareholders. However, as such discussions are only in the preliminary stages, there can be no assurances that the discussions will result in an offer to purchase the ILM technology or that such an offer, if made, would be at a price acceptable to the Series B Holders or the shareholders. Speculation that a potential sale of the Company's ILM technology could result in shareholder values in excess of the pre-filing trading range of the Company's common stock could be unwarranted.

At December 31, 1998, the Company had U.S. net operating tax loss carryforwards of approximately $95.5 million to offset future taxable income through 2018. Additionally, the Company has U.S. tax credit carryforwards of approximately $3.3 million available to reduce future income tax liability through 2018. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, use of prior tax loss and credit carryforwards is limited after an ownership change. As a result of ownership changes as defined by Sections 382 and 383, which have

occurred at

various points in the Company's history, management believes utilization of the Company's tax loss carryforwards and tax credit carryforwards may be limited. The Company's international subsidiaries also have net operating tax loss carryforwards in their respective foreign jurisdictions. However, as the Company is in the process of liquidating its interests in both foreign subsidiaries as of December 31, 1998, the Company does not anticipate that the foreign loss carryforwards will ever be utilized.

Impact of Recent Accounting Pronouncements. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 was originally required to be adopted in years beginning after June 15, 1999; however, SFAS No. 137 deferred the effective date to fiscal quarters beginning after June 15, 2000. The Company expects to adopt SFAS No. 133 effective July 1, 2000. The Statement will require companies to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedge asset, liability or firm commitment through earnings, or recognized in other comprehensive income until the hedge item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company does not anticipate that the adoption of this Statement will have a significant effect on its results of operations or financial position.

Y2K. As many computer systems and other equipment with embedded chips or processors (collectively, "Business Systems") use only two digits to represent the year, they may be unable to process accurately certain data before, during or after the year 2000. As a result, business and governmental entities are at risk for possible miscalculations or system failures causing disruptions in their business operations. This is commonly known as the Year 2000 ("Y2K") issue. The Y2K issue can arise at any point in the Company's supply, manufacturing, distribution, and financial chains. The Company has assessed its Y2K exposure and implemented a readiness plan with the objective of having all its significant internal Business Systems functioning properly with respect to the Y2K issue before January 1, 2000, and minimizing the possible disruptions to the Company's business which could result from the Y2K problem.

As part of its readiness plan, the Company has conducted a company-wide assessment of its Business Systems to identify elements that are not Y2K compliant. Based on the results of the assessment, the Company continues to believe that the majority of its critical Business Systems, most of which have been purchased and installed in recent years, are Y2K compliant. The Company's internal Business Systems do not have internally generated programmed software coding to correct, as substantially all of the software utilized by the Company has been recently purchased or licensed from external vendors. The Company has finalized the testing of its Business Systems that have been identified as critical to the operations of the Company and noted no major areas of non-compliance.

Those Business Systems which were initially identified as not being Y2K compliant have been replaced, upgraded or modified in the normal replacement cycle during the past nine months. The total cost to the Company of completing the required modifications, upgrades, or replacements of its internal systems was approximately $20,000. The Company does not believe these costs or the remaining anticipated costs associated with its Y2K final testing plan have had or will have a material adverse effect on the Company's business. This estimate is being monitored and will be revised, as additional information becomes available.

The Company also continues communications with third parties whose Business Systems functionality could impact the Company. These communications will facilitate coordination of Y2K solutions and will permit the Company to determine the extent of which it may be vulnerable to failures of third parties

to address their own Y2K issues. Because the manufacturing and distribution of the Company's products are almost entirely outsourced to other entities, the failure of these third parties to achieve Y2K compliance could have a material impact on the Company's business, financial position, results of operations and cash flows. The Company has attempted, where possible, to establish contractual requirements or request certification or other assurances regarding Y2K compliance by such third parties. However, the Company has limited control over the actions of these third parties on which the Company directly or indirectly places reliance. There can be no guarantee that such systems that are not now Y2K compliant will be timely converted to Y2K compliance.

The Company has also assessed the potential Y2K related exposure it may have with respect to gamma detection instrumentation which it has delivered to customers. The Company does not believe products it has distributed, to date or that may be distributed in the future, face any significant Y2K problems which will affect their functionality or utility by the customer. The Company provides assurances of the Y2K compliance of its products to customers at the time of sale.

The Company has developed a preliminary contingency plan with respect to the Y2K issue and intends to finalize such a plan during the fourth quarter 1999.

The foregoing assessment of the impact of the Y2K problem on the Company is based on management's best estimates at the present time and could change substantially. The assessment is based on numerous assumptions as to future events. There can be no guarantee that these estimates will prove accurate, and actual results could differ from those estimates if these assumptions prove inaccurate.

RESULTS OF OPERATIONS

During 1998, the Company began revising its business plan to focus on its ILM technology and essentially suspended activities related to its RIGS and ACT initiatives pending identification of a development partner. To-date, a partner for RIGS and ACT has not been secured. Until a partner is obtained and the appropriate regulatory approvals are received, the Company is limited in its ability to generate revenue from RIGS or ACT. The Company therefore intends to continue to focus on further development of the ILM market in conjunction with its new distribution partner, EES.

Research and development expenses during the first nine months of 1999 were $892,000, or 11% of operating expenses. Marketing and selling expenses were $3.9 million, or 48% of operating expenses, and general and administrative expenses were $2.9 million, or 36% of operating expenses. Overall, operating expenses for the first nine months of 1999 decreased $13.1 million or 62% over the same period in 1998. The Company anticipates that total operating expenses for the remainder of 1999 will also decrease from 1998 levels. The Company expects research and development and general and administrative expenses to decrease from 1998 levels as a result of the modifications to the business plan adopted during 1998. Marketing expenses, as a percentage of sales, decreased to 74% of sales for the first nine months of 1999 from 99% of sales for the same period in 1998. The Company expects marketing and selling expenses for the remainder of 1999 to decrease from 1998 levels as a result of entering the distribution agreement with EES.

Three months ended September 30, 1999 and 1998

Revenues and Margins. Net sales decreased $302,000 or 18% to $1.4 million during the third quarter of 1999 from $1.7 million during the same period in 1998. Sales during both periods were comprised almost entirely of sales of the Company's hand-held gamma detection instruments. Management believes the decrease in instrument sales is due primarily to customer confidence issues surrounding the continuing viability of the Company due to the going concern

opinion received during the second quarter and the delisting of the Company's common stock during the third quarter. Management believes that these customer confidence issues have been substantially addressed through the execution of the global distribution agreement with EES. Gross margins decreased to 67% of net sales in the third quarter of 1999 from 73% during the same period in 1998 due to a higher proportion of sales made in 1999 under various distributor arrangements that were not in place in 1998.

Research and Development Expenses. Research and development expenses decreased $2.7 million or 97% to $78,000 during the third quarter of 1999 from $2.7 million during the same period in 1998. Over $2.0 million of the decrease can be primarily attributed to changes to the Company's business plan implemented during 1998 which suspended substantially all research and development activities related to the Company's RIGS and ACT initiatives. The remainder of the decrease is due to development costs related to the neo2000(tm) that were incurred in 1998, but for which similar costs were not incurred in 1999.

Marketing and Selling Expenses. Marketing and selling expenses, excluding a one-time $700,000 charge related to termination of the Company's agreement with KOL, decreased $638,000 or 41% to $924,000 during the third quarter of 1999 compared to $1.6 million during the same period in 1998. Excluding the KOL charge, marketing expenses, as a percentage of sales, decreased to 66% of sales for the third quarter of 1999 from 92% of sales for the same period in 1998. This decrease reflects lower internal marketing expense levels during the third quarter of 1999 as compared to the same period in 1998, offset by increases in marketing partner commissions over the same periods. Marketing expenses during the third quarter of 1999 also included $150,000 in accrued severance charges related to personnel to be severed in connection with the signing of the EES Agreement.

General and Administrative Expenses. General and administrative expenses decreased $179,000 or 14% to $1.1 million during the third quarter of 1999 from $1.3 million during the same period in 1998. The decrease was primarily a result of reductions in headcount and other overhead costs such as space costs, taxes and insurance. However, general and administrative expenses during the third quarter of 1999 included $103,000 in accrued severance charges related to personnel to be severed in connection with the signing of the EES Agreement.

Other Income. Other income increased $27,000 or 19% to $166,000 during the third quarter of 1999 compared to $140,000 during the same period in 1998. Other income during the third quarter of 1999 consisted primarily of one-time gains from the settlement of certain previously recorded liabilities at less than their original face value. Other income during the third quarter of 1998 consisted primarily of interest income. The Company's interest income declined due to overall levels of investments during the third quarter of 1999 as compared to the same period of 1998.

Losses related to subsidiaries in liquidation. The losses decreased $1.4 million or 100% to $0 during the third quarter of 1999 from $1.4 million during the same period in 1998. Losses in 1998 represent the reclassified costs of operating the Company's two international subsidiaries related to the decision in the third quarter of 1998 to shutdown and liquidate Neoprobe Europe and in the fourth quarter of 1998 to shutdown and liquidate Neoprobe Israel.

Nine months ended September 30, 1999 and 1998

Revenues and Margins. Net sales increased $1.4 million or 37% to $5.2 million during the first nine months of 1999 from $3.8 million during the same period in 1998. Sales during both periods were comprised almost entirely of sales of the Company's hand-held gamma detection instruments. The increase in instrument sales is the result of the introduction during the fourth quarter of 1998 of the neo2000(TM) system and the continuing growth of the lymphatic mapping technique offset by customer confidence issues regarding the Company's viability due primarily to the going concern opinion issued by the Company's independent

accountants and the delisting of the Company's common stock. Gross margins decreased to 67% of net sales in the first nine months of 1999 from 73% during the same period in 1998 due to a higher proportion of sales made in 1999 under various distributor arrangements that were not in place in 1998.

Research and Development Expenses. Research and development expenses decreased $9.8 million or 92% to $892,000 during the first nine months of 1999 from $10.7 million during the same period in 1998. Approximately $5.9 million of the decrease is primarily a result of changes to the Company's business plan implemented during 1998 which suspended substantially all research and development activities related to the Company's RIGS and ACT initiatives. The remainder of the decrease is due to expenses incurred during the first nine months of 1998 related to the neo2000 system and related devices which were commercially launched during the fourth quarter of 1998. Expenses during the first nine months of 1999 also included a non-cash write-off of approximately $218,000 in capitalized pre-production written off as a result of recent accounting recommendations issued by the EITF.

Marketing and Selling Expenses. Marketing and selling expenses, excluding a one-time $700,000 charge related to termination of the Company's agreement with KOL, decreased $599,000 or 16% to $3.2 million during the first nine months of 1999 compared to $3.8 million during the same period in 1998. Excluding the KOL charge, marketing expenses, as a percentage of sales, decreased to 61% of sales for the first nine months of 1999 from 99% of sales for the same period in 1998. These results reflect lower internal marketing expense levels during the first nine months of 1999 as compared to the same period in 1998, offset by increases in marketing partner commissions over the

same periods. Marketing expenses during the first nine months of 1999 also included $150,000 in accrued severance charges related to personnel to be severed in connection with the signing of the EES Agreement.

General and Administrative Expenses. General and administrative expenses decreased $1.1 million or 28% to $2.9 million during the first nine months of 1999 from $4.0 million during the same period in 1998. The decrease was primarily a result of reductions in headcount and other overhead costs such as space costs, taxes and insurance, offset by $103,000 in accrued severance charges in 1999 related to personnel to be severed in connection with the signing of the EES Agreement.

Other Income. Other income decreased $246,000 or 50% to $243,000 during the first nine months of 1999 from $488,000 during the same period in 1998. Other income during 1999 included $200,000 in one-time gains from the settlement of certain previously recorded liabilities at less than their original face value and interest income on the Company's investments. Other income during the first nine months of 1998 consisted primarily of interest income. The Company's interest income declined due to overall average levels of investments during the first nine months of 1999 as compared to the same period of 1998.

Losses related to subsidiaries in liquidation. The losses decreased $2.3 million or 83% to $475,000 during the first nine months of 1999 from $2.8 million during the same period in 1998. During 1999, the losses relate to interest and other overhead costs incurred during the wind-down process. Costs in 1998 represent the reclassified costs of operating the Company's two international subsidiaries related to the decision in the third quarter of 1998 to shutdown and liquidate Neoprobe Europe and in the fourth quarter of 1998 to shutdown and liquidate Neoprobe Israel.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not currently use derivative financial instruments, such as interest rate swaps, to manage its exposure to changes in interest rates for its debt instruments or investment securities. As of September 30, 1999 and December

31, 1998, the Company had, excluding convertible preferred stock, outstanding debt securities of $661,000 and $1.5 million respectively. These debt securities consisted primarily of a variable rate line of credit and fixed rate financing instruments, with average interest rates of 9.25% and 3.5% at September 30, 1999, respectively. At September 30, 1999 and December 31, 1998, the fair market values of these debt instruments approximated their carrying values. A hypothetical 100-basis point change in interest rates would not have a material effect on cash flows, income or market values.

The Company has maintained investment portfolios of available-for-sale corporate and U.S. government debt securities purchased with proceeds from the Company's public and private placements of equity securities. At December 31, 1998, the Company held $449,000 of these available-for-sale securities; however, all such securities were sold during the nine months ended September 30, 1999.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company was a party to Della Jules Bryant v. Neoprobe Corporation which was described in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. The Company and Ms. Bryant entered into a Settlement and Release Agreement dated September 28, 1999 which ended the matter.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

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

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) LIST OF EXHIBITS

3. ARTICLES OF INCORPORATION AND BY-LAWS

Exhibit 3.1

Complete Restated Certificate of Incorporation of Neoprobe Corporation, as corrected February 18, 1994 and as amended June 27, 1994, July 25, 1995, June 3, 1996 and March 17, 1999 (incorporated by reference to Exhibit 3.1 to Amendment Number 1 to the Registrant's Annual Report on Form 10-K for the year ending December 31, 1998 (Commission File No. 0-26520; (the "1998 Form 10-K/A")).

Exhibit 3.2

Amended and Restated By-Laws dated July 21, 1993 as amended July 18, 1995 and May 30, 1996 (incorporated by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated June 20, 1996; Commission File No. 0-26520).

4. INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES

Exhibit 4.1

See Articles FOUR, FIVE, SIX and SEVEN of the Restated Certificate of Incorporation of the Registrant (see Exhibit

3.1).

Exhibit 4.2

See Articles II and VI and Section 2 of Article III and Section 4 of Article VII of the Amended and Restated By-Laws of the Registrant (see Exhibit 3.2).

Exhibit 4.3

Rights Agreement dated as of July 18, 1995 between the Registrant and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 1 of the registration statement on Form 8-A; Commission File No. 0-26520).

Exhibit 4.4

Amendment Number 1 to the Rights Agreement between the Registrant and Continental Stock Transfer and Trust Company dated February 16, 1999 (incorporated by reference to Exhibit 4.4 of the 1998 Form 10-K/A).

10. MATERIAL CONTRACTS

Exhibit 10.2.51

Employment Agreement between the Registrant and David C. Bupp dated July 1, 1999.

Page 25 in the manually signed original.

Exhibit 10.4.34

Revolving Credit Note between the Registrant and The Provident Bank dated August 31, 1999.

Page 33 in the manually signed original.

Exhibit 10.4.35

Tennessee Revolving Credit Agreement between the Registrant and The Provident Bank dated August 31, 1999.

Page 46 in the manually signed original.

Exhibit 10.4.36

Security Agreement between the Registrant and The Provident Bank dated August 31, 1999.

Page 57 in the manually signed original.

Exhibit 10.4.37

Termination Agreement between the Registrant and Kol Bio-Medical Instruments, Inc. dated September 30, 1999 (filed pursuant to Rule 24b-2 under which the Registrant has requested confidential treatment of certain portions of this exhibit).

Page 70 in the manually signed original.

Exhibit 10.4.38

Amendment to Termination Agreement between the Registrant and Kol Bio-Medical Instruments, Inc. dated October 1, 1999 (filed

pursuant to Rule 24b-2 under which the Registrant has requested confidential treatment of certain portions of this exhibit).

Page 83 in the manually signed original.

Exhibit 10.4.39

Distribution Agreement between the Registrant and Ethicon Endo-Surgery, Inc. dated October 1, 1999 (filed pursuant to Rule 24b-2 under which the Registrant has requested confidential treatment of certain portions of this exhibit).

Page 85 in the manually signed original.

11. STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

Exhibit 11.1

Computation of Net Loss Per Share.

Page 133 in the manually signed original.

27. FINANCIAL DATE SCHEDULE

Exhibit 27.1

Financial Data Schedule (submitted electronically for SEC information only).

(b) REPORTS ON FORM 8-K.

No current report on Form 8-K was filed by the Registrant during the third quarter of fiscal 1999.

SIGNATURES

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

<TABLE>
<CAPTION>
NEOPROBE CORPORATION
<S> <C>
(the "Registrant")
Dated: November 12, 1999

By: /s/ David C. Bupp

David C. Bupp,
President and Chief Executive Officer
(duly authorized officer; principal executive officer)

By: /s/ Brent Larson

Brent Larson
Vice President, Finance and Administration
(principal financial and accounting officer)
</TABLE>

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

NEOPROBE CORPORATION

FORM 10-Q QUARTERLY REPORT

FOR THE FISCAL QUARTER ENDED:

SEPTEMBER 30, 1999

EXHIBITS

INDEX

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Termination Agreement between the Registrant and Kol Bio-Medical Instruments, Inc. dated September 30, 1999 (filed pursuant to Rule 24b-2 under which the Registrant has requested confidential treatment of certain portions of this exhibit).

Exhibit 10.4.38

Amendment to Termination Agreement between the Registrant and Kol Bio-Medical Instruments, Inc. dated October 1, 1999 (filed pursuant to Rule 24b-2 under which the Registrant has requested confidential treatment of certain portions of this exhibit).

Exhibit 10.4.39

Distribution Agreement between the Registrant and Ethicon Endo-Surgery, Inc. dated October 1, 1999 (filed pursuant to Rule 24b-2 under which the Registrant has requested confidential treatment of certain portions of this exhibit).

Exhibit 11.1

Computation of Net Loss Per Share.

Exhibit 27.1

Financial Data Schedule (submitted electronically for SEC information only).

EXHIBIT 10.2.51

EMPLOYMENT AGREEMENT

This Employment Agreement is made and entered into effective as of July 1, 1999 ("Effective Date"), by and between NEOPROBE CORPORATION, a Delaware Corporation with a place of business at 425 Metro Place North, Suite 300, Dublin, Ohio 43017-1367 (the "Company") and DAVID C. BUPP of Dublin, Ohio (the "Employee").

WHEREAS, the Company and the Employee entered into an Employment Agreement dated as of January 1, 1996 (the "1996 Employment Agreement"); and

WHEREAS, the Company and the Employee entered into an Employment Agreement dated as of January 1, 1998 (the "1998 Employment Agreement"); and

WHEREAS, the Company and the Employee wish to establish new terms, covenants, and conditions for the Employee's continued employment with the Company through this agreement ("Employment Agreement").

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, the parties hereto agree as follows:

1. DUTIES. From and after the Effective Date, and based upon the terms and conditions set forth herein, the Company agrees to employ the Employee and the Employee agrees to be employed by the Company, as President and Chief Executive Officer of the Company and in such equivalent, additional or higher executive level position or positions as shall be assigned to him by the Board of Directors. While serving in such executive level position or positions, the Employee shall report to, be responsible to, and shall take direction from the Board of Directors of the Company. The Board of Directors shall not require the Employee to perform any task that is inconsistent with the office of President or the position of Chief Executive Officer. During the Term of this Employment Agreement (as defined in Section 2 below), the Employee agrees to devote substantially all of his working time to the position he holds with the Company and to faithfully, industriously, and to the best of his ability, experience and talent, perform the duties which are assigned to him. The Employee shall observe and abide by the reasonable corporate policies and decisions of the Company in all business matters.

   The Employee represents and warrants to the Company that Exhibit A attached hereto sets forth a true and complete list of (a) all offices, directorships and other positions held by the Employee in corporations and firms other than the Company and its subsidiaries and (b) any investment or ownership interest in any corporation or firm other than the Company beneficially owned by the Employee (excluding investments in life insurance policies, bank deposits, publicly traded securities that are less than five percent (5%) of their class and real estate). The Employee will promptly notify the Board of Directors of the Company of any additional positions undertaken or investments made by the Employee during the Term of this Employment Agreement if they are of a type which, if

   they had existed on the date hereof, should have been listed on Exhibit A hereto. As long as the Employee's other positions or investments in other firms do not create a conflict of interest, violate the Employee's obligations under Section 7 below or cause the Employee to neglect his duties hereunder, such activities and positions shall not be deemed to be a breach of this Employment Agreement.

2. TERM OF THIS EMPLOYMENT AGREEMENT. Subject to Sections 4 and 5 hereof, the Term of this Employment Agreement shall be for a period of one (1) year, commencing July 1, 1999 and terminating June 30, 2000.

3. COMPENSATION. During the Term of this Employment Agreement, the Company shall pay, and the Employee agrees to accept as full consideration for the services to be rendered by the Employee hereunder, compensation consisting of the following:

A. SALARY. Beginning on the first day of the Term of this Employment Agreement, the Company shall pay the Employee a salary of Two Hundred Ninety Thousand Dollars ($290,000) per year, payable in semi-monthly or monthly installments.

B. BONUS. The Compensation Committee of the Board of Directors will, on an annual basis, review the performance of the Company and of the Employee and will pay such bonus as it deems appropriate, in its discretion, to the Employee based upon such review. Such review and bonus shall be consistent with any bonus plan adopted by the Compensation Committee which covers the executive officers of the Company generally.

In addition to any such bonus the Company shall pay the Employee, a bonus of Fifty Eight Thousand Dollars ($58,000) upon the completion of the proposed distribution and license agreement between the Company and Ethicon Endo-Surgery, Inc or any other strategic alliance with Ethicon Endo Surgery, Inc. or anyone else relating to the sale, licensing, marketing or use of the Company's gamma guided surgery business, or any other action which results in the Company being in substantially the same position, such as, but not limited to, a settlement of a claim or enforcement of a judgment against a party for breach of an agreement relating to the sale, licensing, marketing or use of the Company's gamma guided surgery business.

C. BENEFITS. During the Term of this Employment Agreement, the Employee will receive such employee benefits as are generally available to all employees of the Company.

D. STOCK OPTIONS. The Compensation Committee of the Board of Directors may, from time to time, grant stock options, restricted stock purchase opportunities and such other forms of stock based incentive compensation as it deems appropriate, in its discretion, to the Employee under the Company's Stock Option and Restricted Stock Purchase Plan and the 1996 Stock Incentive Plan (the "Stock Plans"). The terms of the relevant award agreements shall govern the rights of the Employee and the Company thereunder in the event of any conflict between such agreement and this Employment Agreement.

E. VACATION. The Employee shall be entitled to twenty (20) days of vacation during each calendar year during the Term of this Employment Agreement.

F. EXPENSES. The Company shall reimburse the Employee for all reasonable out-of-pocket expenses incurred by him in the performance of his duties hereunder, including expenses for travel, entertainment and similar items, promptly after the presentation by the Employee, from time to time, of an itemized account of such expenses.

4. TERMINATION.

A. FOR CAUSE. The Company may terminate the employment of the Employee prior to the end of the Term of this Employment Agreement "for cause." Termination "for cause" shall be defined as a termination by the Company of the employment of the Employee occasioned by the failure by the Employee to cure a willful breach of a material duty imposed on the Employee under this Employment Agreement within 15 days after written notice thereof by the Company or the continuation by the Employee after written notice by the Company of a willful and continued neglect of a duty

imposed on the Employee under this Employment Agreement. In the event of termination by the Company "for cause", all salary, benefits and other payments shall cease at the time of termination, and the Company shall have no further obligations to the Employee.

B. RESIGNATION. If, the Employee resigns for any reason, all salary, benefits and other payments (except as otherwise provided in paragraph G of this Section 4 below) shall cease at the time such resignation becomes effective. At the time of any such resignation the Company shall pay the Employee, the value of any accrued but unused vacation time, and the amount of all accrued but previously unpaid base salary through the date of such termination. The Company shall promptly reimburse the Employee for the amount of any expenses incurred prior to such termination by the Employee as required under paragraph F of Section 3 above.

C. DISABILITY, DEATH. The Company may terminate the employment of the Employee prior to the end of the Term of this Employment Agreement if the Employee has been unable to perform his duties hereunder for a continuous period of six (6) months due to a physical or mental condition that, in the opinion of a licensed physician, will be of indefinite duration or is without a reasonable probability of recovery. The Employee agrees to submit to an examination by a licensed physician of his choice in order to obtain such opinion at the request of the Company, made after the Employee has been absent from his place of employment for at least six (6) months. Such examination shall be paid for by the Company. However, this provision does not abrogate either the Company's or the Employee's rights and obligations pursuant to the Family and Medical Leave Act of 1993, and a termination of employment under this paragraph C shall not be deemed to be a termination for cause.

If during the Term of this Employment Agreement, the Employee dies or his employment is terminated because of his disability, all salary, benefits and other

payments shall cease at the time of death or disability, provided, however, that the Company shall provide such health, dental and similar insurance or benefits as were provided to Employee immediately before his termination by reason of death or disability, to Employee or his family for the longer of six (6) months after such termination or the full unexpired Term of this Employment Agreement on the same terms and conditions (including cost) as were applicable before such termination. In addition, for the first six (6) months of disability, the Company shall pay to the Employee the difference, if any, between any cash benefits received by the Employee from a Company-sponsored disability insurance policy and the Employee's salary hereunder. At the time of any such termination the Company shall pay the Employee, the value of any accrued but unused vacation time, and the amount of all accrued but previously unpaid base salary through the date of such termination. The Company shall promptly reimburse the Employee for the amount of any expenses incurred prior to such termination by the Employee as required under paragraph F of Section 3 above.

D. TERMINATION WITHOUT CAUSE. A termination without cause is a termination of the employment of the Employee by the Company that is not "for cause" and not occasioned by the resignation, death or disability of the Employee. If the Company terminates the employment of the Employee without cause, (whether before the end of the Term of this Employment Agreement or, if the Employee is employed by the Company under paragraph E of this Section 4 above, after the Term of this Employment Agreement has ended) the Company shall, at the time of such termination, pay to the Employee the severance payment provided in paragraph F of this Section 4 below together with the value of any accrued but unused vacation time

and the amount of all accrued but previously unpaid base salary through the date of such termination and shall provide him with all of his benefits under paragraph C of Section 3 above for the longer of six (6) months or the full unexpired Term of this Employment Agreement. The Company shall promptly reimburse the Employee for the amount of any expenses incurred prior to such termination by the Employee as required under paragraph F of Section 3 above.

If the Company terminates the employment of the Employee because it has ceased to do business or substantially completed the liquidation of its assets or because it has relocated to another city and the Employee has decided not to relocate also, such termination of employment shall be deemed to be without cause.

E. END OF THE TERM OF THIS EMPLOYMENT AGREEMENT. Except as otherwise provided in paragraphs F and G of this Section 4 below, the Company may terminate the employment of the Employee at the end of the Term of this Employment Agreement without any liability on the part of the Company to the Employee but, if the Employee continues to be an employee of the Company after the Term of this Employment Agreement ends, his employment shall be governed by the terms and conditions of this Agreement, but he shall be an employee at will and his employment may be terminated at any time by either the Company or the Employee without notice and for any reason not prohibited by law or no reason at all. If the Company terminates the employment of the Employee at the end of the Term of this Employment Agreement, the Company shall, at the time of such termination, pay to

the Employee the severance payment provided in paragraph F of this Section 4 below together with the value of any accrued but unused vacation time and the amount of all accrued but previously unpaid base salary through the date of such termination. The Company shall promptly reimburse the Employee for the amount of any reasonable expenses incurred prior to such termination by the Employee as required under paragraph F of Section 3 above.

F. SEVERANCE. If the employment of the Employee is terminated by the Company, at the end of the Term of this Employment Agreement or, without cause (whether before the end of the Term of this Employment Agreement or, if the Employee is employed by the Company under paragraph E of this Section 4 above, after the Term of this Employment Agreement has ended), the Employee shall be paid, as a severance payment at the time of such termination, the amount of Three Hundred Forty Five Thousand Seven Hundred Seventy Dollars ($345,770). If any such termination occurs at or after the substantial completion of the liquidation of the assets of the Company, the severance payment shall be increased by adding Seventy Two Thousand Five Hundred Dollars ($72,500) to such amount.

G. CHANGE OF CONTROL SEVERANCE. In addition to the rights of the Employee under the Company's employee benefit plans (paragraphs C of Section 3 above) but in lieu of any severance payment under paragraph F of this Section 4 above, if there is a Change in Control of the Company (as defined below) and the employment of the Employee is concurrently or subsequently terminated (a) by the Company without cause, (b) by the expiration of the Term of this Employment Agreement, or (c) by the resignation of the Employee because he has reasonably determined in good faith that his titles, authorities, responsibilities, salary, bonus opportunities or benefits have been materially diminished, that a material adverse change in his working conditions has occurred, that his services are no longer required in light of the Company's business plan, or the Company has breached this Employment Agreement, the Company shall pay the Employee, as a severance payment, at the time of such termination, the amount of Six Hundred Thirty Five Thousand Seven Hundred Seventy Dollars ($635,770) together with

the value of any accrued but unused vacation time, and the amount of all accrued but previously unpaid base salary through the date of such termination and shall provide him with all of his benefits under paragraph C of Section 3 above for the longer of six (6) months or the full unexpired Term of this Employment Agreement. If any such termination is occurs at or after the substantial completion of the liquidation of the assets of the Company, the severance payment shall be increased by adding Seventy Two Thousand Five Hundred Dollars ($72,500) to such amount. The Company shall promptly reimburse the Employee for the amount of any expenses incurred prior to such termination by the Employee as required under paragraph F of Section 3 above.

For the purpose of this Employment Agreement, a Change in Control of the Company has occurred when: (a) any person (defined for the purposes of this paragraph G to mean any person within the meaning of Section 13(d) of the Securities Exchange Act of 1934 (the "Exchange Act")), other than Neoprobe or an employee benefit plan created by its Board of Directors for the benefit of its employees, either directly or indirectly, acquires beneficial ownership (determined

under Rule 13d-3 of the Regulations promulgated by the Securities and Exchange Commission under Section 13(d) of the Exchange Act) of securities issued by Neoprobe having fifteen percent (15%) or more of the voting power of all the voting securities issued by Neoprobe in the election of Directors at the next meeting of the holders of voting securities to be held for such purpose; (b) a majority of the Directors elected at any meeting of the holders of voting securities of Neoprobe are persons who were not nominated for such election by the Board of Directors or a duly constituted committee of the Board of Directors having authority in such matters; (c) the stockholders of Neoprobe approve a merger or consolidation of Neoprobe with another person, other than a merger or consolidation in which the holders of Neoprobe's voting securities issued and outstanding immediately before such merger or consolidation continue to hold voting securities in the surviving or resulting corporation (in the same relative proportions to each other as existed before such event) comprising eighty percent (80%) or more of the voting power for all purposes of the surviving or resulting corporation; or (d) the stockholders of Neoprobe approve a transfer of substantially all of the assets of Neoprobe to another person other than a transfer to a transferee, eighty percent (80%) or more of the voting power of which is owned or controlled by Neoprobe or by the holders of Neoprobe's voting securities issued and outstanding immediately before such transfer in the same relative proportions to each other as existed before such event. The parties hereto agree that for the purpose of determining the time when a Change of Control has occurred that if any transaction results from a definite proposal that was made before the end of the Term of this Employment Agreement and which was the subject of negotiations that began during the Term of this Employment Agreement but which continued until after the end of the Term of this Employment Agreement and such transaction is consummated after the end of the Term of this Employment Agreement, such transaction shall be deemed to have occurred when the definite proposal was made for the purposes of the first sentence of this paragraph G of this Section 4.

H. BENEFIT AND STOCK PLANS. In the event that a benefit plan or Stock Plan which covers the Employee has specific provisions concerning termination of employment, or the death or disability of an employee (e.g., life insurance or disability insurance), then such benefit plan or Stock Plan shall control the disposition of the benefits or stock options.

5. PROPRIETARY INFORMATION AGREEMENT. Employee has executed a Proprietary Information Agreement as a condition of employment with the Company.

The Proprietary Information Agreement shall not be limited by this Employment Agreement in any manner, and the Employee shall act in accordance with the provisions of the Proprietary Information Agreement at all times during the Term of this Employment Agreement.

6. NON-COMPETITION. Employee agrees that for so long as he is employed by the Company under this Employment Agreement and for two (2) years thereafter, the Employee will not:

A. enter into the employ of or render any services to any person, firm, or corporation, which is engaged, in any part, in a Competitive Business (as defined below);

B. engage in any Competitive Business for his own account;

C. become associated with or interested in through retention or by employment any Competitive Business as an individual, partner, shareholder, creditor, director, officer, principal, agent, employee, trustee, consultant, advisor, or in any other relationship or capacity; or

D. solicit, interfere with, or endeavor to entice away from the Company, any of its customers, strategic partners, or sources of supply.

Nothing in this Employment Agreement shall preclude Employee from taking employment in the banking or related financial services industries nor from investing his personal assets in the securities of any Competitive Business if such securities are traded on a national stock exchange or in the over-the-counter market and if such investment does not result in his beneficially owning, at any time, more than one percent (1%) of the publicly-traded equity securities of such Competitive Business. "Competitive Business" for purposes of this Employment Agreement shall mean any business or enterprise which:

a. is engaged in the development and/or commercialization of products and/or systems for use in (1) the intraoperative detection of cancer and/or (2) Activated Cellular Therapy for cancer, or

b. reasonably understood to be competitive in the relevant market with products and/or systems described in clause a above, or

c. the Company engages in during the Term of this Employment Agreement pursuant to a determination of the Board of Directors and from which the Company derives a material amount of revenue or in which the Company has made a material capital investment.

The covenant set forth in this Section 6 shall terminate immediately upon the substantial completion of the liquidation of the assets of the Company or the termination of the employment of the Employee by the Company without cause or at the end of the Term of this Employment Agreement.

7. ARBITRATION. Any dispute or controversy arising under or in connection with this Employment Agreement shall be settled exclusively by arbitration in Columbus, Ohio, in accordance with the nonunion employment arbitration rules of the American Arbitration Association ("AAA") then in effect. If specific nonunion employment dispute rules are not in effect, then AAA commercial arbitration rules shall govern the

dispute. If the amount claimed exceeds $100,000, the arbitration shall be before a panel of three arbitrators. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The Company shall indemnify the Employee against, and hold him harmless from, any attorney's fees, court costs and other expenses incurred by the

Employee in connection with the preparation, commencement, prosecution, defense or enforcement of any arbitration, award, confirmation or judgment in order to assert or defend any right or obtain any payment under paragraph G of Section 4 above or under this sentence; without regard to the success of the Employee or his attorney in any such arbitration or proceeding.

8. GOVERNING LAW. The Employment Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

9. VALIDITY. The invalidity or unenforceability of any provision or provisions of this Employment Agreement shall not affect the validity or enforceability of any other provision of the Employment Agreement, which shall remain in full force and effect.

10. ENTIRE AGREEMENT.

A. The 1998 Employment Agreement is terminated as of the effective date of this Employment Agreement, except that the Stock Options granted to the Employee in the 1998 Employment Agreement or in any previous employment agreement or by the Compensation Committee remain in full force and effect, and survive the termination of the 1998 Employment Agreement and except that the bonus opportunities granted to the Employee in paragraph 3 of the letter agreement dated February 16, 1995 remain in full force and effect, and survive the termination of the 1998 Employment Agreement.

B. This Employment Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof, superseding all negotiations, prior discussions, and preliminary agreements. This Employment Agreement may not be amended except in writing executed by the parties hereto.

11. EFFECT ON SUCCESSORS OF INTEREST. This Employment Agreement shall inure to the benefit of and be binding upon heirs, administrators, executors, successors and assigns of each of the parties hereto. Notwithstanding the above, the Employee recognizes and agrees that his obligation under this Employment Agreement may not be assigned without the consent of the Company.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Employment Agreement as of the date first written above.

NEOPROBE CORPORATION	EMPLOYEE
By: /s/ Brent L. Larson	/s/ David C. Bupp
Brent L. Larson, Vice President	David C. Bupp

EXHIBIT 10.4.34

REVOLVING CREDIT NOTE

	COLUMBUS, OHIO
$400,000	AUGUST 31, 1999

FOR VALUE RECEIVED, the undersigned, NEOPROBE CORPORATION, a Delaware corporation, whose address is 425 Metro Place North, Suite 400, Dublin, Ohio 43017 (the "Borrower"), hereby promises to pay to the order of THE PROVIDENT BANK, an Ohio banking corporation (the "Bank"), on or before December 31, 1999 (the "Maturity Date"), the principal sum of Four Hundred Thousand Dollars ($400,000) or, if such principal is less, the aggregate unpaid principal amount of all loans made by the Bank to the Borrower pursuant to this Revolving Credit Note (the "Revolving Credit Commitment"), together with interest, all as provided in Section 1 of this Note.

SECTION 1. THE DEBT. Subject to and on the terms and conditions set forth in this Note, the Bank shall provide loans and the Borrower shall repay the indebtedness incurred hereunder as follows:

1.1. REVOLVING CREDIT LOANS. During the period from and including the date hereof to but excluding the Maturity Date, the Bank agrees, on the terms and conditions set forth in this Agreement, to make one or more loans ("Revolving Credit Loans") to the Borrower in an aggregate principal amount at any one time outstanding up to but not exceeding the greater of (a) the Revolving Credit Commitment or (b) the Borrowing Base (as defined in Section 7.15 hereof). Subject to the terms of this Note, during such period, the Borrower may borrow, repay and reborrow the amount of the Revolving Credit Commitment by means of Revolving Credit Loans. The date, amount, and interest rate of each Revolving Credit Loan made by the Bank to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Bank on its books and records, such recordation to constitute conclusive evidence in the absence of manifest error of the amount of such Loans and payments.

1.2. BORROWING PROCEDURE. The Borrower shall give the Bank notice not later than 10:00 a.m on the date of each Revolving Loan, specifying:

1.2.1. The date of such Loan, which shall be a Banking Day; and

1.2.2. The aggregate amount of the Revolving Credit Loan.

The proceeds of the initial Revolving Credit Loan (in the amount of $353,000) shall be distributed to the Borrower to finance payments made by the Borrower to vendors involved in the development of products described in Section 1.6 below. The Borrower shall forward to the Bank proof of payment to such vendors pursuant to Section 1.7 below. The proceeds of each subsequent Revolving Credit Loan shall be forwarded by the Bank directly to specific vendors to pay amounts the Borrower currently owes to such vendors. The vendors who receive proceeds of such Revolving Credit Loans shall be those vendors who are necessary to support the development of products described in Section 1.6 below.

1.3. PRINCIPAL. The Borrower shall pay the principal balance of this Note to the Bank on or before the Maturity Date.

1.4. INTEREST.

1.4.1. The Debt shall bear interest on the outstanding principal amount, for each day at a per annum rate equal to the rate of interest for such day publicly announced by the Bank as its prime rate (the "Prime Rate") plus one hundred (100) basis points. The Prime Rate is not intended to be the lowest rate of interest charged by the Bank in connection with extensions of credit for borrowers. Interest on the Debt shall be paid by

the Borrower (a) on the last day of each calendar month, commencing September 30, 1999, (b) on the Maturity Date and (c) thereafter on demand.

1.4.2. All interest under this Note shall be computed on the basis of the actual days elapsed in a year of 360 days.

1.5. PREPAYMENTS; PAYMENTS.

1.5.1. The Borrower shall have the right to make prepayments at any time of the principal amount of the Debt, in whole or in part, without notice. Each prepayment shall be without premium or penalty. Subject to the terms and provisions of this Note, the Bank will reloan to the Borrower such amounts as have been paid and applied on the principal balance of a Revolving Credit Loan prepaid pursuant to this Section.

1.5.2. The Borrower shall make all payments of principal and interest under this Note to the Bank at its main office (or such other location as the Bank may direct) in immediately available funds. If any payment of principal or interest on this Note shall become due on a day other than a Banking Day, such payment shall be due and payable upon the next succeeding Banking Day and such extension of time shall in such case be included in computing interest in connection with such payment. A "Banking Day" is any day on which the main office of the Bank is open for business.

1.6. PURPOSE. The purpose of the Revolving Credit Loans represented by this Note is to support the development between the Borrower and Ethicon Endo Surgery, Inc. ("EES") by providing working capital for the manufacture of units outlined in an EES purchase order for $1,868,000.

1.7. CONDITION PRECEDENT. As a condition precedent to making the first Revolving Credit Loan hereunder, the Borrower must:

1.7.1. deliver to the Bank the EES purchase order;

1.7.2. set up its operating bank accounts with the Bank within 60 days after EES issues the purchase order;

1.7.3. proof of payment to vendors of $353,000;

1.7.4. open a lockbox with the Bank within 60 days after EES issues the purchase order for the receipt of all payments received from EES, and direct EES to make all payments to such lockbox; and

1.7.5. have all liens on the personal property of the Borrower subject to the Security Agreement described in Section 4 below either released or subordinated to the satisfaction of the Bank.

SECTION 2. REPRESENTATIONS AND WARRANTIES. The execution of this Note by the Borrower shall be deemed to constitute the Borrower's representation and warranty to the Bank that, at the time of execution and at the time of disbursement of each Revolving Credit Loan hereunder: (a) this Note and the Security Agreement (as defined in Section 4 hereof) are the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms; (b) the Security Agreement creates a valid lien of the Bank in the collateral thereof, prior to the claims of any other person or entity; (c) the execution and delivery of this Note and the Security Agreement by the Borrower do not and will not conflict with, violate or constitute a default under or breach of any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, deed of trust, guaranty, lease, note or other obligation or instrument binding upon the Borrower or any of its respective properties or assets; and (d) neither this Note nor any other statement, assignment, agreement, instrument or certificate of the Borrower made or delivered pursuant to or in connection with this Note contains any untrue statement of a material fact or omits to state a material fact required to be stated therein, in light of the circumstances under which they were made, or necessary to make the statements therein not misleading.

SECTION 3. COVENANTS.

3.1. COMPLIANCE WITH LAWS. On and after the date hereof and until the Debt shall have been repaid and discharged in full or otherwise satisfied, the Borrower shall comply with all applicable laws.

3.2. FURNISHING OF FINANCIAL STATEMENTS AND OTHER INFORMATION.

3.2.1. The Borrower shall furnish to the Bank as soon as practicable after the end of each of the month in each fiscal year of the Borrower, and in any event within 30 days thereafter, complete internally prepared financial statements (the "Financial Statements") of the Borrower, including without limitation (a) a balance sheet of the Borrower as at the end of such month, (b) a statement of operations of the Borrower for such month and (c) a statement of cash flows of the Borrower for such month. All such Financial Statements shall be in reasonable detail and certified by the Treasurer or Controller of the Borrower as having been prepared in accordance with GAAP (except as to footnotes and subject to year-end adjustments), as being

true, accurate, complete and correct in all material respects, and as presenting fairly the financial position of the Borrower as at the respective date of such balance sheet and the results of operations of the Borrower for the respective period covered.

3.2.2. The Borrower shall furnish to the Bank as soon as practicable after the end of each fiscal year of the Borrower, and in any event within 90 days thereafter, complete audited Financial Statements of the Borrower including without limitation (a) a balance sheet of each as at the end of such fiscal year, (b) a statement of operations of each for such fiscal year, (c) a statement of shareholders' equity of each for such fiscal year, and (d) a statement of cash flows of each for such fiscal year, together with comparative figures for the previous fiscal year, all in reasonable detail. The balance sheets and statements shall be audited in form and substance satisfactory to the Bank by independent certified public accountants of recognized standing acceptable to the Bank.

5.2.3. The Borrower will furnish to the Bank as soon as practicable after the end of each calendar month, and in any event within 15 days thereafter, an Accounts aging report in a format acceptable to the Bank and a Borrowing Base Certificate for such month. During the occurrence of an Event of Default, the Borrower shall be required to deliver aging schedules, trial balances, test verifications of Accounts and other reports reasonably requested by the Bank.

SECTION 4. SECURITY FOR DEBT. This Note is secured by and entitled to (a) a Security Agreement dated as of the date hereof, made by the Borrower for the benefit of the Bank (the "Security Agreement") and (b) UCC-1 financing statements filed with the Ohio Secretary of State and the Franklin county Recorder, each dated as of the date hereof, as any of the above may be further amended or modified from time to time. Nothing contained in this Note, the Security Agreement, or in any other document or instrument made in connection herewith, shall be deemed or construed to create a partnership, tenancy-in-common, joint tenancy, joint venture or co-ownership by or between the Bank and the Borrower. The Bank shall not be in any way responsible for the debts, losses, obligations or duties of the Borrower.

SECTION 5. EVENTS OF DEFAULT. The following are Events of Default:

5.1. The Borrower fails to make a payment of interest on the Note when and as due.

5.2. The Borrower fails to pay the principal of the Note when and as due.

5.3. The Borrower fails to make a payment of any fee, expense or other amount of money (not including the principal of or interest on the Note) owing to the Bank under this Note when and as due and such failure is not remedied within 10 Banking Days after the due date.

5.4. Any representation or warranty made by the Borrower in

this Note or any information contained in the Security Agreement, any certificate, report, financial statement or other document delivered to the Bank by the Borrower contains any untrue statement of a material fact or omits to state a material fact required by this Note or law to be stated therein or

necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

5.5. The Borrower fails to perform any of its obligations under or fails to comply with any covenant contained in the Note and such failure continues unremedied for a period of ten Banking Days.

5.6. Any governmental body or officer or creditor of the Borrower seizes, takes possession of or collects (whether or not the Borrower resists or acquiesces in such seizure, taking or collection) any property of the Borrower by any means, including, without limitation, execution, levy, sequestration, attachment, garnishment, replevin or self-help, unless such seizure, taking or collection is vacated or the property is discharged within 30 days after the occurrence thereof.

5.7. One or more final judgments are entered against the Borrower for the payment of money aggregating in excess of $50,000 and any one of such judgments has been outstanding for more than 30 days from the date of its entry and has not been discharged in full or stayed pending appeal.

5.8. The Borrower:

5.8.1. makes an assignment for the benefit of creditors;

5.8.2. enters into any composition, compromise or arrangement with its creditors;

5.8.3. generally does not pay its debts as such debts become due; or

5.8.4. conceals, removes, or permits to be concealed or removed, any part of its or his property, with intent to hinder, delay or defraud its or his creditors or any of them, or makes or suffers a transfer of any of its property, fraudulent under the provisions of any bankruptcy, fraudulent conveyance or similar law, or makes or suffers a transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid.

5.9. If:

5.9.1. a trustee, receiver, agent or custodian is appointed or authorized to take charge of any property of the Borrower for the purpose of enforcing a lien against such property or for the purpose of administering such property for the benefit of the Borrower's creditors; or

5.9.2. an order (a) for relief against the Borrower is granted under Title 11 of the United States Code or any similar law, (b) appointing a receiver, trustee, agent or custodian of the Borrower or any property of the Borrower or (c) providing for a composition,

compromise or arrangement with the creditors of the Borrower is entered by any court or governmental body or officer; or

5.9.3. the Borrower files any pleading seeking (whether by formal action or by the admission of the material allegations of a pleading or otherwise) any such appointment or order; or

5.9.4. (a) any action or proceeding seeking any such appointment or order is commenced without the authority or consent of the Borrower and (b)(i) such action or proceeding is not dismissed within 90 days

after its commencement or (ii) the Borrower does not diligently contest such action or proceeding.

5.10. An Event of Default occurs under the Security Agreement.

5.11. Except for the events that exist on the date this Note is executed as disclosed on Schedule 5.11 hereto, the Borrower fails to pay when and as due the principal of or any interest on any Indebtedness (as defined below), other than as evidenced by this Note or the Security Documents (assuming that all required notices have been properly given and all corresponding grace periods, if any, have elapsed without cure by the Borrower) or any other event exists which, under the terms of any agreement or instrument other than the Note or the Security Documents, relates to any Indebtedness becoming, or becoming capable at such time of being declared, due and payable before it would otherwise have been due and payable. "Indebtedness" means, for the Borrower (a) all indebtedness or other obligations of the Borrower for borrowed money or for the deferred purchase price of property or services (except for unsecured trade payables incurred in the ordinary course of business on normal and reasonable terms), (b) all indebtedness or other obligations of any other person for borrowed money or for the deferred purchase price of property or services, the payment or collection of which the Borrower has guaranteed (except by reason of endorsement for deposit or collection in the ordinary course of business) or in respect of which the Borrower is liable, contingently or otherwise, including, without limitation, liable by way of agreement to purchase, to provide funds for payment, to supply funds to or otherwise to invest in such other person, or otherwise to assure a creditor against loss, (c) all indebtedness or other obligations of any other person for borrowed money or for the deferred purchase price of property or services secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any lien upon or in property (including, without limitation, accounts and contract rights) owned by the Borrower whether or not the Borrower has assumed or become liable for the payment of such indebtedness or other obligations, (d) all direct or contingent obligations of the Borrower in respect of letters of credit and (e) all lease obligations which have been or should be, in accordance with generally accepted accounting principles, capitalized on the books of the Borrower as lessee.

SECTION 6. DEFAULT REMEDIES.

6.1. ACCELERATION. If an Event of Default exists, the outstanding unpaid principal balance of this Note, together with all interest accrued hereon is immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby waived.

6.2. SET-OFF. Any and all moneys now or at any time hereafter owing to the Borrower from the Bank, and all other funds on deposit in one or more checking accounts with the Bank for the benefit of the Borrower, are hereby pledged for the security of this and all other indebtedness from the Borrower to the Bank or any legal holder hereof, and may, upon any demand for payment, be paid and applied thereon whether such indebtedness be then due or to become due, all without notice to or demand on the Borrower or any other person, all such notices and demands being hereby expressly waived. If an Event of Default exists, the Bank shall have the right, in addition to all other rights and remedies available to it, to set-off against the principal of and interest on this Note and any fees, expenses or other amounts owed to the Bank under this Note (a) all amounts owing to the Borrower by the Bank, whether or not then due and payable, and (b) all other funds or property of the Borrower (i) in a deposit account (general or special) maintained with the Bank, or (ii) on deposit with or otherwise held by or in the custody of the Bank for the beneficial account of the Borrower, whether solely in the name of or for the benefit of the Borrower or jointly in the name of or for the benefit of the Borrower and any other person, all without notice to or demand on the Borrower or any other person, all such notices and demands being hereby expressly waived. The Bank will notify the Borrower of any such set-off promptly after its occurrence, but the failure to give such notice shall not affect the validity of the set-off. The Borrower hereby confirms the Bank's right of banker's set-off (also known as banker's lien) as it applies to the Borrower as set forth above, and nothing in this Note shall be deemed a waiver or prohibition of such right of banker's set-off.

6.3. REMEDIES CUMULATIVE. The Bank may exercise the remedies provided in the Pledge Agreement upon the occurrence of an Event of Default. No right or remedy conferred upon the Bank by this Note or legally available to the Bank if an Event of Default exists is intended to be exclusive of any other right or remedy, and each such right or remedy is cumulative and in addition to every other such right or remedy.

6.4. FORCE MAJEURE. The existence of an Event of Default is not affected by the reason for its occurrence, even if the Event of Default was not caused by a voluntary act of the Borrower or was caused by a natural disaster or force majeure.

SECTION 7. MISCELLANEOUS.

7.1. MODIFICATIONS AND WAIVERS. No modification or waiver of any term or provision contained in this Note and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same is in writing and signed by the waiving party. Such waiver or consent shall be effective only in the specific instance and for the purpose for which it is given.

7.2. NOTICES. Except where specific provisions of this Note provide for some other form of notice or require receipt as a condition of notice, any consent, waiver, notice, demand or other instrument required or permitted to be given under this Note shall be deemed to have been properly received when in writing and delivered in person or sent by certified or registered United States mail, return receipt requested, postage prepaid, addressed, if to the Borrower: 425 Metro Place North, Suite 300, Dublin, Ohio 43017, Attention: Brent Larson; and

if to the Bank: 10 West Broad Street, Mezzanine Level, Columbus, Ohio 43287, Attention: Michael D. Davis. Either party may change its address for notices by notice in the manner set forth above.

7.3. PARTIAL INVALIDITY. If any term or provision of this Note or the application thereof to any person, firm or corporation or any circumstance, shall be invalid or unenforceable, the remainder of this Note, or the application of such term or provision to any person, firm or corporation or any circumstances, other than those as to which it is held invalid, shall both be unaffected thereby and each term or provision of this Note shall be valid and be enforced to the fullest extent permitted by law.

7.4. NO IMPLIED RIGHTS OR WAIVERS. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances. Neither any failure nor any delay on the part of the Bank in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of the same or the exercise of any other right, power or privilege. The Borrower hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

7.5. SUCCESSORS AND ASSIGNS. This Note shall be binding upon and inure to the benefit of the respective heirs, successors and assigns of the Bank and the Borrower; provided that the Borrower shall have no right to assign or transfer its rights under this Note voluntarily or by operation of law without first obtaining the written consent of the Bank, and any attempted assignment or transfer in the absence of such consent shall be void and of no effect.

7.6. EXPENSES. All fees, costs and expenses, including reasonable fees and expenses of outside legal counsel, incurred by the Bank in connection with the preparation and enforcement of this Note or any other instruments, documents, or agreements to be delivered pursuant hereto or in connection herewith, shall be paid by the Borrower to the Bank on demand.

7.7. SURVIVAL OF PROVISIONS. All covenants, agreements,

representations, warranties and statements made in this Note or in any certificate, statement, or other instrument given pursuant to this Note shall survive the execution and delivery to the Bank of this Note and the making of the Debt and shall continue in full force and effect so long as any obligation of the Borrower under this Note is outstanding and unpaid.

7.8. CAPTIONS. The captions and section numbers appearing in this Note are inserted only as a matter of convenience; they do not define, limit, construe or describe the scope or intent of the provisions of this Note.

7.9. GOVERNING LAW. This Note shall be governed and construed by the provisions hereof and in accordance with the laws of the State of Ohio applicable to instruments to be performed in the State of Ohio.

7.10. CONSENT. The Borrower hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Ohio and of the United States of America located in the City of Columbus, Ohio for any actions, suits or proceedings arising out of or relating to this Note and the transactions contemplated hereby (and the Borrower agrees not to commence any action, suit or proceeding relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. certified or registered mail, return receipt requested, to the address set forth in Section 7.2 shall be effective service of process for any action, suit or proceeding brought against the Borrower in any such court. The Borrower hereby irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Note, or the transactions contemplated hereby, in the courts of the State of Ohio or the United States of America located in the City of Columbus, Ohio, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

7.11. JOINT PREPARATION. This Note is to be deemed to have been prepared jointly by the Borrower and the Bank, and any uncertainty or ambiguity existing herein shall not be interpreted against either party, but shall be interpreted according to the rules for the interpretation of arm's length agreements.

7.12. THIRD PARTIES. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person other than the parties hereto and their successors or assigns, any rights or remedies under or by reason of this Note.

7.13. CONFESSION OF JUDGMENT. The Borrower hereby authorizes any attorney at law to appear for the Borrower, in an action on this Note, at any time after the same become due, as herein provided, in any court of record in or of the State of Ohio, or elsewhere, to waive the issuing and service of process against the Borrower and to confess judgment in favor of the holder of the this Note or the party entitled to the benefits hereof against the Borrower for the amount that may be due, with interest at the rate herein mentioned and costs of suit, and to waive and release all errors in said proceedings and judgment, and all petitions in error, and right of appeal from the judgment rendered.

7.14. WAIVER OF JURY TRIAL. THE BANK AND THE BORROWER HEREBY VOLUNTARILY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE BANK AND THE BORROWER ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THE BORROWER AND THE BANK IN CONNECTION WITH THIS NOTE, THE SECURITY DOCUMENTS, OR ANY OTHER AGREEMENT OR DOCUMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR THE TRANSACTIONS RELATED HERETO OR THERETO. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE BANK TO ENTER INTO THE FINANCING TRANSACTIONS WITH THE BORROWER. IT SHALL NOT IN ANY WAY AFFECT, WAIVE, LIMIT, AMEND OR MODIFY THE BANK'S ABILITY TO PURSUE ITS REMEDIES INCLUDING, BUT NOT LIMITED TO, ANY

CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED IN THIS NOTE, THE SECURITY DOCUMENTS OR ANY OTHER DOCUMENT RELATED HERETO OR THERETO.

7.15. DEFINITIONS. As used in this Note, the following terms shall have the meanings set forth below. Additional defined terms appear elsewhere in this Note:

"Account" means and includes all accounts (whether or not earned by performance), contract rights, chattel paper, instruments, documents, general intangibles (including, without limitation, tax refunds and tax refund claims) and all other forms of obligations owing to the Borrower, whether secured or unsecured, whether now existing or hereafter created, and whether or not specifically assigned to the Bank under the Security Agreement, all guaranties and other security therefor, all merchandise returned to or repossessed by Borrower, and all rights of stoppage in transit and all other rights and remedies of an unpaid vendor, lienor or secured party.

"Borrowing Base" means the Net Value of Eligible Accounts.

"Borrowing Base Certificate" means a certificate, in the form required by the Bank, signed by a duly authorized officer of the Borrower, that computes the Borrowing Base, together with any memo of returns and credits, remittance report, schedule of Accounts and such other supporting documents and materials which the Bank, in its sole discretion, may require to be delivered with such certificate.

"Customer" means any Person who is obligated as an Account debtor or other obligor on, under, or in connection with any Account.

"Defaulted Account" means an Account that a Customer has not satisfied in full on or before the 91st day after the date an invoice is issued.

"Eligible Account" means each Account of the Borrower which, at the time of determination, meets all the following qualifications: (a) the Borrower has lawful and absolute title to such Account, subject only to the Lien of the Bank given by the Security Agreement; such Lien constitutes a perfected Lien in the Account prior to the rights of any other Person and such Account is not subject to any other Lien whatsoever; (b) the Borrower has the full unqualified right to grant a Lien in such Account to the Bank as security and collateral for the Obligations; (c) the Account is evidenced by an invoice issued to the proper Customer and is not evidenced by any instrument or chattel paper; (d) the Account arose from the sale of goods or services by the Borrower in the ordinary course of business, which goods or services have been shipped or delivered to the Customer under such Account; and such sale was an absolute sale and not on consignment, approval or a sale-and-return basis; (e) no notice of the bankruptcy, receivership, reorganization or insolvency of the Customer has been received by the Borrower; (f) the Account is a valid, legally enforceable obligation of the Customer, and is not subject to any dispute, offset, counterclaim, or other defense on the part of such Customer; (g) it is not a Defaulted Account; (h) the terms of the Account require payment no more than 90 days from the date an invoice is issued; (i) the Customer on the Account is not (1) the United States of America or any foreign

government, or any department, agency or instrumentality thereof (unless the Borrower and the Bank shall have fully complied with the Assignment of Claims Act of 1940, as amended, or any other applicable law governing government Accounts, with respect to such Account), (2) the Borrower, or any affiliate of the Borrower, (3) located outside the United States or Canada, unless the sale is secured by a letter of credit on which the Bank is the sole beneficiary and the form, substance and issuer of which are acceptable to the Bank, or (4) indebted to the Borrower in an amount, which when added to all other amounts then owed to the Borrower by any affiliate of such Customer, exceeds 50% of the amount of all then outstanding Eligible Accounts (other than EES); (j) the Borrower is not indebted to the Customer on the Account (or any affiliate of such Customer) for any goods provided or services rendered to the Borrower; (k) the Account is not owing by any Customer with 50% or more of the value of its outstanding Accounts not qualifying as Eligible Accounts; (l) the Account is an Account representing all or part of the sales price of merchandise, insurance

and service within the meaning of Section 3(c)(5) of the Investment Company Act of 1940, as amended; (m) a purchase of the Account would constitute a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act of 1933, as amended; (n) the Account is denominated and payable only in United States dollars in the United States; and (o) the Bank, acting in its sole discretion, has not notified the Borrower the Account may not be considered as an Eligible Account.

"Lien" means any mortgage, deed of trust, lien, charge, security interest (including, without limitation, a purchase money security interest as such term is defined in Section 9-107 of the UCC) or encumbrance of any kind upon, or pledge of, any property or asset, whether now owned or hereafter acquired, and includes the acquisition of, or agreement to acquire, any property or asset subject to any conditional sale agreement or other title retention agreement, including a lease on terms tantamount thereto or on terms otherwise substantially equivalent to a purchase.

"Net Value of Eligible Accounts" means 70% of the lower of the book value or collectible value of Eligible Accounts as reflected in the Borrower's books in accordance with GAAP, net of all credits, discounts and allowances (including all unissued credits in the form of a competitive allowance or otherwise).

"Obligations" means (a) the obligations of the Borrower to the Bank under the Security Agreement and this Note, (b) all costs and expenses incurred by the Bank in the collection or the enforcement of any such obligations of the Borrower, or realization upon the Collateral, including, without limitation, reasonable attorneys' fees and legal expenses, (c) all future advances made by the Bank for the maintenance, protection or preservation of the Collateral or any portion thereof, including, without limitation, advances for storage, insurance premiums, transportation charges, and the like and (d) all other obligations of the Borrower to the Bank, howsoever created, arising, or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing or due or to become due.

"Person" means any individual, sole proprietorship, partnership, joint venture, corporation, trust, unincorporated organization, government (or any department, agency, instrumentality or political division thereof) or any other entity.

This Note was executed in Columbus, Ohio as of the date first written above.

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WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

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NEOPROBE CORPORATION

By: /s/ David C. Bupp

Name: David C. Bupp
Its: President and Chief Executive Officer

EXHIBIT 10.4.35
TENNESSEE REVOLVING CREDIT NOTE

	COLUMBUS, OHIO
$100,000	AUGUST 31, 1999

FOR VALUE RECEIVED, the undersigned, NEOPROBE CORPORATION, a Delaware corporation, whose address is 425 Metro Place North, Suite 400, Dublin, Ohio 43017 (the "Borrower"), hereby promises to pay to the order of THE PROVIDENT BANK, an Ohio banking corporation (the "Bank"), on or before December 31, 1999 (the "Maturity Date"), the principal sum of One Hundred Thousand Dollars ($100,000) or, if such principal is less, the aggregate unpaid principal amount of all loans made by the Bank to the Borrower pursuant to this Revolving Credit Note, together with interest, all as provided in Section 1 of this Note.

SECTION 1. THE DEBT. Subject to and on the terms and conditions set forth in this Note, the Bank shall provide loans and the Borrower shall repay the indebtedness incurred hereunder as follows:

1.1. REVOLVING CREDIT LOANS. During the period from and including the date hereof to but excluding the Maturity Date, the Bank agrees, on the terms and conditions set forth in this Agreement, to make one or more loans ("Revolving Credit Loans") to the Borrower in an aggregate principal amount at any one time outstanding up to but not exceeding the greater of (a) the Revolving Credit Commitment or (b) the Borrowing Base (as such terms are defined in Section 7.15 hereof). Subject to the terms of this Note, during such period, the Borrower may borrow, repay and reborrow the amount of the Revolving Credit Commitment by means of Revolving Credit Loans. The date, amount, and interest rate of each Revolving Credit Loan made by the Bank to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Bank on its books and records, such recordation to constitute conclusive evidence in the absence of manifest error of the amount of such Loans and payments.

1.2. BORROWING PROCEDURE. The Borrower shall give the Bank notice not later than 10:00 a.m on the date of each Revolving Loan, specifying:

1.2.1. The date of such Loan, which shall be a Banking Day; and

1.2.2. The aggregate amount of the Revolving Credit Loan.

The proceeds of the initial Revolving Credit Loan (in the amount of $353,000) shall be distributed to the Borrower to finance payments made by the Borrower to vendors involved in the development of products described in Section 1.6 below. The Borrower shall forward to the Bank proof of payment to such vendors pursuant to Section 1.7 below. The proceeds of each subsequent Revolving Credit Loan shall be forwarded by the Bank directly to specific vendors to pay amounts the Borrower currently owes to such vendors. The vendors who receive proceeds of

such Revolving Credit Loans shall be those vendors who are necessary to support the development of products described in Section 1.6 below.

1.3. PRINCIPAL. The Borrower shall pay the principal balance of this Note to the Bank on or before the Maturity Date.

1.4. INTEREST.

1.4.1. The Debt shall bear interest on the outstanding principal amount, for each day at a per annum rate equal to the rate of interest for such day publicly announced by the Bank as its prime rate (the "Prime Rate") plus one hundred (100) basis points. The Prime Rate is not intended to be the lowest rate of interest charged by the Bank in connection with extensions of credit for borrowers. Interest on the Debt shall be paid by

the Borrower (a) on the last day of each calendar month, commencing September 30, 1999, (b) on the Maturity Date and (c) thereafter on demand.

1.4.2. All interest under this Note shall be computed on the basis of the actual days elapsed in a year of 360 days.

1.5. PREPAYMENTS; PAYMENTS.

1.5.1. The Borrower shall have the right to make prepayments at any time of the principal amount of the Debt, in whole or in part, without notice. Each prepayment shall be without premium or penalty. Subject to the terms and provisions of this Note, the Bank will reloan to the Borrower such amounts as have been paid and applied on the principal balance of a Revolving Credit Loan prepaid pursuant to this Section.

1.5.2. The Borrower shall make all payments of principal and interest under this Note to the Bank at its main office (or such other location as the Bank may direct) in immediately available funds. If any payment of principal or interest on this Note shall become due on a day other than a Banking Day, such payment shall be due and payable upon the next succeeding Banking Day and such extension of time shall in such case be included in computing interest in connection with such payment. A "Banking Day" is any day on which the main office of the Bank is open for business.

1.6. PURPOSE. The purpose of the Revolving Credit Loans represented by this Note is to support the development between the Borrower and Ethicon Endo Surgery, Inc. ("EES") by providing working capital for the manufacture of units outlined in an EES purchase order for $1,868,000.

1.7. CONDITION PRECEDENT. As a condition precedent to making the first Revolving Credit Loan hereunder, the Borrower must:

1.7.1. deliver to the Bank the EES purchase order;

1.7.2. set up its operating bank accounts with the Bank within 60 days after EES issues the purchase order;

1.7.3. proof of payment to vendors of $353,000;

1.7.4. open a lockbox with the Bank within 60 days after EES issues the purchase order for the receipt of all payments received from EES, and direct EES to make all payments to such lockbox;

1.7.5. have all liens on the personal property of the Borrower subject to the Security Agreement described in Section 4 below either released or subordinated to the satisfaction of the Bank; and

1.7.6. execute and deliver the Revolving Credit Note dated as of the date hereof and issued to the Bank in the original principal amount of $400,000 (the "Ohio Note" and, collectively with this Note, the "Notes").

SECTION 2. REPRESENTATIONS AND WARRANTIES. The execution of this Note by the Borrower shall be deemed to constitute the Borrower's representation and warranty to the Bank that, at the time of execution and at the time of disbursement of each Revolving Credit Loan hereunder: (a) the Notes and the Security Agreement (as defined in Section 4 hereof) are the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms; (b) the Security Agreement creates a valid lien of the Bank in the collateral thereof, prior to the claims of any other person or entity; (c) the execution and delivery of the Notes and the Security Agreement by the Borrower do not and will not conflict with, violate or constitute a default under or breach of any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, deed of trust, guaranty, lease, note or other obligation or instrument binding upon the Borrower or any of its respective properties or assets; and (d) neither this Note nor any other statement, assignment, agreement, instrument or certificate of the Borrower made or delivered pursuant to or in connection with this Note contains any untrue statement of a material fact or omits to state a material fact required to be stated therein, in light of the circumstances under which they were made, or necessary to make the statements therein not

misleading.

SECTION 3. COVENANTS.

3.1. COMPLIANCE WITH LAWS. On and after the date hereof and until the Debt shall have been repaid and discharged in full or otherwise satisfied, the Borrower shall comply with all applicable laws.

3.2. FURNISHING OF FINANCIAL STATEMENTS AND OTHER INFORMATION.

3.2.1. The Borrower shall furnish to the Bank as soon as practicable after the end of each of the month in each fiscal year of the Borrower, and in any event within 30 days thereafter, complete internally prepared financial statements (the "Financial Statements") of the Borrower, including without limitation (a) a balance sheet of the Borrower as at the end of such

month, (b) a statement of operations of the Borrower for such month and (c) a statement of cash flows of the Borrower for such month. All such Financial Statements shall be in reasonable detail and certified by the Treasurer or Controller of the Borrower as having been prepared in accordance with GAAP (except as to footnotes and subject to year-end adjustments), as being true, accurate, complete and correct in all material respects, and as presenting fairly the financial position of the Borrower as at the respective date of such balance sheet and the results of operations of the Borrower for the respective period covered.

3.2.2. The Borrower shall furnish to the Bank as soon as practicable after the end of each fiscal year of the Borrower, and in any event within 90 days thereafter, complete audited Financial Statements of the Borrower including without limitation (a) a balance sheet of each as at the end of such fiscal year, (b) a statement of operations of each for such fiscal year, (c) a statement of shareholders' equity of each for such fiscal year, and (d) a statement of cash flows of each for such fiscal year, together with comparative figures for the previous fiscal year, all in reasonable detail. The balance sheets and statements shall be audited in form and substance satisfactory to the Bank by independent certified public accountants of recognized standing acceptable to the Bank.

5.2.3. The Borrower will furnish to the Bank as soon as practicable after the end of each calendar month, and in any event within 15 days thereafter, an Accounts aging report in a format acceptable to the Bank and a Borrowing Base Certificate for such month. During the occurrence of an Event of Default, the Borrower shall be required to deliver aging schedules, trial balances, test verifications of Accounts and other reports reasonably requested by the Bank.

SECTION 4. SECURITY FOR DEBT. This Note is secured by and entitled to (a) a Security Agreement dated as of the date hereof, made by the Borrower for the benefit of the Bank (the "Security Agreement") and (b) UCC-1 financing statements filed with the Ohio Secretary of State and the Franklin county Recorder, each dated as of the date hereof, as any of the above may be further amended or modified from time to time. Nothing contained in this Note, the Security Agreement, or in any other document or instrument made in connection herewith, shall be deemed or construed to create a partnership, tenancy-in-common, joint tenancy, joint venture or co-ownership by or between the Bank and the Borrower. The Bank shall not be in any way responsible for the debts, losses, obligations or duties of the Borrower.

SECTION 5. EVENTS OF DEFAULT. The following are Events of Default:

5.1. The Borrower fails to make a payment of interest on this Note when and as due.

5.2. The Borrower fails to pay the principal of this Note when and as due.

5.3. The Borrower fails to make a payment of any fee, expense

or other amount of money (not including the principal of or interest on this Note) owing to the Bank under this Note when and as due and such failure is not remedied within 10 Banking Days after the due date.

5.4. Any representation or warranty made by the Borrower in this Note or any information contained in the Security Agreement, any certificate, report, financial statement or other document delivered to the Bank by the Borrower contains any untrue statement of a material fact or omits to state a material fact required by this Note or law to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

5.5. The Borrower fails to perform any of its obligations under or fails to comply with any covenant contained in this Note and such failure continues unremedied for a period of ten Banking Days.

5.6. Any governmental body or officer or creditor of the Borrower seizes, takes possession of or collects (whether or not the Borrower resists or acquiesces in such seizure, taking or collection) any property of the Borrower by any means, including, without limitation, execution, levy, sequestration, attachment, garnishment, replevin or self-help, unless such seizure, taking or collection is vacated or the property is discharged within 30 days after the occurrence thereof.

5.7. One or more final judgments are entered against the Borrower for the payment of money aggregating in excess of $50,000 and any one of such judgments has been outstanding for more than 30 days from the date of its entry and has not been discharged in full or stayed pending appeal.

5.8. The Borrower:

5.8.1. makes an assignment for the benefit of creditors;

5.8.2. enters into any composition, compromise or arrangement with its creditors;

5.8.3. generally does not pay its debts as such debts become due; or

5.8.4. conceals, removes, or permits to be concealed or removed, any part of its or his property, with intent to hinder, delay or defraud its or his creditors or any of them, or makes or suffers a transfer of any of its property, fraudulent under the provisions of any bankruptcy, fraudulent conveyance or similar law, or makes or suffers a transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid.

5.9. If:

5.9.1. a trustee, receiver, agent or custodian is appointed or authorized to take charge of any property of the Borrower for the purpose of enforcing a lien against such property or for the purpose of administering such property for the benefit of the Borrower's creditors; or

5.9.2. an order (a) for relief against the Borrower is granted under Title 11 of the United States Code or any similar law, (b) appointing a receiver, trustee, agent or custodian of the Borrower or any property of the Borrower or (c) providing for a composition, compromise or arrangement with the creditors of the Borrower is entered by any court or governmental body or officer; or

5.9.3. the Borrower files any pleading seeking (whether by formal action or by the admission of the material allegations of a pleading or otherwise) any such appointment or order; or

5.9.4. (a) any action or proceeding seeking any such appointment or order is commenced without the authority or consent of the Borrower and (b)(i) such action or proceeding is not dismissed within 90 days after its commencement or (ii) the Borrower does not diligently contest such action or proceeding.

5.10. An Event of Default occurs under the Security Agreement or the Ohio Note.

5.11. Except for the events that exist on the date this Note is executed as disclosed on Schedule 5.11 hereto, the Borrower fails to pay when and as due the principal of or any interest on any Indebtedness (as defined below), other than as evidenced by this Note or the Security Documents (assuming that all required notices have been properly given and all corresponding grace periods, if any, have elapsed without cure by the Borrower) or any other event exists which, under the terms of any agreement or instrument other than the Note or the Security Documents, relates to any Indebtedness becoming, or becoming capable at such time of being declared, due and payable before it would otherwise have been due and payable. "Indebtedness" means, for the Borrower (a) all indebtedness or other obligations of the Borrower for borrowed money or for the deferred purchase price of property or services (except for unsecured trade payables incurred in the ordinary course of business on normal and reasonable terms), (b) all indebtedness or other obligations of any other person for borrowed money or for the deferred purchase price of property or services, the payment or collection of which the Borrower has guaranteed (except by reason of endorsement for deposit or collection in the ordinary course of business) or in respect of which the Borrower is liable, contingently or otherwise, including, without limitation, liable by way of agreement to purchase, to provide funds for payment, to supply funds to or otherwise to invest in such other person, or otherwise to assure a creditor against loss, (c) all indebtedness or other obligations of any other person for borrowed money or for the deferred purchase price of property or services secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any lien upon or in property (including, without limitation, accounts and contract rights) owned by the Borrower whether or not the Borrower has assumed or become liable for the payment of such indebtedness or other obligations, (d) all direct or contingent obligations of the Borrower in respect of letters of credit and (e) all lease obligations which have been or should be, in accordance with generally accepted accounting principles, capitalized on the books of the Borrower as lessee.

SECTION 6. DEFAULT REMEDIES.

6.1. ACCELERATION. If an Event of Default exists, the outstanding unpaid principal balance of this Note, together with all interest accrued hereon is immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby waived.

6.2. SET-OFF. Any and all moneys now or at any time hereafter owing to the Borrower from the Bank, and all other funds on deposit in one or more checking accounts with the Bank for the benefit of the Borrower, are hereby pledged for the security of this and all other indebtedness from the Borrower to the Bank or any legal holder hereof, and may, upon any demand for payment, be paid and applied thereon whether such indebtedness be then due or to become due, all without notice to or demand on the Borrower or any other person, all such notices and demands being hereby expressly waived. If an Event of Default exists, the Bank shall have the right, in addition to all other rights and remedies available to it, to set-off against the principal of and interest on this Note and any fees, expenses or other amounts owed to the Bank under this Note (a) all amounts owing to the Borrower by the Bank, whether or not then due and payable, and (b) all other funds or property of the Borrower (i) in a deposit account (general or special) maintained with the Bank, or (ii) on deposit with or otherwise held by or in the custody of the Bank for the beneficial account of the Borrower, whether solely in the name of or for the benefit of the Borrower or jointly in the name of or for the benefit of the Borrower and any other person, all without notice to or demand on the Borrower or any other person, all such notices and demands being hereby expressly waived. The Bank will notify the Borrower of any such set-off promptly after its

occurrence, but the failure to give such notice shall not affect the validity of the set-off. The Borrower hereby confirms the Bank's right of banker's set-off (also known as banker's lien) as it applies to the Borrower as set forth above, and nothing in this Note shall be deemed a waiver or prohibition of such right of banker's set-off.

6.3. REMEDIES CUMULATIVE. The Bank may exercise the remedies provided in the Pledge Agreement upon the occurrence of an Event of Default. No right or remedy conferred upon the Bank by this Note or legally available to the Bank if an Event of Default exists is intended to be exclusive of any other right or remedy, and each such right or remedy is cumulative and in addition to every other such right or remedy.

6.4. FORCE MAJEURE. The existence of an Event of Default is not affected by the reason for its occurrence, even if the Event of Default was not caused by a voluntary act of the Borrower or was caused by a natural disaster or force majeure.

SECTION 7. MISCELLANEOUS.

7.1. MODIFICATIONS AND WAIVERS. No modification or waiver of any term or provision contained in this Note and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same is in writing and signed by the waiving party. Such waiver or consent shall be effective only in the specific instance and for the purpose for which it is given.

7.2. NOTICES. Except where specific provisions of this Note provide for some other form of notice or require receipt as a condition of notice, any consent, waiver, notice, demand or other instrument required or permitted to be given under this Note shall be deemed to have been properly received when in writing and delivered in person or sent by certified or registered United States mail, return receipt requested, postage prepaid, addressed, if to the Borrower: 425 Metro Place North, Suite 300, Dublin, Ohio 43017, Attention: Brent Larson; and if to the Bank: 10 West Broad Street, Mezzanine Level, Columbus, Ohio 43287, Attention: Michael D. Davis. Either party may change its address for notices by notice in the manner set forth above.

7.3. PARTIAL INVALIDITY. If any term or provision of this Note or the application thereof to any person, firm or corporation or any circumstance, shall be invalid or unenforceable, the remainder of this Note, or the application of such term or provision to any person, firm or corporation or any circumstances, other than those as to which it is held invalid, shall both be unaffected thereby and each term or provision of this Note shall be valid and be enforced to the fullest extent permitted by law.

7.4. NO IMPLIED RIGHTS OR WAIVERS. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances. Neither any failure nor any delay on the part of the Bank in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of the same or the exercise of any other right, power or privilege. The Borrower hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

7.5. SUCCESSORS AND ASSIGNS. This Note shall be binding upon and inure to the benefit of the respective heirs, successors and assigns of the Bank and the Borrower; provided that the Borrower shall have no right to assign or transfer its rights under this Note voluntarily or by operation of law without first obtaining the written consent of the Bank, and any attempted assignment or transfer in the absence of such consent shall be void and of no effect.

7.6. EXPENSES. All fees, costs and expenses, including reasonable fees and expenses of outside legal counsel, incurred by the Bank in connection with the preparation and enforcement of this Note or any other instruments, documents, or agreements to be delivered pursuant hereto or in

connection herewith, shall be paid by the Borrower to the Bank on demand.

7.7. SURVIVAL OF PROVISIONS. All covenants, agreements, representations, warranties and statements made in this Note or in any certificate, statement, or other instrument given pursuant to this Note shall survive the execution and delivery to the Bank of this Note and the making of the Debt and shall continue in full force and effect so long as any obligation of the Borrower under this Note is outstanding and unpaid.

7.8. CAPTIONS. The captions and section numbers appearing in this Note are inserted only as a matter of convenience; they do not define, limit, construe or describe the scope or intent of the provisions of this Note.

7.9. GOVERNING LAW. This Note shall be governed and construed by the provisions hereof and in accordance with the laws of the State of Ohio applicable to instruments to be performed in the State of Ohio.

7.10. CONSENT. The Borrower hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Ohio and of the United States of America located in the City of Columbus, Ohio for any actions, suits or proceedings arising out of or relating to this Note and the transactions contemplated hereby (and the Borrower agrees not to commence any action, suit or proceeding relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. certified or registered mail, return receipt requested, to the address set forth in Section 7.2 shall be effective service of process for any action, suit or proceeding brought against the Borrower in any such court. The Borrower hereby irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Note, or the transactions contemplated hereby, in the courts of the State of Ohio or the United States of America located in the City of Columbus, Ohio, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

7.11. JOINT PREPARATION. This Note is to be deemed to have been prepared jointly by the Borrower and the Bank, and any uncertainty or ambiguity existing herein shall not be interpreted against either party, but shall be interpreted according to the rules for the interpretation of arm's length agreements.

7.12. THIRD PARTIES. Nothing herein expressed or implied is intended or shall be construed to confer upon or give any person other than the parties hereto and their successors or assigns, any rights or remedies under or by reason of this Note.

7.13. CONFESSION OF JUDGMENT. The Borrower hereby authorizes any attorney at law to appear for the Borrower, in an action on this Note, at any time after the same become due, as herein provided, in any court of record in or of the State of Ohio, or elsewhere, to waive the issuing and service of process against the Borrower and to confess judgment in favor of the holder of the this Note or the party entitled to the benefits hereof against the Borrower for the amount that may be due, with interest at the rate herein mentioned and costs of suit, and to waive and release all errors in said proceedings and judgment, and all petitions in error, and right of appeal from the judgment rendered.

7.14. WAIVER OF JURY TRIAL. THE BANK AND THE BORROWER HEREBY VOLUNTARILY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE BANK AND THE BORROWER ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THE BORROWER AND THE BANK IN CONNECTION WITH THIS NOTE, THE SECURITY DOCUMENTS, OR ANY OTHER AGREEMENT OR DOCUMENT EXECUTED OR DELIVERED IN CONNECTION

HEREWITH OR THEREWITH OR THE TRANSACTIONS RELATED HERETO OR THERETO. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE BANK TO ENTER INTO THE FINANCING TRANSACTIONS WITH THE BORROWER. IT SHALL NOT IN ANY WAY AFFECT, WAIVE, LIMIT, AMEND OR MODIFY THE BANK'S ABILITY TO PURSUE ITS REMEDIES INCLUDING, BUT NOT LIMITED TO, ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED IN THIS NOTE, THE SECURITY DOCUMENTS OR ANY OTHER DOCUMENT RELATED HERETO OR THERETO.

7.15. DEFINITIONS. As used in this Note, the following terms shall have the meanings set forth below. Additional defined terms appear elsewhere in this Note:

"Account" means and includes all accounts (whether or not earned by performance), contract rights, chattel paper, instruments, documents, general intangibles (including, without limitation, tax refunds and tax refund claims) and all other forms of obligations owing to the Borrower, whether secured or unsecured, whether now existing or hereafter created, and whether or not specifically assigned to the Bank under the Security Agreement, all guaranties and other security therefor, all merchandise returned to or repossessed by Borrower, and all rights of stoppage in transit and all other rights and remedies of an unpaid vendor, lienor or secured party.

"Borrowing Base" means the Net Value of Eligible Accounts.

"Borrowing Base Certificate" means a certificate, in the form required by the Bank, signed by a duly authorized officer of the Borrower, that computes the Borrowing Base, together with any memo of returns and credits, remittance report, schedule of Accounts and such other supporting documents and materials which the Bank, in its sole discretion, may require to be delivered with such certificate.

"Customer" means any Person who is obligated as an Account debtor or other obligor on, under, or in connection with any Account.

"Defaulted Account" means an Account that a Customer has not satisfied in full on or before the 91st day after the date an invoice is issued.

"Eligible Account" means each Account of the Borrower which, at the time of determination, meets all the following qualifications: (a) the Borrower has lawful and absolute title to such Account, subject only to the Lien of the Bank given by the Security Agreement; such Lien constitutes a perfected Lien in the Account prior to the rights of any other Person and such Account is not subject to any other Lien whatsoever; (b) the Borrower has the full unqualified right to grant a Lien in such Account to the Bank as security and collateral for the Obligations; (c) the Account is evidenced by an invoice issued to the proper Customer and is not evidenced by any instrument or chattel paper; (d) the Account arose from the sale of goods or services by the Borrower in the ordinary course of business, which goods or services have been shipped or delivered to the Customer under such Account; and such sale was an absolute sale and not on consignment, approval or a sale-and-return basis; (e) no notice of the bankruptcy, receivership,

reorganization or insolvency of the Customer has been received by the Borrower; (f) the Account is a valid, legally enforceable obligation of the Customer, and is not subject to any dispute, offset, counterclaim, or other defense on the part of such Customer; (g) it is not a Defaulted Account; (h) the terms of the Account require payment no more than 90 days from the date an invoice is issued; (i) the Customer on the Account is not (1) the United States of America or any foreign government, or any department, agency or instrumentality thereof (unless the Borrower and the Bank shall have fully complied with the Assignment of Claims Act of 1940, as amended, or any other applicable law governing government Accounts, with respect to such Account), (2) the Borrower, or any affiliate of the Borrower, (3) located outside the United States or Canada, unless the sale is secured by a letter of credit on which the Bank is the sole beneficiary and the form, substance and issuer of which are acceptable to the Bank, or (4) indebted to the Borrower in an amount, which when added to all other amounts then owed to the Borrower by any affiliate of such Customer, exceeds 50% of the amount of all then outstanding Eligible Accounts (other than EES); (j) the Borrower is not indebted to the Customer on the Account (or any affiliate of such Customer) for any goods provided or services rendered to the Borrower; (k)

the Account is not owing by any Customer with 50% or more of the value of its outstanding Accounts not qualifying as Eligible Accounts; (l) the Account is an Account representing all or part of the sales price of merchandise, insurance and service within the meaning of Section 3(c)(5) of the Investment Company Act of 1940, as amended; (m) a purchase of the Account would constitute a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act of 1933, as amended; (n) the Account is denominated and payable only in United States dollars in the United States; and (o) the Bank, acting in its sole discretion, has not notified the Borrower the Account may not be considered as an Eligible Account.

"Lien" means any mortgage, deed of trust, lien, charge, security interest (including, without limitation, a purchase money security interest as such term is defined in Section 9-107 of the UCC) or encumbrance of any kind upon, or pledge of, any property or asset, whether now owned or hereafter acquired, and includes the acquisition of, or agreement to acquire, any property or asset subject to any conditional sale agreement or other title retention agreement, including a lease on terms tantamount thereto or on terms otherwise substantially equivalent to a purchase.

"Net Value of Eligible Accounts" means 70% of the lower of the book value or collectible value of Eligible Accounts as reflected in the Borrower's books in accordance with GAAP, net of all credits, discounts and allowances (including all unissued credits in the form of a competitive allowance or otherwise).

"Obligations" means (a) the obligations of the Borrower to the Bank under the Security Agreement and this Note, (b) all costs and expenses incurred by the Bank in the collection or the enforcement of any such obligations of the Borrower, or realization upon the Collateral, including, without limitation, reasonable attorneys' fees and legal expenses, (c) all future advances made by the Bank for the maintenance, protection or preservation of the Collateral or any portion thereof, including, without limitation, advances for storage, insurance premiums, transportation charges, and the like and (d) all other obligations of the Borrower to the Bank, howsoever created, arising, or evidenced, whether direct or indirect, absolute or contingent, or now or hereafter existing or due or to become due.

"Person" means any individual, sole proprietorship, partnership, joint venture, corporation, trust, unincorporated organization, government (or any department, agency, instrumentality or political division thereof) or any other entity.

"Revolving Credit Commitment" means the obligation of the Bank to make Revolving Credit Loans to the Borrower hereunder and under the Ohio Note up to an aggregate principal amount of $500,000. The principal amount outstanding under the Ohio Note shall decrease the aggregate principal amount available for the Revolving Credit Loans hereunder by a corresponding amount.

This Note was executed in Columbus, Ohio as of the date first written above.

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WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

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NEOPROBE CORPORATION

By: David C. Bupp

Name: David C. Bupp
Its: President and Chief Executive Officer

EXHIBIT 10.4.36

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement"), is made on August 31, 1999, by and between NEOPROBE CORPORATION, a Delaware corporation ("Debtor"), and THE PROVIDENT BANK, an Ohio banking corporation ("Secured Party").

RECITALS:

WHEREAS, Secured Party has made, and intends to make in the future, loans to the Debtor from time to time (collectively, the "Revolving Credit Loans") pursuant to a $400,000 Revolving Credit Note and a $100,000 Tennessee Revolving Credit Note, each dated as of the date hereof (the "Revolving Credit Notes"); and

WHEREAS, Debtor will use the proceeds of the Revolving Credit Loans to the manufacture of specific units pursuant to a purchase order received from Ethicon Endo Surgery, Inc.; and

WHEREAS, Secured Party agreed to make the Revolving Credit Loans on the condition that Debtor would provide security for the Revolving Credit Loans; and

WHEREAS, Debtor agrees to grant to and create in favor of Secured Party, in the manner set forth in this Agreement, security interests in certain property of Debtor as security for the performance and payment of the Secured Obligations (as defined in Section 1 hereof).

NOW THEREFORE, for and in consideration of the Revolving Credit Loans to Debtor and the benefits Debtor receives from them, the representations, warranties, and mutual covenants set forth in this Agreement, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. DEFINED TERMS.

1.1. DEFINITIONS. Certain capitalized words and terms as used in this Agreement shall have the meanings given to them in the Uniform Commercial Code unless otherwise indicated herein or the context or use indicates another or different meaning or intent. All defined terms shall be equally applicable to both the singular and plural forms of any of the words and terms herein defined. In addition, the following capitalized words shall have the following meanings when used herein:

"Accounts" has the meaning assigned to that term in the Uniform Commercial Code.

"Chattel Paper" has the meaning assigned to that term in the Uniform Commercial Code.

"Event of Default" shall mean the failure of the Debtor to comply with any of the terms of this Agreement or to repay the Revolving Credit Loans at the times required by the Revolving Credit Notes.

"GAAP" means generally accepted accounting principles, as from time to time in effect, applied throughout any applicable period on a basis consistent with the accounting principles reflected in Guarantor's financial statements.

"General Intangibles" has the meaning assigned to that term in the Uniform Commercial Code excluding all rights of Debtor in intellectual property, goodwill, trademarks, trade names, service marks, copyrights, patents, and licenses and in applications therefor.

"Instruments" has the meaning assigned to that term in the Uniform Commercial Code.

"Inventory" has the meaning assigned to that term in the Uniform Commercial Code.

"Lease" means any lease or other agreement (however denominated) providing for the use by one person of real or personal property owned by another person (or the entering into such a lease or agreement).

"Loan Documents" means this Agreement, the Revolving Credit Notes and all other instruments or agreements required or contemplated hereby or thereby or evidencing the Revolving Credit Loans.

"Permitted Liens" are those liens set forth in Section 13 hereof.

"Premises" has the meaning assigned that term in Section 2.3.1 hereof.

"Rentals" means with respect to any Lease, for any period, the aggregate of all amounts required to be paid by the lessee thereunder for such period, whether or not designated in such Lease as rentals or otherwise.

"Revolving Credit Loans" has the meaning assigned that term in the first Recital hereof.

"Revolving Credit Notes" has the meaning assigned that term in the first Recital hereof.

"Secured Obligations" means (a) all principal and interest due and payable for the Revolving Credit Loans made under the Revolving Credit Notes and (b) all costs and expenses incurred by Secured Party in the realization upon the Collateral, including without limitation reasonable attorneys' fees and legal expenses.

"Uniform Commercial Code" means Chapters 1301 through 1309 of the Ohio Revised Code as the same may be from time to time supplemented or amended hereafter.

Section 2. CREATION OF SECURITY INTERESTS. As security for the full and timely discharge of the Secured Obligations in accordance with their respective terms, Debtor agrees that Secured Party will have, and there is hereby granted to and created in favor of Secured Party, a security

interest under the Uniform Commercial Code, and otherwise in accordance with applicable law, in and to the following (hereinafter collectively referred to as the "Collateral"):

2.1. All Accounts and General Intangibles now or hereafter owned by Debtor, including, without limitation, (i) all moneys due and to become due under any contractual obligation, (ii) any damages arising out of or for breach or default in respect of any Account and (iii) all other amounts from time to time paid or payable under or in connection with any such Account; but specifically excluding all rights of Debtor in intellectual property, goodwill, trademarks, trade names, service marks, copyrights, patents, and licenses and in applications therefor.

2.2. All Goods and Inventory now or hereafter owned by Debtor.

2.3. All Instruments and Chattel Paper now or hereafter owned by Debtor.

2.4. To the extent not otherwise included, all other personal property, tangible or intangible, of Debtor other than tools and dies used in the production of Inventory.

2.5. To the extent not otherwise included, all books and records pertaining to the foregoing, and all Proceeds or products of any or all of the foregoing.

Section 3. RIGHTS AND REMEDIES OF A SECURED PARTY. In addition to all of the rights and remedies given to Secured Party by this Agreement, Secured Party shall have all of the rights and remedies of a secured party under the Uniform Commercial Code.

Section 4. PROVISIONS APPLICABLE TO THE COLLATERAL. The parties agree that the following provisions shall be applicable to the Collateral and Debtor agrees that during the term of this Agreement:

4.1. BOOKS AND RECORDS; CHIEF EXECUTIVE OFFICES.

4.1.1. Debtor shall keep accurate and complete books and records concerning the Collateral in accordance with GAAP. For the purpose of establishing the location and value of the Collateral, Debtor shall furnish to Secured Party, at such times and in such form and substance as may be requested by Secured Party, information adequate to identify the Collateral, including, without limitation, the location, cost and fair market value of the Collateral.

4.1.2. (a) Debtor represents and warrants that its chief executive office is located at the address set forth below:

Neoprobe Corporation
425 Metro Place North, Suite 300
Dublin, Ohio 43017

(b) Debtor shall not move its chief executive office except to such new location as it may establish in accordance with Section 4.1.5 below.

4.1.3. (a) The only original books of account and records of Debtor relating to the Collateral are, and will continue to be, kept at the offices of Debtor set forth in Section 4.1.2 above.

(b) The location where such books of account and records are kept shall not be changed by Debtor except in accordance with Section 4.1.5 below.

4.1.4. Debtor represents and warrants that the location of all the Collateral is accurately and completely set forth in Exhibit A hereto.

4.1.5. Debtor shall not establish any different location for its chief executive office or for the place where the original books of account and records of Debtor relating to the Collateral are kept until (a) it shall have given to Secured Party written notice, 10 days before doing so, of its intention to establish such new location, clearly describing each such new location and providing any other information in connection therewith that Secured Party may reasonably request, and (b) with respect to each such new location, it shall have taken such action, satisfactory to Secured Party (including without limitation all action required by Section 5 of this Agreement), as may be necessary to maintain the security interest of Secured Party in the Collateral at all times fully perfected and in full force and effect.

4.1.6. Debtor shall not hold its right, title or interest or maintain its records relating to any Collateral or invoice any Account debtor with respect to any Collateral in any name other than its own proper corporate name.

4.2. INSPECTION. Debtor shall permit any persons designated by Secured Party, in order to permit Secured Party to assure itself of performance by Debtor of the Secured Obligations or otherwise facilitate compliance with this Agreement, to enter, examine, audit and inspect the Collateral and all properties, corporate books and financial records pertaining to the Collateral or to the operation, business, affairs and financial condition of Debtor, at any reasonable time and from time to time, and shall permit such persons to copy (by photocopy or otherwise) and make excerpts of such books and records.

4.3. NOTICE OF ADVERSE CHANGE. Debtor shall immediately notify Secured Party of any adverse change of which Debtor has knowledge which adversely affects or may adversely affect its right, title, or interest in, or the value of, the Collateral.

4.4. SALE OF INVENTORY. Notwithstanding the security interest in the Collateral granted hereunder, Debtor shall have the right to sell, lease

or otherwise dispose of its Inventory in the ordinary course of its business free and clear of such security interest; but in such event, such security interest shall continue in the proceeds of such sale, lease or other disposition.

4.5. ACCOUNT VERIFICATION. Secured Party may at any time, cause Debtor to verify with any Account debtor of Debtor as to the status of any Accounts payable by such Account debtor. The Debtor shall direct the Account debtor to furnish a written response to the request for verification to a post office box at a post office located in Columbus, Ohio, which post office box shall be controlled by Secured Party. Prior to the occurrence of an Event of Default Secured Party shall make no request for verification directly with the Account debtor. Debtor from time to time will execute and deliver such instruments and take all such action as Secured Party may reasonably request in order to effectuate the purposes of this Section 4.5.

4.6. THE DEBTOR'S RIGHTS TO COLLECT ACCOUNTS. Notwithstanding any security interest in Accounts of Debtor granted hereunder, Debtor shall have the right to and shall endeavor to collect such Accounts at its own cost and expense, until such time as Secured Party shall have notified Debtor pursuant to Section 4.7 below that Secured Party has revoked Debtor's right to collect such Accounts.

4.7. COLLECTION OF ACCOUNTS BY THE SECURED PARTY. If an Event of Default shall have occurred and be continuing, Secured Party shall have the right at any time and without affecting the liability of Debtor to Secured Party (a) to revoke any right of Debtor to collect its Accounts pursuant to Section 4.6 above by written notice to Debtor to such effect, (b) to take over and direct collection of such Accounts of Debtor, (c) to give notice of the security interest of Secured Party in such Accounts to any or all of the Account debtors obligated to Debtor, (d) to direct such Account debtors to make payment of such Accounts directly to Secured Party and (e) to take control of such Accounts of Debtor and the proceeds thereof, and to take possession of all of Debtor's books and records relating thereto, with full power and authority in the name of Secured Party or of Debtor to enforce, collect, sue for, receive, and give receipts for any and all such Accounts. If any Account becomes evidenced by or if Debtor receives any promissory notes, trade acceptance, chattel paper or other writing or instrument for the payment of money, Debtor will deliver each such writing or instrument to Secured Party duly endorsed to the order of Secured Party as additional Collateral under this Agreement.

Section 5. PRESERVATION AND PROTECTION OF SECURITY INTERESTS. Debtor shall faithfully preserve and protect Secured Party's security interest in the Collateral and shall, at its own cost and expense, cause such security interest to be perfected and continue perfected so long as the Secured Obligations or any portion thereof are outstanding and unpaid, and for such purpose Debtor shall from time to time at the request of Secured Party file or record, or cause to be filed or recorded, such instruments, documents and notices, including without limitation financing and continuation statements, as Secured Party may deem necessary or advisable from time to time in order to preserve, perfect and continue perfected said security interest prior to the rights of any secured party or lien creditor. Debtor shall do all such other acts and things and shall execute and deliver all such other instruments and documents, including without limitation further security agreements, pledges, endorsements, assignments and notices, as Secured Party may deem necessary or advisable from time to time in order to perfect and preserve the priority of said security interest as a perfected lien in the Collateral prior to the rights of any secured party or lien creditor. Secured Party, and its officers, employees and authorized agents, or any of them, are hereby irrevocably appointed the attorneys-in-fact of Debtor to do all acts and things which

Secured Party may deem necessary or advisable to preserve, perfect and continue perfected Secured Party's security interest in the Collateral, including without limitation the signing of financing, continuation or other similar statements and notices on behalf of Debtor.

Section 6. APPLICATION OF MONEYS. Except as otherwise provided in this Agreement, if an Event of Default shall have occurred, all net proceeds which Secured Party shall receive upon realization of the lien and security interest granted under this Agreement may be applied by or at the direction of Secured Party, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any and all of the Collateral or in any way relating to the rights of Secured Party hereunder, including reasonable attorneys' fees and legal expenses, to the payment in whole or in part of the Secured Obligations, in such order as Secured Party may elect. Any surplus remaining after the payment and satisfaction of all of the Secured Obligations shall be applied to or on the order of Debtor, its successors or assigns, or to the person or persons who may be lawfully entitled to receive the same, or as any court of competent jurisdiction may direct.

Section 7. REPRESENTATIONS AND WARRANTIES. Debtor hereby represents and warrants to Secured Party as follows:

7.1. TITLE TO PROPERTY. Debtor has legal title to all the Collateral, subject to no liens, other than Permitted Liens. No financing or continuation statement which names Debtor as debtor has been filed under the Uniform Commercial Code other than pursuant to the Permitted Liens and Debtor has not agreed or consented to cause or to permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to any lien, except the Permitted Liens.

7.2. NO EVENT OF DEFAULT. There does not exist any condition or circumstance which constitutes, or with the lapse of time or the giving of notice or both would constitute, an Event of Default.

7.3. INSURANCE. All of the properties and operations of Debtor of a character usually insured by persons of established reputation engaged in the same or a similar business similarly situated are adequately insured by financially sound and reputable insurers, against loss or damage of the kinds and in the amounts customarily insured against by such persons; and Debtor carries with such insurers in customary amounts, such other insurance, including public and product liability insurance, as is usually carried by persons of established reputation engaged in the same business as Debtor or a similar business similarly situated.

7.4. PERFECTION OF SECURITY INTERESTS. As of the date of this Agreement, Debtor has taken or caused to be taken all actions necessary in order to establish Secured Party's security interests in the Collateral as valid and perfected liens, prior to all other liens.

7.5. SUBSIDIARIES. Debtor has no subsidiaries and has no loans, advances or capital contributions to any person presently outstanding other than Neoprobe Europe AB and Neoprobe Israel AB, both of which are currently being liquidated by Debtor.

Section 8. AFFIRMATIVE COVENANTS. On and after the date of this Agreement, and for so long as any Secured Obligation is outstanding:

8.1. PRESERVATION OF CORPORATE EXISTENCE. Debtor shall preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation and will qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary or desirable in view of its business and operations or for the ownership of its properties.

8.2. MAINTENANCE OF PROPERTIES. Debtor shall maintain and preserve in good working order and condition, ordinary wear and tear excepted, all of its properties which are necessary or useful in the proper conduct of its business, and will from time to time make all necessary and proper repairs, renewals, replacements, additions and improvements to said properties, subject to Sections 2.2 and 2.3 of this Agreement.

8.3. KEEPING OF RECORDS AND BOOKS OF ACCOUNT. Debtor shall keep adequate records and books of account in which complete entries will be

made in accordance with GAAP, reflecting all financial transactions of Debtor relating to the Collateral.

8.4. NOTICE OF DEFAULT. If Debtor has knowledge that any Event of Default occurs, Debtor shall give prompt notice in writing of such happening to Secured Party.

8.5. PERFORMANCE OF CONTRACTS, ETC. Debtor shall perform according to and shall comply with those contractual obligations of Debtor, non-performance of which would adversely affect the business of Debtor or would impair the ability of Debtor to perform this Agreement.

8.6. ADDITIONAL INFORMATION. Debtor shall furnish to Secured Party promptly after Secured Party's request therefor, such other information respecting the business, properties or condition of operations, financial or otherwise, of Debtor as may be requested by Secured Party.

8.7. INSURANCE. Debtor shall at all times:

8.7.1. Maintain or cause to be maintained insurance upon its property with responsible and reputable insurers of such character and in such amounts as are usually maintained by persons engaged in a like business.

8.7.2. Furnish to Secured Party a statement of insurance coverage of Debtor in form and detail satisfactory to Secured Party.

8.7.3. Require each policy of insurance to contain loss payable provisions in favor of and satisfactory to Secured Party and a provision requiring at least 30 days' prior written notice to Secured Party in the event of any cancellation or contemplated cancellation of such insurance. To the extent reasonably obtainable without additional cost to Debtor, all such policies will further contain agreements by the insurers that any loss will be payable to Secured

Party notwithstanding any acts or negligence by Debtor or its subsidiaries which might otherwise result in forfeiture of said insurance. If Debtor fails to maintain in full force and effect insurance covering the Collateral as may be required by this Section 8.7, or fails to pay the premiums thereon when due, Secured Party may do so for the account of Debtor and add the cost thereof to the Secured Obligations.

8.7.4. Secured Party shall not be under any duty to ascertain the existence or adequacy of insurance coverage. Debtor hereby assigns and sets over unto Secured Party all moneys which may become payable on account of such insurance covering the Collateral including without limitation any return of unearned premiums which may be due upon cancellation of any such insurance, and directs the insurers to pay Secured Party any amount so due. Secured Party, its officers, employees and authorized agents, are hereby irrevocably appointed the attorneys-in-fact of Debtor to endorse any draft or check which may be payable to Debtor in order to collect the proceeds of such insurance or any return of unearned premiums. Any balance of insurance proceeds remaining in the possession of Secured Party after payment in full of the Secured Obligations shall be paid to Debtor or Debtor's order as Debtor shall instruct Secured Party.

8.8. RISK OF LOSS. As of the execution of this Agreement, Debtor shall assume all risk of loss of, damage to, or destruction of the Collateral to the extent that Debtor now or hereafter has or acquires any right, title and interest in the Collateral.

8.9. MAINTENANCE OF COLLATERAL.

8.9.1. Debtor shall (a) pay and discharge all taxes, assessments, fees, and other governmental charges or levies imposed upon it as well as all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords and other similar persons for labor, materials, supplies and rentals which, if unpaid, might by law become a lien on the Collateral or any part thereof and (b) perform according to and maintain in force all leases which are Collateral; PROVIDED, HOWEVER, that Debtor shall not be required to make any

payment pursuant to this Section 8.9 if (x) the amount, applicability, or validity thereof is being contested currently in good faith by appropriate proceedings, (y) Debtor shall have set aside on its books, in accordance with GAAP applied on a consistent basis, adequate reserves or provisions with respect thereto, and (z) the title of Debtor to, and its right to use, any of its properties is not materially and adversely affected thereby.

8.9.2. If Debtor fails to make any payments it is required to make under this Section 8.9, Secured Party may do so for the account of Debtor and may add the amount of such payments to the Secured Obligations.

8.10. USE OF COLLATERAL. The Collateral will be used exclusively in the business operations of Debtor.

8.11. ANNUAL CERTIFICATE. Debtor shall furnish to Secured Party as soon as practicable after the end of each fiscal year of Debtor, and in any event within 90 days thereafter, a

certificate by the chief executive officer or the president of Debtor in form and substance satisfactory to Secured Party, addressed to Secured Party and stating that based upon the law in effect on the date of such certificate, no filing, registration or recording of any financing statement, amendments thereto, continuation statements or instruments of a similar character relating to the Collateral is required by law or will be required by law during the 12 calendar months commencing on the next following anniversary date in order to preserve and protect the priority of the security interest of Secured Party as a perfected security interest in the Collateral prior to the rights of any other secured party or lien creditor, or if such filing, registration, recording, refiling, reregistration or rerecording is necessary or will be necessary during the 12 calendar months commencing on the next following anniversary date, setting forth the requirements in respect thereto. Promptly after any filing, recording, refiling or rerecording of any such financing statement or amendment thereto or continuation statement or instrument, Debtor shall deliver to Secured Party another certificate by the chief executive officer or president, stating that such filing, registration, recording, refiling, reregistration or rerecording has been duly accomplished and setting forth the particulars thereof.

Section 9. NEGATIVE COVENANTS. On and after the date of this Agreement and so long as Secured Obligations are outstanding, Debtor shall not:

9.1. MERGERS, CONSOLIDATIONS, ETC. Merge with or into or consolidate with any entity; PROVIDED, HOWEVER, that Debtor may merge or consolidate with another entity so long as the obligations hereunder are assumed by the surviving entity.

9.2. NEGATIVE PLEDGE. Without the prior written consent of Secured Party (a) sell, assign, or transfer any of its right, title and interest in the Collateral except the sale of Debtor's Inventory in the ordinary course of business, (b) grant or create or permit to exist any lien on or in any of the Collateral except for Permitted Liens, (c) permit any levy or attachment to be made against any of the Collateral, or (d) file any financing statement with respect to any of the Collateral.

9.3. CHANGE OF NAME. Change its corporate name.

Section 10. CARE AND MAINTENANCE OF COLLATERAL BY THE SECURED PARTY. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of such of the Collateral as may be in Secured Party's possession if Secured Party takes such action for that purpose as Debtor shall request in writing, PROVIDED, HOWEVER that Secured Party shall not be required to take any such requested action if in the judgment of Secured Party, such action would impair Secured Party's security interest in such Collateral or its rights in, or the value of, such Collateral, and PROVIDED, FURTHER, HOWEVER that such written request is received by Secured Party in sufficient time to permit Secured Party to take the requested action. Debtor acknowledges that failure of Secured Party to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and no failure of Secured Party to preserve or protect any rights with respect to such Collateral against prior parties, or

to do any act with respect to the preservation of such Collateral not so requested by Debtor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral. If all or any part of the Collateral consists of any

stock, bond or other security, Secured Party shall be under no obligation to sell or otherwise dispose of such security, or to cause such security to be sold or otherwise disposed of, by reason of any diminution in the fair market value thereof, and Secured Party's failure to do so shall under no circumstances be deemed a failure to exercise reasonable care in the custody and preservation of the Collateral, anything in this Section 10 or in any other section of this Agreement notwithstanding.

Section 11. REMEDIES FOR EVENT OF DEFAULT.

11.1. REMEDIES. If an Event of Default occurs, in addition to the remedies set forth in the Agreement and the other Loan Documents:

11.1.1. Secured Party may exercise such rights and remedies as are provided by the Uniform Commercial Code, including without limitation the right to enter any premises where any of the Collateral is located and take possession of the same without demand or notice and without prior judicial hearing or legal proceedings, which Debtor hereby expressly waives, and to sell all or any portion of the Collateral at public or private sale, without prior notice to Debtor except as otherwise required by law (and if notice is required by law, after 10 days' prior written notice), at such place or places and at such time or times and in such manner and upon such terms, whether for cash or on credit, as Secured Party in its sole discretion may determine. Upon any such sale of any of the Collateral, Secured Party may purchase all or any of the Collateral being sold, free from any equity or right of redemption. Secured Party shall apply the proceeds of any such sale to the Secured Obligations as provided in Section 6 hereof. If such proceeds are insufficient to pay the amounts owed by Debtor, Debtor shall be liable for any deficiency in the amount so realized from the Collateral.

11.1.2. Debtor shall, upon the demand of Secured Party, promptly assemble the Collateral, or any part thereof and make it available to Secured Party at a place to be designated by Secured Party which shall be reasonably convenient to Secured Party and Debtor. The right of Secured Party under this Section 11.1.2 to have the Collateral assembled and made available to it is of the essence of this Agreement and Secured Party may, at its election, enforce such right by an action for specific performance.

11.2. NO REQUIREMENT TO MARSHAL COLLATERAL. Debtor, to the extent that it has any right, title or interest in any of the Collateral, waives and releases any right to require Secured Party to collect any of the Secured Obligations from any portion of the Collateral under any theory of marshaling of assets, or otherwise, and specifically authorizes Secured Party to apply any of its Collateral against any of the Secured Obligations in any manner that Secured Party may determine.

Section 12. AMENDMENTS, WAIVERS. No amendment, modification or waiver to this Agreement shall be binding unless in writing and signed by the party to be charged.

Section 13. PERMITTED LIENS. Liens arising from purchase money security interests so long as (a) the lien is for no more than 90% of the purchase price of the property and (b) such lien

attaches only to the property acquired by Debtor in connection therewith shall be deemed "Permitted Liens."

Section 14. DEFEASANCE. Upon payment and performance in full of the Secured Obligations, and all reasonable costs and expenses incurred by Secured Party in the realization upon the Collateral, including without limitation,

reasonable attorneys' fees and legal expenses, this Agreement shall terminate and be of no further force and effect, and in such event, Secured Party shall, at the expense of Debtor, take all action necessary to terminate the security interests of Secured Party in the Collateral. Until such time, however, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 15. GOVERNING LAW. This Agreement is being executed and delivered in the State of Ohio and, except to the extent that the laws of any other jurisdiction are mandatorily applicable, shall in all respects be interpreted in accordance with the laws of the State of Ohio applicable to contracts to be performed in the State of Ohio.

Section 16. COUNTERPARTS. This Agreement may be signed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

Section 17. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding of the parties hereto and supersedes any and all prior agreements, arrangements, and understandings relating to the subject matter hereof. No representation, promise, inducement, or statement of intent has been made by any party which is not embodied in this Agreement, and no party shall be bound by or be liable for any alleged representation, promise, inducement or statement of intention not embodied herein.

Section 18. ENFORCEABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provisions in any other jurisdiction.

Section 19. CAPTIONS. Captions and section headings used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

Section 20. CONFESSION OF JUDGMENT. The Debtor hereby authorizes any attorney at law to appear for it, in an action on this Security Agreement, as herein provided, in any court of record in or of the State of Ohio, or elsewhere, to waive the issuing and service of process against the Debtor and to confess judgment in favor of the holder of the Security Agreement against the Debtor for the amount that may be due, with interest at the rate therein mentioned and costs of suit, and to waive and release all errors in said proceedings and judgment, and all petitions in error, and right of appeal from the judgment rendered.

Section 21. WAIVER OF JURY TRIAL. THE SECURED PARTY AND THE DEBTOR HEREBY VOLUNTARILY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER

SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE SECURED PARTY AND THE GUARANTOR ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THE DEBTOR AND THE SECURED PARTY IN CONNECTION WITH THE SECURITY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR THE TRANSACTIONS RELATED HERETO OR THERETO. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE SECURED PARTY TO ENTER INTO THE FINANCING TRANSACTIONS WITH DEBTOR. IT SHALL NOT IN ANY WAY AFFECT, WAIVE, LIMIT, AMEND OR MODIFY THE SECURED PARTY'S ABILITY TO PURSUE ITS REMEDIES INCLUDING, BUT NOT LIMITED TO, ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED HEREIN OR IN ANY OTHER DOCUMENT RELATED HERETO.

The parties hereto have caused this Agreement to be duly executed by their respective duly authorized officers as of the day and year first above written.

==========

WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR

RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

==========

NEOPROBE CORPORATION, a Delaware corporation

By: /s/ David C. Bupp

Name: David C. Bupp
Its: President and Chief Executive Officer

THE PROVIDENT BANK, an Ohio banking corporation

By: /s/ Michael D. Davis

Name: Michael D. Davis
Its: Vice President

EXHIBIT A

COLLATERAL AND LOCATION

Collateral	Location
Inventory	Cord Logistics 1135 Heil Quaker Blvd., Suite 100 LaVergne, TN 37806
All Other Collateral	Neoprobe Corporation 425 Metro Place North, Suite 300 Dublin, Ohio 43017

Exhibit 10.4.37

TERMINATION AGREEMENT

This Termination Agreement ("Termination Agreement") made this 30th day of September 1999, by and between Neoprobe Corporation, ("Neoprobe") and Kol Bio-Medical Instruments, Inc., ("Kol").

RECITALS:

WHEREAS, Kol and Neoprobe entered into a Sales and Marketing Agreement dated January 26, 1999 (the "Sales and Marketing Agreement"); and

WHEREAS, The parties desire to mutually terminate the Sales and Marketing Agreement in accordance with the terms and conditions of this Termination Agreement;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the recitals set forth above, which are hereby incorporated by reference herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Termination. Effective on September 30, 1999 (the "Effective Date of Termination"), the Sales and Marketing Agreement shall be terminated by the mutual agreement of the parties hereto and except as specifically set forth in this Termination Agreement, which the parties intend to be a substituted contract for the Sales and Marketing Agreement, the parties shall have no further obligation or remedies arising under the Sales and Marketing Agreement.

2. Actions of the Parties. The parties agree to do the following:

2.1 Between the date of this Termination Agreement and the Effective Date of Termination, Kol shall continue to comply with the provisions of Article V of the Sales and Marketing Agreement, except that Section 5.01 shall be inapplicable commencing with the date of this Termination Agreement.

2.2 Neoprobe shall pay to Kol all outstanding commissions for Products shipped prior to the Effective Date of Termination. July and August commissions

previously due but unpaid in the amount of $93,187.92 shall be paid to Kol on the Effective Date of Termination. Commissions (net of reimbursements to Neoprobe for Clinical Specialists' sales commissions and expenses, as previously agreed) due for the period up to and including the Effective Date of Termination shall be paid to Kol on or before October 15, 1999.

2.3 Neoprobe shall repurchase from Kol and Kol shall resell to Neoprobe all of Neoprobe's Products, demonstration cases and accessories in Kol's inventory and in the inventory of Kol's Sub-Agents ("Products in Inventory"), as more particularly set

forth on Schedule 2.3 attached hereto and incorporated by reference herein.

2.4 Unless otherwise agreed to by the parties, within twenty business (20) days after the Effective Date of Termination, (i) Kol shall ship to Neoprobe's designated facility, Plexus, all Products in Inventory previously shipped by Neoprobe to Kol but not yet paid for by Kol. Payment for all such Products in Inventory shall be made in accordance with the provisions of Section 2.5. Kol shall ship all Products in Inventory using a carrier chosen by Neoprobe for delivery to Neoprobe's designated facility. All freight costs for such shipments shall be paid by Neoprobe. Neoprobe agrees ***. Neoprobe shall pay Kol for Products in Inventory as follows: the sum of $1,000,000 (i) less the outstanding A/R of ***; (ii) less Product in Inventory not passing the inspection conducted pursuant to Section 2.5@ the invoiced cost; (iii) less Product not returned @ invoiced cost.

2.5 All Products in Inventory repurchased by Neoprobe pursuant to Section 2.3 shall be in reasonable condition and have not been subjected to excessive wear and tear ("Conforming Condition"). The parties shall cooperate with each other to arrange the inspection of the Products in Inventory, within ten (10) days, at the facilities of Plexus by a Kol representative and a Neoprobe representative reasonably acceptable to Kol. Upon completion of the inspection by Neoprobe, Neoprobe shall pay Kol for all Products in Inventory determined by Neoprobe to be in Conforming Condition, within fifteen (15) days after the inspection.

2.6 Any dispute with regard to whether the Products in Inventory are in Conforming Condition shall be resolved by binding arbitration conducted by

Text which has been omitted and filed separately under Rule 24b-2, pursuant to which Neoprobe Corporation has requested confidential treatment of this information, has been replaced by "***" in this Exhibit. Confidential portions of this Exhibit are subject to a Request for Confidential Treatment under Rule 24b-2.

a single arbitrator from the American Arbitration Association (the "AAA"). The place of arbitration shall be Fairfax, Virginia.

2.7 Neoprobe shall ***.

2.8 Kol agrees that it will use reasonable efforts to transition records (from Kol and its Sub-Agents) regarding sales of Products during the term of the Sales and Marketing Agreement by turning over to Neoprobe sales records, key contacts and project lists. Neoprobe shall have the right to use all such records in its business.

3. Termination Payment. Neoprobe shall pay to Kol a termination payment in the amount of $700,000 as follows: (i) $350,000 payable on or before October 29, 1999; and (ii) $350,000 payable on or before November 29, 1999. All payments made pursuant to this Section 2.5 shall be made by wire transfer. The parties agree that in the event Kol enters into an agreement with Neoprobe's world-wide distribution partner for continued sales and marketing activities relating to Neoprobe's products, which Kol may or may not enter into at its sole and absolute discretion, Kol agrees to ***. Neoprobe shall remain liable for the full amount due under the

termination payment owed by Neoprobe to Kol pursuant to this Section 3.

4. Non-competition After Termination. Provided that Kol is receiving the fee as specified by Section 2.4, Kol agrees that it will not distribute, market promote or sell a product competitive with the Products covered by the Sales and Marketing Agreement for a period of six (6) months following the Effective date of Termination.

5. Incorporation of Provisions of the Sales and Marketing Agreement. The obligations of confidentiality as provided in Article X and indemnification as provided in Article IX of the Sales and Marketing Agreement are hereby incorporated by reference into this Termination Agreement in their entirety and shall expressly survive the termination of the Sales and Marketing Agreement and continue in full force and effect.

6. Returned Product. Neoprobe shall notify Kol on or before October 31, 1999 of any Product sold by Kol prior to the Effective Date of Termination that is returned by a customer to Neoprobe for credit between the Effective Date of Termination and October 31, 1999. Kol shall return toNeoprobe any commission on the sale of such

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returned Product paid by Neoprobe to Kol prior to the Effective Date of Termination on or before November 15, 1999.

7. Mutual Releases.

7.1 Except for the obligations of the parties pursuant to the terms of this Termination Agreement, and as otherwise set forth herein, Neoprobe hereby releases and forever discharges Kol, its officers, directors, employees, agents, heirs, assigns and successors (the "Kol Releasees") from and on account of all claims, liabilities, obligations, debts, demands, actions, causes of action, covenants, contracts, controversies, agreements, promises, doings, acts, omissions, trespasses, damages and other demands and claims of every kind and nature, both in law and in equity, that Neoprobe or any of its officers, directors, employees, agents, successors of assigns ever had, now has or may have in the future against the Kol Releasees, arising out of the occurrence of any act, transaction, matter or event, from the beginning of the world to the date of this Termination Agreement, whether fixed or contingent, known or unknown, specifically including, but not limited to, all claims arising out of or relating to the Sales and Marketing Agreement, but excluding claims for breach or non-performance of this Termination Agreement.

7.2 Except for the obligations of the parties pursuant to the terms of this Termination Agreement, and as otherwise set forth herein, Kol hereby releases and forever discharges Neoprobe, its officers, directors, employees, agents, heirs, assigns and successors (the "Neoprobe Releasees") from and on account of all claims, liabilities, obligations, debts, demands, actions, causes of action, covenants, contracts, controversies, agreements, promises, doings, acts, omissions, trespasses, damages and other demands and claims of every kind and nature, both in law and in

equity, that Kol or any of its officers, directors, employees, agents, successors of assigns ever had, now has or may have in the future against the Neoprobe Releasees, arising out of the occurrence of any act, transaction, matter or event, from the beginning of the world to the date of this Termination Agreement, whether fixed or contingent, known or unknown, specifically including, but not limited to, all claims arising out of or relating to the Sales and Marketing Agreement, but excluding claims for breach or non-performance of this Termination Agreement.

Text which has been omitted and filed separately under Rule 24b-2, pursuant to which Neoprobe Corporation has requested confidential treatment of this information, has been replaced by "***" in this Exhibit.
Confidential portions of this Exhibit are subject to a Request for Confidential Treatment under Rule 24b-2.

8. Entire Agreement. This Termination Agreement contains the entire agreement of the parties and there are no other understandings or agreements other than this Termination Agreement; all prior agreements, representations, promises or statements, whether oral or in writing, are of no effect except as may be provided in this Termination Agreement may not be changed orally, but only by an agreement in writing signed by all parties. This Termination Agreement shall supersede and abrogate in its entirety the Sales and Marketing Agreement. The parties agree to look only to the provisions of this Termination Agreement for a determination of their rights and obligations in relation to each other.

9. Waiver of Breach. A non-breaching party's waiver of a breach by the breaching party of any provision of this Termination Agreement shall not operate as or be construed as a waiver of any subsequent breach by the breaching party.

10. Public Announcements. The parties agree that they shall not disparage each other nor make any statements regarding their relationship and the termination thereof that reflects adversely on the performance of the other.

11. Binding Effect. This Termination Agreement shall inure to the benefit of and shall be binding on the Kol and Neoprobe and their respective successors and assigns.

12. Attorneys fees. In the event that Neoprobe fails to pay any amount due to Kol pursuant to this Termination Agreement, Kol shall be entitled to recover all of its reasonable attorneys' fees and costs, including but not limited to expert witness fees or expenses, incurred in the prosecuting any such action against Neoprobe.

13. Choice of Forum. Any claim or cause of action arising out of or connected with this Termination Agreement shall be brought exclusively in either the U.S. District Court for the Eastern District of Virginia (subject to the statutory basis for jurisdiction) or the Circuit Court of Fairfax County, Virginia, and the parties hereto consent to submit to the personal jurisdiction of such courts, and waive all objections to such jurisdiction and venue. If either party is not a resident of the Commonwealth of Virginia at the time of such action, then such Party irrevocably appoints the Secretary of the Commonwealth of Virginia as agent for the purpose of accepting service of process in Virginia.

14. Severability. The invalidity or unenforceability of any provision of this Termination Agreement shall not affect the validity or enforceability of any other provision of this Termination Agreement, unless doing so would materially alter the respective

benefits and burdens of the parties, in which case this Termination Agreement shall be either reformed by mutual agreement of the parties or invalidated.

15. Modification. This Termination Agreement may not be changed orally, but only by an agreement in writing signed by all parties.

16. Captions. Captions provided in this Termination Agreement are used solely for convenience and are not to be used in construing or interpreting this Termination Agreement.

17. Counterparts. This Termination Agreement may be executed in multiple counterparts, which shall be deemed an original but all of which together shall constitute one and the same instrument.

18. Construction. Both parties have had the advice and assistance of their counsel in the negotiation and execution of this Termination Agreement. The language in all parts of this Termination Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against either party. The parties expressly agree that the principle of contract interpretation that ambiguities are construed against the drafting party shall not apply.

19. Notice. Except as otherwise stated in this Termination Agreement, any notice, request, instruction, approval or other communication given hereunder by any party hereto shall be in writing and hand-delivered against receipted copy; mailed by registered or certified mail, postage prepaid, return receipt requested; telecopied (with hard copy sent via U.S. mail within one (1) business day after the facsimile notice is transmitted) or delivered by Fed Ex or other similar overnight courier, to the following addresses:

If to Kol at: 13901 Willard Road
P.O Box 220630
Chantilly, Virginia 22022

If to Neoprobe at: 425 Metro Place North
Suite 300
Dublin, Ohio 43017-1367

or to such other address as either party may hereafter designate to the other by notice similarly given. If mailed as aforesaid, notice shall be deemed given three (3) business days after being deposited in the United States mail; if telecopied, notice shall be deemed given when telecopied on a business day and such telecopy is received before 5:00 p.m. Eastern Time by the addressee thereof; otherwise, such notice by telecopy shall be deemed given on the next succeeding business day; and

which Neoprobe Corporation has requested confidential treatment of this information, has been replaced by "***" in this Exhibit.
Confidential portions of this Exhibit are subject to a Request for Confidential Treatment under Rule 24b-2.

if sent by overnight courier, notice shall be deemed given on the next business day after being deposited with the overnight courier service.

IN WITNESS WHEREOF, the parties have affixed their hands and seals to this Termination Agreement effective on the day and year first set forth above.

Neoprobe Corporation

by: /s/ David C. Bupp (SEAL)

David Bupp, President, CEO

Kol Bio-Medical Instruments, Inc.,

by: /s/ Roger S. Kolasinski (SEAL)

Roger S. Kolasinski, Chairman

Text which has been omitted and filed separately under Rule 24b-2, pursuant to which Neoprobe Corporation has requested confidential treatment of this information, has been replaced by "***" in this Exhibit.
Confidential portions of this Exhibit are subject to a Request for Confidential Treatment under Rule 24b-2.

<TABLE>

SCHEDULE 2.3

PRODUCTS IN INVENTORY

<CAPTION>

CUSTOMER	PURCHASE ORDER	INVOICE NUMBER	INVOICE DATE	QTY	ITEM	DESCRIPTION
<S>	<C>	<C>	<C>	<C>	<C>	<C>
***	***	***	***	***	***	***

<CAPTION>

CONTROL UNIT SERIAL NO.	PROBE SERIAL NO.	UNIT PRICE	INVOICE AMOUNT	AMOUNT PAID	A/R BALANCE	2000	14MM	12U	12C	19U
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
***	***	***	***	***	***	***	***	***	***	***

</TABLE>

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Exhibit 10.4.38

AMENDMENT TO TERMINATION AGREEMENT

This Amendment to Termination Agreement ("Amendment") is made effective October 1, 1999, by and between Neoprobe Corporation, ("Neoprobe") and Kol Bio-Medical Instruments, Inc. ("Kol").

RECITALS:

WHEREAS, Kol and Neoprobe entered into a Termination Agreement dated September 30, 1999 (the "Termination Agreement") which terminated the Sales and Marketing Agreement dated January 26, 1999 (the "Sales and Marketing Agreement") between the parties; and

WHEREAS, The parties desire to amend the Termination Agreement as set forth herein:

NOW, THEREFORE, in consideration of the mutual promises contained herein, the recitals set forth above, which are hereby incorporated by reference herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Paragraph 1 of the Termination Agreement shall be deleted in its entirety and in lieu thereof; the following shall be substituted:

   "1. Termination. Effective on October 31, 1999 (the "Effective Date of Termination"), the Sales and Marketing Agreement shall be terminated by the mutual agreement of the parties hereto and except as specifically set forth in this Termination Agreement, which the parties intend to be a substituted contract for the Sales and Marketing Agreement, the parties shall have no further obligation or remedies arising under the Sales and Marketing Agreement."

2. Paragraph 2.2 of the Termination Agreement shall be deleted in its entirety and in lieu thereof, the following shall be substituted:

   "2.2 Neoprobe shall pay to Kol all outstanding commissions for Products shipped prior to September 30, 1999 as follows: (i) July and August commissions previously due but unpaid in the amount of *** have been paid on or before September 30, 1999: (ii) September commissions *** shall be paid on October 15, 1999; and (iii) commissions for October 1999 *** shall be paid on or before November 30, 1999."

Text which has been omitted and filed separately under Rule 24b-2, pursuant to which Neoprobe Corporation has requested confidential treatment of this information, has been replaced by "***" in this Exhibit.
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3. Paragraph 2.4 of the Termination Agreement shall be amended by substituting "fifteen business (15)" for "twenty business (20)" in the first line.

4. Paragraph 6 of the Termination Agreement shall be modified as follows: (i) October 31, 1999 in the first and fourth line shall be changed to November 30, 1999; and (ii) November 15, 1999 in the last line shall be changed to December 15, 1999.

5. Except as set forth herein, all of the terms and conditions of the Termination Agreement shall remain in full force and effect.

Text which has been omitted and filed separately under Rule 24b-2, pursuant to which Neoprobe Corporation has requested confidential treatment of this information, has been replaced by "***" in this Exhibit.

IN WITNESS WHEREOF, the parties have affixed their hands and seals to this Amendment to Termination Agreement effective on the day and year first set forth above.

Neoprobe Corporation

By: /s/ David C. Bupp (SEAL)

David C. Bupp, President/CEO

Kol Bio-Medical Instruments, Inc.

By: /s/ Roger S. Kolasinski (SEAL)

Roger S. Kolasinski, Chairman

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EXHIBIT 10.4.39

DISTRIBUTION AGREEMENT

This is an Agreement dated and effective as of the last date of signature below ("Effective Date"), by and between Ethicon Endo-Surgery, Inc. a corporation organized under the laws of the State of Ohio, having a business address at 4545 Creek Road, Cincinnati, Ohio 45242 ("Ethicon"); and Neoprobe Corporation, a corporation organized under the laws of the State of Delaware, having a business address at 425 Metro Place North, Suite 300, Dublin, Ohio 43017 ("Neoprobe", together with Ethicon, the "Parties", and each a "Party").

ARTICLE 1 - BACKGROUND

1.1 Ethicon manufactures and markets surgical instruments and accessories for minimally invasive surgery, including trocars, staplers, ligation devices, hand-held instruments, retractors, manipulation devices, electrosurgery and diagnostic surgical products.

1.2 Neoprobe manufactures and markets radiation detection devices, including but not limited to, devices for use in intraoperative lymphatic mapping ("ILM") and gamma radiation guided surgery.

1.3 Ethicon has developed and continues to develop certain technology, know how, intellectual property, devices and instruments for use in ILM and gamma radiation guided surgery.

1.4 The devices manufactured and marketed by Neoprobe complement Ethicon's surgical instruments and accessories for minimally invasive surgery, ILM and gamma radiation guided surgery and the Parties desire that Ethicon distribute the Products (as defined below) on a worldwide exclusive basis pursuant to the terms of this Agreement.

1.5 The Parties entered into a standstill and rights agreement (the "Standstill and Rights Agreement") on August 10, 1999, pursuant to which Ethicon paid Neoprobe four hundred thousand dollars ($400,000.00) in consideration of Neoprobe obligations in the Standstill and Rights Agreement.

1.6 In connection with a good faith purchase order placed by Ethicon ***, Neoprobe placed purchase orders with the appropriate vendors to fill the PO in accordance with the terms thereof.

Therefore, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the Parties agree as follows:

ARTICLE 2 - DEFINITIONS

The following terms, when used with initial capital letters, shall have the following meanings:

2.1 "Affiliate" is any entity that directly or indirectly controls, is controlled by, or is under common control with a specified Party, and for such purpose "control" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the entity, whether through the ownership of voting securities, by contract or otherwise.

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2.2 A "Change of Control" shall be deemed to have occurred if (A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Neoprobe representing 30% or more of the combined voting power of Neoprobe's then outstanding securities; or (B) the stockholders of Neoprobe approve a merger or consolidation of Neoprobe with any other corporation, other than a merger or consolidation which would result in the voting securities of Neoprobe outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 80% of the combined voting power of the voting securities of Neoprobe or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of Neoprobe approve a plan of complete liquidation of Neoprobe or an agreement for the sale or disposition by Neoprobe of all or substantially all of Neoprobe's assets.

2.3 "Commercial Year" shall mean a one (1) year period commencing on January 1 and any anniversary thereof during the term of this Agreement.

2.4 "Control Unit" shall mean a gamma radiation detection device including a microcomputer-based unit which measures the presence of gamma-emitting isotopes, including, but not limited, to the model 2000 Control Unit.

2.5 "First Commercial Year" is the one (1) year period commencing on January 1, 2000. The four (4) years following the First Commercial Year shall be referred to as the "Second", "Third", "Fourth" and "Fifth" Commercial Years, respectively.

2.6 "Gross Profit" is the difference between Neoprobe's cost as indicated in Schedule 5.2 and the Transfer Price indicated in Schedule 5.2.

2.7 "Improved Product" or "Improved Products" shall mean an enhancement or modification to an existing Product.

2.8 "Insolvency Event" shall mean the occurrence of any of the following events:

(a) Neoprobe shall admit in writing its inability, or be generally unable, to pay its debts as such debts become due; or

(b) Neoprobe shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (2) make a general assignment for the benefit of its creditors, (3) commence a voluntary case under the United States Bankruptcy Code, as now or hereafter in effect (the "Bankruptcy Code"), (4) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts, (5) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in any involuntary case under the Bankruptcy Code, or (6) take any corporate action for the purpose of effecting any of the foregoing; or

(c) A proceeding or case shall be commenced by or against Neoprobe in any court of competent jurisdiction, seeking (1) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of Neoprobe or of all or any substantial part of its assets, or (3) similar relief in respect of Neoprobe under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for a period of ninety (90) days; or an order for relief against Neoprobe shall be entered in a case under the Bankruptcy Code.

2.9 "Know-How" shall mean all know-how relating to the design, development, manufacture, sale or use of any Product or Improved Product, including, without limitation, processes, techniques, methods, products, apparatuses, materials and compositions which are reasonably related thereto.

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2.10 "New Product" shall mean an instrument or device developed by or for Neoprobe prior to and/or during the term of this Agreement and any extensions thereof other than a Product or Improved Product.

2.11 "Patent Applications" are the U.S. Patent applications listed in Schedule 2.11 hereto; all foreign counterparts of such applications; and all continuations, continuations-in-part, and divisionals of such applications.

2.12 "Patents" are the U.S. Patents listed in Schedule 2.11 hereto and any patents subsequently issuing from the Patent Applications as well as renewals, reissues, reexaminations, extensions, and patents of addition and patents of importation. Furthermore, Patents shall also include each patent, U.S. or foreign, which Neoprobe owns or is empowered to grant a license to Ethicon prior to or during the term of this Agreement or any extension thereof, the practice of which is reasonably necessary for Ethicon to sell the Product.

2.13 "Probe" shall mean a hand-held gamma radiation-sensing device that connects to a Control Unit.

2.14 *** shall mean a device that provides a *** Control Unit.

2.15 "Product" or "Products" shall mean instruments and devices used for radiation detection, including but not limited to, Neoprobe portable radioisotope detector systems, probes and related accessories set forth on Schedule 2.15 attached hereto as may be amended from time to time by mutual agreement of the Parties or a New Product added to Schedule 2.15 pursuant to Section 5.7 or Section 6.2.

2.16 "Raw Materials" shall mean the materials, components, and packaging required to manufacture and package any Product in accordance with the Specifications.

2.17 "Regulatory Compliance" shall mean compliance with (i) all applicable statutes, laws, and regulations, including good manufacturing practices ("GMP") and (ii) Ethicon Endo-Surgery, Inc. Quality Assurance Requirements, which are attached and incorporated into this Agreement as Exhibit 2.17.

2.18 "Specifications" shall mean the requirements with which the Product must conform as specified by 21 CFR Section 820.181 and include device specifications, production process specifications, quality assurance procedures and specifications, packaging and labeling specifications, and installation, maintenance and servicing procedures and methods that are contained in the Device Master Record for the Product.

2.19 "Trademarks" shall mean the (i) U.S. and foreign marks set forth in Schedule 2.19 hereto; (ii) any unregistered trademarks used in connection with Products; and (iii) all copyrights or distinctive features of the packaging, including but not limited to trade dress, used in connection with the Products.

2.20 "Year 2000 Compliance" shall mean: (a) the Products perform in a consistent manner and functions without interruptions regardless of the date in time on which the Product is delivered, used and/or further distributed, whether before, on or after January 1, 2000 and whether or not the dates are affected by leap years;

(b) the Product, if computerized, accept, calculate, compare, sort, extract, sequence and otherwise process date inputs and date values, and return and display date values and perform, in a consistent manner regardless of the dates used, whether before, on or after January 1, 2000;

(c) the Product, if computerized, accept and respond to

two-digit year-date input in a manner that resolves any ambiguities as to the century in a defined, predetermined and appropriate manner; and

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(d) the Product, if computerized, store and display date information in ways that are unambiguous as to the determination of the century.

ARTICLE 3 - APPOINTMENT

3.1 DISTRIBUTION RIGHTS. Subject to the terms and conditions of this Agreement, and specifically to the terms and conditions of Sections 3.2 and 3.3 below, Neoprobe hereby appoints Ethicon, and Ethicon hereby accepts the appointment as Neoprobe's exclusive distributor on a worldwide basis during the term of this Agreement and any extension thereof at the agreed upon Transfer Prices (as defined below).

3.2 THIRD PARTY RIGHTS. The granting to Ethicon by Neoprobe of the rights in Section 3.1 shall be on a country-by-country basis subject to Neoprobe's termination of distribution and similar rights granted to third parties by Neoprobe or its Affiliates ("Third Party Agreements"). Neoprobe represents and warrants that Schedule 3.2 accurately sets forth all countries where any such Third Party Agreement is in effect. Neoprobe represents and warrants that it has contractual rights which enable it to rightfully terminate such Third Party Agreements in accordance with the time lines set forth in Schedule 3.2 and covenants to take such actions and rightfully terminate all such Third Party Agreements as soon as practicable in a manner that would not prejudice the non-competition provisions imposed on such third parties therein and to deliver exclusive distribution rights pursuant to Section 3.1 to Ethicon on or before the dates set forth Schedule 3.2. Neoprobe agrees to indemnify and hold harmless Ethicon and its Affiliates and their respective officers, directors, employees and agents from and against any liability, loss, costs (including reasonable attorneys' fees), expenses or damages that are attributable to claims of third parties against Ethicon arising out of Neoprobe's efforts to terminate the rights of such third parties as contemplated by this Section 3.2. This obligation shall survive termination of this Agreement. Neoprobe agrees that upon the termination of each of the Third Party Agreements, the right to distribute the Products in the territories covered by such Third Party Agreement ***.

3.3 SUPPLY TO THIRD PARTIES. Neoprobe grants Ethicon ***. As used in this Section 3.3 the term "supply" shall mean, filling purchase orders (either to Neoprobe or directly to Ethicon), and shipping, invoicing, and collecting for such orders according to the applicable terms of ***. Neoprobe agrees to forward any purchase orders for Products it receives to Ethicon promptly (but in any event within five (5) business days of receipt of the purchase order). Ethicon shall pay Neoprobe for Products shipped to such distributors in accordance with Section 5.2 herein. Ethicon's sales of Products *** Product covered by this Agreement.

ARTICLE 4 - TERM

The initial term of this Agreement (the "Initial Term") shall commence on the Effective Date and shall continue until December 31, 2004 (the "Initial Term Date"), unless earlier terminated as expressly provided under the terms of this Agreement; PROVIDED, HOWEVER, that Ethicon shall have the option (the "Option") of extending the term of this Agreement for two (2) subsequent two (2) year periods *** (in Ethicon's sole reasonable judgment) than the immediately preceding Commercial Year. Neoprobe shall deliver to Ethicon written

notice (the "Renewal Notice") setting forth the Initial Term Date not less than one (1) year nor more than one (1) year and thirty (30) days prior to such date or the date of the expiration of any such period of extension, as the case may be. In the event that Ethicon exercises the Option, it shall deliver to Neoprobe written notice thereof within ninety (90) days following its receipt of the Renewal Notice.

ARTICLE 5 - RESPONSIBILITIES OF THE PARTIES

Text which has been omitted and filed separately under Rule 24b-2, pursuant to which Neoprobe Corporation has requested confidential treatment of this information, has been replaced by " *** " in this Exhibit.

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5.1 SUPPLY OF THE PRODUCT. During the term of this Agreement, Neoprobe shall manufacture and sell the Products and Improved Products exclusively to Ethicon in accordance with the Specifications, and shall not sell, supply or distribute any Products or Improved Products to any third party. Neoprobe shall supply Ethicon (and its Affiliates) with all of those quantities of Products as ordered by Ethicon (and its Affiliates) pursuant to this Agreement.

5.2 TRANSFER PRICING. The transfer price (the "Transfer Price") for each type of Product shipped by Neoprobe during the term of this Agreement shall be set forth on Schedule 5.2 hereto. The Transfer Prices set forth therein include all costs of packaging in accordance with the Specifications and all cost of delivery F.O.B. Neoprobe's manufacturing facility. Ethicon shall pay the Transfer Prices set forth in Schedule 5.2 for delivery of the Products within thirty (30) days from the date of invoice. The date of invoice shall not be earlier than the date of shipment. Ethicon agrees to purchase the demonstration units referenced in Notes 2 and 3 of Article II "Demonstration Units" of Schedule 5.2 hereto within thirty (30) days after the units have been returned to Neoprobe and refurbished to the reasonable satisfaction of Ethicon.

5.3 COST REDUCTION PROGRAMS. Neoprobe hereby agrees that it shall use its best reasonable efforts to minimize the costs of manufacturing the Products to the extent it may do so without compromising the quality and/or regulatory status of the Products or compliance with the terms of this Agreement. Each Party will reasonably cooperate with the other Party in the pursuit of cost reduction programs in the manufacture of the Products. Each Party shall inform the other party of cost reduction initiatives related to the manufacture of Products within fourteen (14) days after cost reduction initiatives have begun. The resulting savings will initially be allocated to the Party that has incurred documented costs until such costs have been recovered. Thereafter, *** of the savings shall be allocated to the Party which has initiated and funded the cost reduction program.

5.4 DEMONSTRATION UNIT PRICING. During the term of this Agreement or any extension thereof, the Transfer Price for Products and fully functional demonstration units shall be as listed in Schedule 5.2.

5.5 RISK OF LOSS. Neoprobe shall ship Products, at Ethicon's cost, to any location chosen by Ethicon utilizing carriers chosen by Ethicon. The risk of loss with respect to the Products shall remain with Neoprobe until the Product is loaded aboard the common carrier at Neoprobe's manufacturing facility for a Product, or other location mutually agreed upon by both Parties. Neoprobe will pack the Product in a manner suitable for shipment to enable the Product to withstand the effects of reasonable shipping conditions, including handling during loading and unloading.

5.6 LABELING AND SALES LITERATURE. As of the Effective Date, Neoprobe has on hand, the labeling, inserts, sales literature or customer instructions for Products in the quantities and at the respective costs listed on Schedule 5.6. Existing inventories of all labeling, inserts, sales literature, or customer instructions for all Neoprobe Products shall be provided ***. Additional inventories will be provided ***. Master art work for all labeling,

inserts, sales literature or customers instructions shall be made available to Ethicon should additional quantities be produced by Ethicon or should changes be desired by Ethicon. Neoprobe will provide to Ethicon documented evidence of Neoprobe's internal copy clearance review and approval; *** for all labeling, inserts, sales literature or customer instructions prior to production of such.

5.7 TRANSFER PRICE AND FORECASTS FOR NEW PRODUCTS. Before a New Product the research and development of which is not funded by Ethicon ("Unfunded New Product") may be added to Schedule 2.15 and become a Product subject to the terms of this Agreement, the Parties must agree to a Provisional Transfer Price (as defined in Schedule 5.2) and to a forecast of Ethicon's expected purchases of such Unfunded New Product including a schedule of desired delivery dates for the following six (6) months, the first three (3) months of this

forecast shall constitute a binding purchase order. Neoprobe shall be under no obligation to deliver and Ethicon shall be under no obligation to accept any Unfunded New Products until a Provisional Transfer Price and forecast is established for such New Product. If the Parties cannot agree upon a Provisional Transfer Price and forecast within ninety (90) days, Neoprobe shall be free to market and distribute the Unfunded New Product (a "Proposed Transaction") subject to a right of first refusal of Ethicon. Pursuant to Ethicon's right of first refusal, Neoprobe shall not consummate or agree to consummate a Proposed Transaction with any party without first giving prompt notice thereof to Ethicon in writing (the "Notice") specifying the pricing, terms, conditions and other material provisions of such Proposed Transaction. In the event that Ethicon elects to consummate a transaction upon the same pricing, terms, conditions and other material provisions as specified in the Notice, Ethicon shall have thirty (30) days to so notify Neoprobe and Neoprobe shall use all reasonable commercial efforts to facilitate the consummation of such a proposed transaction with Ethicon or its Affiliate within ninety (90) days following the receipt of such notification. In the event that Ethicon fails to elect to exercise this right of first refusal within the above mentioned thirty (30) day period, Neoprobe may enter into an agreement with the party identified in the Notice with respect to the Proposed Transaction on terms that are not less favorable to Neoprobe than the terms specified by Neoprobe in the Notice; PROVIDED, HOWEVER, that in the event that (a) Neoprobe and the third party identified in the Notice are unable to consummate such an agreement within sixty (60) days or (b) the pricing, terms, conditions and other material provisions of the Proposed Transaction are modified to be materially less favorable to Neoprobe than were specified in the Notice, then Neoprobe shall be required pursuant to this Section 5.7 to give anew the requisite notice to Ethicon and comply with the right of first refusal set forth herein for an additional thirty (30) business day period following the receipt of such new notice.

5.8 MINIMUM PURCHASE REQUIREMENTS.

(a) During each of the first three (3) Commercial Years, Ethicon shall purchase from Neoprobe the following ***:

Commercial Year	Minimum Purchase Requirement
***	***
***	***
***	***

As used in this Section 5.8, a ***.

(b) The MPR for a Product set forth in Section 5.8(a) is a "take or pay" obligation. In the event Ethicon does not meet its MPR for a Commercial Year as required by Section 5.8(a), Neoprobe shall notify Ethicon of the deficiency and Ethicon shall have forty-five (45) days to either place a purchase order for the neo2000 Systems and/or Products consisting of a Control Unit and Probe to make up the difference between actual purchases and the MPR or

pay Neoprobe an amount equal to the Gross Profit on the amount of purchases necessary to satisfy such MPR.

5.9 ETHICON OBLIGATION TO COMMERCIALLY EXPLOIT. Neoprobe shall consider the MPRs of Section 5.8 above as complete satisfaction of any duty, whether express or implied, which could be imposed upon Ethicon to commercially exploit its rights under this Agreement, and is accepted by Neoprobe in lieu of any best efforts obligation on the part of Ethicon.

5.10 REDUCTION OF MINIMUM PURCHASE REQUIREMENTS. The MPRs set forth under Section 5.8(a) above shall for any applicable Commercial Year be reduced in the following circumstances:

a) If Neoprobe fails for any reason other than a Major Forces event under Section 17.6 below to deliver the Products to Ethicon in accordance with the terms of this Agreement, or replace Products which are defective under Section 11.1 below, then the MPRs shall be reduced by *** of Products not delivered or replaced.

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b) If any Products is voluntarily or involuntarily recalled from the market or withdrawn from sale because of a lack of governmental approvals or for reason of safety, efficacy or quality, or if a Major Forces event under Section 17.6 occurs, then the MPRs for the Products shall be waived until a period of *** shall have elapsed after either market re-entry or the Major Forces event is removed, whichever is applicable, and shall then be proportionately reduced.

c) If this Agreement is terminated pursuant to Articles 12 or 14 below during any applicable Commercial Year, then the MPRs for all Products shall be proportionately reduced for such Commercial Year, and Ethicon shall ***.

5.11 FORECASTS. Within thirty (30) days of the Effective Date, Ethicon shall provide Neoprobe with a forecast of its expected purchases of the Products, including a schedule of desired delivery dates, for the *** of this forecast shall constitute a binding purchase order. Thereafter, Ethicon shall (a) update the forecasts monthly so that its expected purchases and schedule of desired delivery dates are continually forecast *** of such rolling forecasts constituting a binding purchase order and (b) provide a report of actual monthly Product sales.

5.12 ADJUSTMENT OF FORECASTS. Ethicon may adjust the total number of Products to be delivered pursuant to Section 5.11 above upon sixty (60) days written notice, provided however, that any such adjustment shall not serve to reduce Ethicon's obligation to purchase the total number of Product indicated in the binding purchase order. In any given month, if Ethicon wants Neoprobe to deliver more than *** of the total number of the Products indicated in the binding purchase order, then Neoprobe shall not be obligated to supply the excess above ***, but Neoprobe shall nevertheless use its best reasonable efforts to deliver to Ethicon any such excess above *** on a priority basis.

5.13 DELIVERY. Neoprobe shall deliver the Products to Ethicon in accordance with the schedule of delivery dates specified in the binding purchase orders set forth in Section 5.11 above.

5.14 PROVISION OF INFORMATION. No later than seven (7) days after the execution of the Agreement and provided that Neoprobe has such information in its possession or has a legal or contractual right to access to such information, Neoprobe agrees to provide Ethicon with documentation setting forth a complete list of all current Neoprobe customers and potential customer leads (including, but not limited to, outstanding leads and quotations from terminated

distributors). Included in this documentation will be customer names, location, Products purchased, date of Product purchase, Product service history, and specific contact information in the case of customer leads.

5.15 PRODUCT CHANGES. *** shall not change the form, fit, function, components or materials of any of the Products (or any change or modification to the Specifications), the process by which the Products are manufactured or the Raw Materials, *** . *** notice of all other changes at least fourteen (14) days prior to making any such changes. If the Parties agree on any such change, improvement or modification, they shall modify the Specifications to reflect the same. *** shall have the right to review and amend any qualification protocol(s) initiated by *** prior to the execution of such protocol(s), and shall have the right to review and agree upon the subsequent results of the protocol prior to releasing change into production. In the event of any change, *** may jointly establish an appropriate qualification protocol, and *** shall determine an appropriate inventory level for the pre-change Product in order to cover on-going requirements during the qualification process.

5.16 PURCHASE OF *** . *** up to a maximum unit quantity of *** respectively, PROVIDED THAT, ***. The agreed upon cost to *** or less. In the event the *** are sold to *** customers, *** agrees *** the appropriate gross margin on the sale of these Units in accordance with the agreed upon Transfer Prices outlined for *** as referenced in Schedule 5.2, PROVIDED THAT, any *** sold will be *** against the MPRs for that Calendar Year accordingly.

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5.17 SALES OF PRODUCT. All *** distributed under this Agreement, shall be within the sole discretion of ***.

5.18 NEOPROBE SALES AND MARKETING ***. Neoprobe shall *** for Neoprobe's sales and marketing organization (the "Sales and Marketing Organization") which include, but is not limited to, Neoprobe employees and programs, consulting agreements, etc. as referenced heretofore in Schedule 5.18 for *** from the Effective Date. *** at its sole discretion, may continue the *** of these Sales and Marketing Organization activities.

5.19 TRAINING ASSISTANCE. Neoprobe shall provide Ethicon with all information in its possession reasonably necessary or appropriate to enable Ethicon to market the Products, and Neoprobe agrees further to consult with and advise Ethicon in such matters, including without limitation, the preparation of promotional, advertising and sales materials and presentations. Provided that it has the personnel on staff and subject to the availability of the Sales and Marketing Organization, Neoprobe shall provide reasonable sales training to Ethicon and its Affiliates at reasonable locations selected by Ethicon (travel expenses to be paid by Ethicon) and consented to by Neoprobe, such consent not to be unreasonably withheld. Thereafter Neoprobe will provide similar sales training from time to time in connection with any Products that become available at times and locations reasonably selected by Ethicon and consented to by Neoprobe, such consent not to be unreasonably withheld.

5.20 *** PROGRAM. The Parties agree to develop and negotiate the terms for an *** and to implement such *** within *** after the Parties complete their marketing and customer assessments. The revenues for such program will be shared according to the gross revenues, less the selling ***, as agreed to for Transfer Pricing of Products in Schedule 5.2.

5.21 *** Expenses. Ethicon will fund the costs related to the *** pursuant to Section 11.1 and the *** Program only with respect to Products sold by *** to its customers but not to the third party distributors listed on Schedule 3.2 up to a limit of *** of Products of the immediately preceding Commercial Year sold by *** but not to the ***. Net sales shall mean the revenue received by *** from the sale of the Products to an independent third party less

the following amounts: (i) discounts, including cash discounts, or rebates actually allowed or granted; (ii) credits or allowances actually granted upon claims or returns, regardless of the party requesting the return; (iii) freight charges paid for customer delivery; and (iv) taxes or other governmental charges levied on or measured by the invoiced amount whether absorbed by the billing or billed party.

5.22 DISPOSITION OF DEFECTIVE PRODUCT. Without prejudice to any other remedy which Ethicon may have, Neoprobe shall replace at its own cost and expense, including reimbursement of freight and disposition costs incurred by Ethicon, Products that fail to comply with the Specifications or other warranties made in Article 11. Ethicon shall notify Neoprobe of the existence and nature of any non-compliance or defect which comes to its attention and Neoprobe shall have a reasonable opportunity, ***, to inspect such defective Product and provide Ethicon with detailed written instructions to return or dispose of such defective Product. Ethicon shall ***. If Neoprobe fails to so inspect and instruct Ethicon as to the disposition of such defective Product, Ethicon may dispose of such defective Product as it sees fit and Neoprobe shall promptly (i) reimburse Ethicon for all direct, out-of-pocket costs incurred by Ethicon in respect of such disposition, and (ii) replace such defective Product at its own cost and expense.

5.23 INDEPENDENT TESTING. If, after Neoprobe's inspections of any Product, the parties disagree as to whether such Product conforms to the Specifications and other warranties made in Article 11 or whether the Product has such a defect, either party may deliver the item to an independent third-party laboratory, mutually and reasonably acceptable to both parties, for analytical testing to confirm such item's conformance to the Specifications and other warranties made in Article 11 or the presence or absence of defects. All costs associated with such third-party testing shall be at Ethicon's expense unless the tested item is deemed by such third-party to be defective or not in compliance with the Specifications and other warranties made in Article 11, in which

case all such costs, including reimbursement of freight and disposition costs, shall be promptly paid by Neoprobe. No inspection or testing of or payment for Product by Ethicon or any third-party agent of Ethicon shall constitute acceptance by Ethicon thereof, nor shall any such inspection or testing be in lieu or substitution of any obligation of Neoprobe for testing, inspection and quality control as provided in the Specifications and other warranties made in Article 11 or under applicable local, state, or federal laws, rules, regulations, standards, codes or statutes.

5.24 TRANSFER PRICE REPORTING.

(a) Ethicon shall, within ninety (90) days from the end of December 31 of each calendar year during the term of this Agreement, deliver to Neoprobe a report of the actual Transfer Price for the Initial Period (as defined in Schedule 5.2) or the preceding Commercial Year, including a schedule calculating the actual Transfer Price. Ethicon shall keep for a period *** after the date of entry, accurate books and records reasonably necessary to verify the accuracy of the information used to establish the actual Transfer Price as described in Schedule 5.2.

(b) Neoprobe shall have the right after thirty (30) days advance written notice to Ethicon, to appoint an independent certified accountant at its own expense, acceptable and approved by Ethicon (which approval shall not be unreasonably withheld) who shall have access to Ethicon's records during reasonable business hours for the sole purpose of verifying the accuracy of the calculation of the Transfer Prices for the Products for a period not more than the previous four (4) calendar quarters, but this right may not be exercised more than once in any calendar year. Ethicon shall be entitled to withhold

approval of an accountant which Neoprobe nominates unless the accountant duly executes a confidentiality agreement with Ethicon which shall obligate such accountant to keep the information it receives from Ethicon in confidence.

(c) Unless otherwise agreed to by the Parties, if as a result of the audit performed pursuant to Section 5.24(b), the independent certified accountant determines that Ethicon has under-reported any information (e.g., the information used to calculate Net Selling Price) used to calculate the Transfer Price for a Product and as a result Neoprobe has received less than it should have under the Agreement, Ethicon shall, no later than forty-five (45) business days after receiving notice of such underpayment, remit to Neoprobe the amount of the underpayment. If as a result of the audit performed pursuant to Section 5.24(b), the independent certified accountant determines that Ethicon has over-reported any information (e.g., the information used to calculate Net Selling Price) used to calculate the Transfer Price for a Product and as a result Neoprobe has received more than it should have under the Agreement, Neoprobe shall, no later than forty-five (45) business days after receiving notice of such overpayment, remit to Ethicon the amount of the overpayment less the reasonable fees of the independent certified accountant, but in no case shall Ethicon be required to remit any amount to Neoprobe if the fees of the independent certified accountant exceed the amount of the Ethicon overpayment.

(d) If as a result of an audit performed pursuant to Section 5.24(b), it is determined by the independent certified accountant that Ethicon has underpaid any payment due to Neoprobe by more than ***, in addition to remitting the amount of the underpayment as described in Section 5.24(c), Ethicon shall pay Neoprobe interest on such amount at the rate per annum of "prime" (interest changing as and when the "prime" changes); such interest being payable on demand. As used herein, the term "prime" refers to the prime rate of interest per annum announced, from time to time, by major money center banks in the United States and as published daily in THE WALL STREET JOURNAL; provided, however, that if THE WALL STREET JOURNAL should ever cease, for any reason, to publish such rate on a daily basis, then the prime rate shall be at the rate of interest designated and in effect from time to time, by Citibank, N.A., in New York, New York as its prime rate.

(e) In the event the audit conducted pursuant to Section 5.24(b) reveals an inaccuracy in the information reported to Neoprobe which results in an underpayment by Ethicon and if Ethicon disagrees with the results of such audit and further in the event the parties can not resolve such disagreement, the Parties shall mutually choose an independent accountant acceptable to both to conduct a second audit. The Parties agree to be bound by the results of the second independent audit. The cost of an audit conducted pursuant to this Section 5.24(e) shall be

borne by Neoprobe if the independent accountant finds no underpayment and by Ethicon if an underpayment is found.

5.25 ***.

5.26 ***.

*** agrees to use its best efforts to provide ***.

*** shall use its best efforts to provide ***.

*** at its sole expense, shall use its best efforts to develop and release an ***.

*** agrees to review all designs *** in accordance to Section 5.15.

5.27 Should Ethicon develop and sell an instrument or device (a "Competing Ethicon Product") which is a direct clinical replacement of a

Product, Ethicon shall agree to provide Neoprobe financial consideration of *** of Net Sales of the Competing Ethicon Product during the term of this Agreement.

ARTICLE 6 - PRODUCT IMPROVEMENTS AND RESEARCH AND DEVELOPMENT

6.1 RESEARCH & DEVELOPMENT PAYMENTS. Ethicon agrees to fund at the end of each calendar quarter during the first three (3) years of the Agreement, a total of one hundred twenty-five thousand dollars ($125,000.00) per calendar quarter for *** listed on Schedule 6.1 hereto, PROVIDED THAT, (a) *** retains the identified research and development personnel or persons in Ethicon's reasonable judgment adequately skilled and trained personnel to fill the job positions listed on Schedule 6.1 ("R&D Personnel") for the entire calendar quarter; (b) the R&D Personnel are *** continued Product support and (c) the R&D Personnel are available to ***. The one hundred twenty-five thousand dollars ($125,000.00) per calendar quarter as stated above shall be prorated in the event that less than *** individuals are available. The four hundred thousand dollars ($400,000.00) paid in consideration for the Standstill and Rights Agreement shall be credited against the research and development payments with any excess promptly returned to Ethicon within ten (10) days if no further research and development payments are to be made pursuant to this Section 6.1. A *** for the R&D Personnel shall be provided to Ethicon prior to the Effective Date.

6.2 IMPROVED PRODUCT AND *** NEW PRODUCTS. With respect to Improved Products and New Products the research and development ***, once the Parties agree to a Provisional Transfer Price and to a forecast of *** of the Improved Product or *** including a schedule of desired delivery dates for the following six (6) months, the first three (3) months of this forecast shall constitute a binding purchase order for such Improved Product ***, such Improved Product *** shall be added to the Agreement and shall become a Product within the meaning of Section 2.15.

6.3 EXISTING *** R&D PROGRAMS. Within *** days after the Effective Date, *** agrees to review existing *** research and development programs as described in Schedule 6.3 (the "R&D Programs") and in its sole discretion, agree to fund any or none of the R&D Programs in addition to the research and development payments made pursuant to Section 6.1. *** shall have sixty (60) days to make its determination and to inform *** of the result. The Parties agree to negotiate in good faith within *** days from the Effective Date an agreement setting forth: (i) development work plan(s) for the R&D Programs (ii) the transfer pricing for such any products resulting from the funded R&D Programs and (iii) ownership of intellectual property developed under such programs. In no event shall the *** products developed under such R&D programs *** set forth in Schedule

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5.2.

6.4 ETHICON IDENTIFIED RESEARCH PROGRAMS. Ethicon may request that Neoprobe conduct certain R&D activities on behalf of Ethicon ("Ethicon Identified R&D"). In the event that Ethicon requests that Neoprobe conduct such Ethicon Identified R&D, Ethicon and Neoprobe shall, in good faith, negotiate an agreement setting forth: a) responsibility for costs associated with such Ethicon Identified R&D; b) ownership of designs, prototypes, or intellectual property; and (c) royalties, if any, payable to Neoprobe on instruments developed under such Ethicon Identified R&D and sold by Ethicon.

6.5 REPORTS. Upon Ethicon's written request, but no more than once per month, Neoprobe shall promptly provide Ethicon written research and development progress reports and activity reports relating to Products and Improved Products that are identified in the Specifications or Schedule 6.3.

ARTICLE 7 - REPRESENTATIONS AND WARRANTIES

7.1 EXECUTION AND PERFORMANCE OF AGREEMENT. Neoprobe and Ethicon each represents and warrants to the other that it has full right, power and authority to enter into and perform its respective obligations under this Agreement. Neoprobe and Ethicon each further represents and warrants to the other that the performance of its obligations under this Agreement will not result in a violation or breach of, and will not conflict with or constitute a default under any agreement, contract, commitment or obligation to which such Party or any of its Affiliates is a party or by which it is bound or infringe upon the rights of any third party and that it has not granted and will not grant during the term of this Agreement or any renewal thereof, any conflicting rights, license, consent or privilege with respect to the rights granted herein.

7.2 INTELLECTUAL PROPERTY. Neoprobe represents and warrants to Ethicon that (a) Neoprobe owns all of the rights, title and interest in and to the Patents, Neoprobe Trademarks, Know-How and all other intellectual property that appear on or are otherwise used in connection with the Products; (b) no academic institution, member of an academic institution, corporation or other entity, or any local, state or federal government holds any property rights through it in any Product; (c) Neoprobe is able to consummate this Agreement in the capacity of a free agent; (d) the manufacture, use and sale of the Products in accordance with the terms of this Agreement does not present any issue of infringement of Neoprobe's or any third party's rights under any issued patent or license; (e) it has no outstanding encumbrances or agreements, whether written, oral or implied, which would be inconsistent with the licenses granted herein; (f) the use of the Neoprobe Trademarks by Ethicon hereunder does not and will not infringe the rights of any third party; and (g) Neoprobe is presently aware of no infringement or dispute by any third party of any Neoprobe Patent or any Neoprobe Trademark.

7.3 YEAR 2000 COMPLIANCE. Neoprobe hereby represents and warrants to Ethicon that:

(a) it is able to demonstrate Year 2000 Compliance in full production versions of the Products and all of its services related to its performance hereunder, with accompanying documentation;

(b) Neoprobe's information systems and other business systems for estimates, performance schedules, orders, confirmations, manufacture and delivery, invoicing, crediting of payments and other business operations are able to accept and properly process input for dates before, on or after January 1, 2000; and

(c) Neoprobe is now planning and taking action to implement and will continue to implement, in a commercially reasonable manner, any and all measures to continue to perform its obligations under this Agreement with respect to Year 2000 Compliance strictly according to its terms and otherwise to meet the needs of its relationship with Ethicon;

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(d) Neoprobe will promptly provide to Ethicon, in response to Ethicon's periodic requests for updates, information concerning its Year 2000 Compliance program to the extent it affects performance of this Agreement and might impair its performance hereunder.

7.4 Neoprobe expressly represents and warrants that a) it owns all of the right, title and interest in and to the Products listed on Schedule 2.15 as of the Effective Date; b) it is empowered to supply the Products to Ethicon; c) it has no outstanding encumbrances or agreements, contracts, understandings or arrangements of any kind pursuant to which any entity may purchase from Neoprobe, or has the right to sell or market, the Product or any component of

such Product except for the Third Party Agreements; e) it is empowered to grant Ethicon licenses of the scope set forth in Articles 12, 13 and 14 below and f) it has the financial capacity to supply the Product to Ethicon in view of the terms and conditions set forth in this Agreement.

ARTICLE 8 - REGULATORY COMPLIANCE AND QUALITY ASSURANCE

8.1 INSPECTIONS. Ethicon shall have the right, upon reasonable notice to Neoprobe and during regular business hours, to inspect and audit manufacturing processes and procedures, quality assurance/control processes and procedures, inventory, work-in-process, Quality System Regulations ("QSRs") records in the countries where any Product is marketed, Raw Materials and the facilities being used by Neoprobe (or any third party) for production and storage of Products to assure compliance by Neoprobe (and its suppliers) with (a) all applicable statutes, laws and regulatory requirements and standards, including, without limitation, QSRs enforced by the United States Food and Drug Administration (the "FDA"), (b) Ethicon Endo-Surgery, Inc. Quality Assurance Requirements, (c) the terms and provisions of this Agreement. To the extent it has the right to do so, Neoprobe agrees to give Ethicon access during normal working hours to such records as are reasonably necessary to enable Ethicon to conduct its audit, including quality control records, test records, Device History Record and Device Master Records. Ethicon's right of access to Neoprobe (or its agent's) Confidential Information shall be restricted to those matters necessary to verify the compliance of Neoprobe (or its agents) with (a) all applicable statutes, laws and regulatory requirements and standards, including, without limitation, QSRs enforced by the FDA, (b) Ethicon Endo-Surgery, Inc. Quality Assurance Requirements, (c) the terms and provisions of this Agreement. Ethicon personnel exercising this right of inspection shall comply with applicable rules and regulations in place at the manufacturing facility when such personnel or representatives are made aware of such rules and regulations.

8.2 RESULTS OF ETHICON'S AUDIT. Ethicon shall promptly (no more than *** after conclusion of any audit conducted pursuant to Section 8.1) share the results of the audit with Neoprobe. If Ethicon believes that a deficiency exists, it shall inform Neoprobe and Neoprobe shall within *** remedy or cause the remedy of any deficiencies that were noted in such audit, or if any such deficiency can not reasonably be remedied ***, present to Ethicon a written plan to remedy such deficiencies as soon as possible. Failure by Neoprobe to remedy or cause the remedy of a deficiency in the agreed upon time period shall be deemed a material breach of this Agreement; provided however, that if in Neoprobe's reasonable judgement it disagrees with Ethicon's conclusion that a deficiency exists and if the Parties continue to disagree after reasonable discussion, Neoprobe shall have the right to have an independent regulatory expert conduct the same audit as Ethicon. If the independent expert agrees with Neoprobe that no deficiency exists, Ethicon shall bear the cost of such audit. If the independent expert agrees with Ethicon's assessment, Neoprobe shall bear the cost of the independent expert and shall correct all deficiencies as provided in this Section 8.2. Neoprobe acknowledges that the provisions of this Article Eight granting Ethicon certain audit rights shall in no way relieve Neoprobe of any of its obligations under this Agreement, nor shall such provisions require Ethicon to conduct any such audits.

8.3 510(k) CLEARANCE. Neoprobe represents and warrants that it has obtained 510(k) to the extent

it is required to do so clearance from the FDA to manufacture and sell the Products; and that the submissions which Neoprobe made to the FDA were made in good faith and contained accurate and complete data and information regarding the Product as required by applicable laws, rules and regulations. Neoprobe shall maintain for the term of this Agreement or any extension thereof all

510(k) clearances for the Products. Furthermore, Neoprobe shall file, and maintain at its own cost for the Products listed on Schedule 2.15 as of the Effective Date, all appropriate registrations with the FDA and similar regulatory authorities in the United States and in foreign countries which have the authority to approve the sale of the Product for use in humans. Neoprobe shall review all Product changes agreed to pursuant to Section 5.15 for regulatory impact in the United States and other countries where any Product is marketed, and shall provide Ethicon with copies of all regulatory impact review documentation.

8.4 REGULATORY COMPLIANCE. Neoprobe represents and warrants that all Products sold or delivered to Ethicon during the term of this Agreement or any extension thereof shall be manufactured and delivered in accordance with Regulatory Compliance, and that continually during the term of this Agreement or any extension thereof no Products delivered by Neoprobe to Ethicon will be adulterated or misbranded at the time of delivery within the meaning of the Federal Food, Drug and Cosmetic Act. Neoprobe shall notify Ethicon in accordance with Section 8.8 below after receiving notice of any claim or action by the FDA relating to non-compliance with this Article or any notice with respect to any violation of any applicable laws, rules or regulations. In addition, Neoprobe shall notify Ethicon of any adverse reaction, malfunction, injury or other similar claims with respect to the Products of which it becomes aware in accordance with Section 8.8 below.

8.5 REGULATORY INSPECTIONS. Neoprobe shall notify Ethicon of any FDA inspection, or any inspection from any other regulatory body, of the facilities for the manufacture of the Products, or any request for information from the FDA or other regulatory body related to the manufacture of the Products, as soon as practically possible after Neoprobe becomes aware of such inspection or such request.

8.6 RECALLS. Upon mutual consent of the Parties, which consent may not be unreasonably withheld, or in the case of a recall required by an agency with competent jurisdiction, Neoprobe shall be required to institute and fund any recall, field corrective action, or the like in circumstances relating to a breach by Neoprobe of the warranty set forth in Article 11 below or other breach of its representations, warranties, guarantees, covenants or other obligations hereunder. In such circumstances, the actual retrieval of the Products and costs associated with that retrieval shall be undertaken and absorbed by Neoprobe. The Parties shall maintain adequate records concerning traceability of the Products, and shall cooperate with each other in the event that any procedures described in this paragraph are undertaken. In the event of any such recall, Neoprobe shall accept recalled Products and deliver to Ethicon replacement Products at Neoprobe's sole cost and expense.

8.7 COOPERATION. Because regulatory requirements vary throughout the world, the Parties agree to cooperate with one another to obtain regulatory approvals.

8.8 ADVERSE EXPERIENCES AND PRODUCT COMPLAINTS. Each Party shall notify the other within three (3) business days of any serious and life-threatening adverse experiences related to the Product of which it becomes aware. Each Party shall notify the other within ten (10) business days of any other adverse experiences related to a Product of which it becomes aware. Neoprobe shall be responsible for all reporting to the FDA and all other regulatory bodies where any Product is marketed. Neoprobe shall provide Ethicon with a copy of the quarterly adverse experience reports for the Products, or any other reportable events, which Neoprobe is required by the Act to submit to the FDA or any other regulatory requirements in countries where any Product is marketed, within three (3) business days of its submission. Each Party shall notify the other of any serious complaints relating to the Products which it receives within thirty (30) days of becoming aware of such complaint.

8.9 CORRECTIVE ACTION. In the event any governmental agency having jurisdiction shall request or order, or if Ethicon shall determine to undertake, any corrective action with respect to any Product, including any recall, corrective action or market action, and the cause or basis of such recall or action is attributable to a breach

by Neoprobe of any of its warranties, guarantees, representations, obligations or covenants contained herein, then Neoprobe shall be liable, and shall reimburse Ethicon for the reasonable costs of such action including the cost of any Product which is so recalled whether or not any such specific unit of Product shall be established to be in breach of any warranty by Neoprobe hereunder.

8.10 PROVISION OF INFORMATION. Upon Ethicon's request, Neoprobe shall provide Ethicon with access to the following information at no cost to Ethicon:

a) necessary data, descriptions, processes, photographs and statements of claims for safety, efficacy or performance;

b) technical data to allow Ethicon to prepare up-to-date customer instruction for the Products;

c) the Device Master Records for the Products and the Device History Records for the Products, as defined in 21 Code of Federal Regulations Section 800, for the Products and components thereof; and

d) copies of all U.S. and foreign regulatory submissions, including the 510(k) submission, for the Products.

8.11 PROVISION OF SUPPORT. Neoprobe shall provide Ethicon with the following support at no cost to Ethicon:

a) claim support for any claims, indications, or other representations included in any labeling, inserts, sales literature or customer instruction prepared by Neoprobe relating to the Products (it is understood and agreed that in the event Ethicon reasonably disagrees with any such claims, indications, or other representations, Neoprobe shall modify the same in the manner agreeable to both Parties; and

b) prompt review and approval, as appropriate, of all training materials and sales and promotional literature developed by Ethicon relating to the Products (it being understood and agreed that no such review shall relieve Neoprobe of responsibility for the accuracy of such materials).

c) Neoprobe agrees to promptly obtain and maintain CE marking for all Products, PROVIDED HOWEVER, it is the obligation of Ethicon, at its expense, to obtain other regulatory approvals necessary for distributors to market the Products in a specific country. Neoprobe agrees to support Ethicon in obtaining such regulatory approvals, including but not limited to, by providing any necessary documentation within Neoprobe's control.

8.12 LABELING AND SALES LITERATURE. Neoprobe shall be responsible for the appearance, text and regulatory compliance of all Neoprobe originated package labeling used in connection with the Products. Any labeling, inserts, sales literature, or customer instruction prepared by Ethicon relating to the Product is subject to written approval by Neoprobe, which approval shall not be unreasonably withheld (it being understood and agreed that no such review shall relieve Neoprobe of responsibility for the accuracy of such materials).

ARTICLE 9 - INDEMNIFICATION

9.1 INDEMNIFICATION BY NEOPROBE. Neoprobe shall indemnify and hold harmless Ethicon and its Affiliates and their respective officers, directors and employees from and against any and all damages, liabilities, claims, costs, charges, judgments and expenses (including interest, penalties and reasonable attorneys' fees) (collectively "Damages") incurred by such party that (i) arise as the result of Neoprobe's breach of this Agreement or of any obligation, covenant, warranty or representation made to Ethicon under this Agreement; or, (ii) which result from any claim made against Ethicon in connection with Neoprobe's sale of defective Product; or (iii) which result from the negligent acts or willful malfeasance on the part of Neoprobe or Neoprobe's employees or agents in connection with Neoprobe's registration or other activities or actions

in connection with the Product; (iv) which result from Ethicon's use of promotional materials, provided by Neoprobe, so long as Ethicon's use is in accordance with the Agreement; or (v) which result from any claim of patent or trademark infringement made against Ethicon by a third party which arises as a consequence of Ethicon's promotion of the Product.

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9.2 NEOPROBE INSURANCE. Neoprobe shall obtain and maintain in full force and effect valid and collectible product liability insurance in respect of the Products for death, illness, bodily injury and property damage in an amount not less than *** per occurrence. Such policy shall name Ethicon as an insured or an additional insured thereunder and Neoprobe shall grant like coverage to Ethicon under a standard broad form vendor's endorsement thereto. Neoprobe shall within ten (10) days of the Effective Date provide Ethicon with evidence of this coverage, provided that the existence of such coverage shall in no way limit Neoprobe's liability or obligations hereunder. Such insurance policy shall provide that in the event such insurance coverage should be materially adversely changed or terminated for any reason, the insurer thereunder will give Neoprobe and Ethicon ten (10) days prior notice of such change or termination.

9.3 INDEMNIFICATION BY ETHICON. Ethicon shall indemnify and hold harmless Neoprobe and its Affiliates and their respective officers, directors and employees from and against any and all Damages incurred by such party which: (i) arise out of Ethicon's breach of this Agreement or of any obligation, covenant, warranty or representation made to Neoprobe under this Agreement; or, (ii) result from the negligent acts or willful malfeasance on the part of Ethicon or its employees or agents, in promoting the Product in a manner inconsistent with the Product's labeling.

9.4 CLAIMS. a) A Party (hereinafter referred to as the "Indemnifying Party") indemnifying another party or parties (hereinafter referred to as the "Indemnified Party"), pursuant to this Agreement, shall indemnify and hold the Indemnified Party harmless against any and all actions, suits, proceedings, demands, claims, assessments, costs, judgments, legal and other expenses incidental to any of the foregoing (hereinafter referred to as a "Claim"). In the event a Claim is made upon the Indemnified Party, the Indemnified Party shall promptly give notice of such Claim to the Indemnifying Party, and shall promptly deliver to such Indemnifying Party all information and written material available to the Indemnified Party relating to such Claim. If such Claim is first made upon the Indemnifying Party, the Indemnifying Party shall promptly give notice of such Claim to the Indemnified Party.

b) The Indemnified Party will, if notified of the Indemnifying Party's election to do so within fifteen (15) days of the date of notice of a Claim, permit the Indemnifying Party to defend in the name of the Indemnified Party any Claim in any appropriate administrative or judicial proceedings and take whatever actions may be reasonably requested of the Indemnified Party to permit the Indemnifying Party to make such defense and obtain an adjudication of such Claim on the merits, including the signing of pleadings and other documents, if necessary; provided that the Indemnifying Party shall defend the Claim with counsel reasonably satisfactory to the Indemnified Party and provide the Indemnified Party with evidence reasonably satisfactory to the Indemnified Party that the Indemnifying Party can satisfy the Claim if it is upheld. In addition to the liability for the ultimate settlement or judgment, if any, arising out of such Claim under this Agreement, the Indemnifying Party shall be solely responsible for all the expenses incurred in connection with such defense or proceedings, regardless of their outcome. However, the Indemnifying Party shall not be responsible for any expenses, including attorneys fees and costs, incurred by the Indemnified Party to monitor the defense of the Claim by the Indemnifying Party.

c) In the event the Indemnifying Party does not accept the defense of such Claim under the terms hereof, the Indemnified Party shall be

entitled to conduct such defense and settle or compromise such Claim, and the Indemnifying Party's indemnification obligation under this Agreement shall be absolute, regardless of the outcome of such Claim. The Indemnified Party, at its option, may elect not to permit the Indemnifying Party to control the defense against a Claim. If the Indemnified Party so elects, then the Indemnifying Party shall not be obligated to indemnify the Indemnified Party against any settlements, judgments or other costs or obligations arising thereunder which the Indemnified Party may make or incur relating to such Claim.

ARTICLE 10 - COVENANTS

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10.1 During the term of this Agreement and any extension thereof, Neoprobe shall not enter into any agreements, contracts, understandings or arrangements with any person other than Ethicon relating to the distribution or licensing of the Product or Improved Products during the term of this Agreement or any extension thereof.

10.2 Within thirty (30) days from the Effective Date, Neoprobe shall place with *** mutually agreed upon by Neoprobe and Ethicon and as described in Schedule 10.2 hereto, ***.

ARTICLE 11 - WARRANTY

11.1 WARRANTY. Neoprobe warrants during the warranty period set forth under Section 11.2 below that all Products delivered to Ethicon under this Agreement shall be manufactured in accordance and conformity with the Specifications and in compliance with this Agreement, and that the Product so delivered shall be of merchantable quality, free from defects in design, construction, materials and workmanship. Neoprobe warrants that it shall comply with all present and future statutes, laws, ordinances and regulations relating to the manufacture, assembly and supply of the Product, including, without limitation, those enforced by the FDA (including compliance with QSRs) and International Standards Organization Rules 9,000 et seq. Ethicon shall be entitled during the warranty period to return to Neoprobe for exchange or full credit at Ethicon's original cost, including incurred freight and insurance costs, any Products returned by a customer of Ethicon for defects in design, construction, materials or workmanship. Any inspection by Ethicon shall not relieve Neoprobe of its obligation to manufacture Products which meet the Specifications and comply with good manufacturing practices.

11.2 WARRANTY PERIOD. The initial warranty period shall *** whichever is later.

11.3 WARRANTY PASS-THROUGH. Neoprobe agrees that Ethicon may pass the warranty given to Ethicon under this Section 11.1 above along to Ethicon's customers.

11.4 ***. As part of Neoprobe's warranty obligation described in Sections 11.1 and 11.2, Neoprobe agrees *** to ***. Neoprobe shall provide Ethicon with a procedure for handling customer returns for servicing and repairing Products covered under the warranty obligations described in Sections 11.1 and 11.2 within *** of the Effective Date.

11.5 REPLACEMENT PARTS. With respect to Products outside of the warranty periods set forth in Section 11.2 above, Neoprobe shall provide repairs and replacement parts, as appropriate, for devices manufactured by Neoprobe at reasonable rates and prices mutually agreed upon in writing by both Parties.

ARTICLE 12 - FAILURE TO SUPPLY,CHANGE OF CONTROL OR INSOLVENCY EVENT

12.1 If Neoprobe fails to supply *** of the Products meeting the Specifications on a desired delivery date specified on a binding purchase order under either of the following conditions:

(a) for any reason other than those set forth under Section 17.6 below, and this failure lasts longer than *** from such desired delivery date; or

(b) for any reason set forth under Section 17.6 below, and this failure lasts longer than *** from such desired delivery date;

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then Ethicon shall thereafter have the right to *** terminate this Agreement upon written notice to Neoprobe and to manufacture or have manufactured the Product. Additionally, if a Change of Control occurs followed by a failure to supply lasting longer than *** from the desired delivery date set forth in a binding purchase order, or an Insolvency Event occurs, then *** upon written notice to Neoprobe, Ethicon shall have the right to *** terminate this Agreement upon written notice to Neoprobe

12.2 In the event that a Change of Control occurs and such controlling or surviving entity is a competitor of Ethicon, then Ethicon shall have the right to *** terminate this Agreement upon written notice to Neoprobe.

ARTICLE 13 - PATENTS, TRADEMARKS AND CONFIDENTIAL INFORMATION

13.1 LICENSE. Ethicon and its Affiliates shall have a fully paid-up worldwide, exclusive license under the Patents to use, sell, offer for sale, import or otherwise dispose of, Products for the term of this Agreement or any extension thereof. Ethicon shall also have a secondary license (the "Secondary License") which includes a worldwide, exclusive, paid-up license under all Patents and Know-How necessary to make, have made, import, use or sell the Products, Improved Products and Ethicon Funded New Products; a license under Neoprobe's regulatory clearances, including Neoprobe's 510(k), to market the Products, Improved Products and Ethicon Funded New Products and an exclusive, irrevocable, sub-licensable, right to continue to use the Neoprobe Trademarks pursuant to the restrictions set forth in Section 13.2. Ethicon's Secondary License shall run for the term of this Agreement and any extension thereof, assuming Ethicon had exercised all rights to extensions thereof. In the event Ethicon exercises its rights under its Secondary License, to make, have made or import the Products, Improved Products and/or Ethicon Funded New Products Neoprobe shall make available to Ethicon all of the information then in Neoprobe's possession or at its free disposal relating to the manufacture of the Products, Improved Products and/or Ethicon Funded New Products. Ethicon hereby agrees not to exercise its rights to make, have made, import, use or sell the Products, Improved Products and Ethicon Funded New Products under its Secondary License, except in the event of a failure to supply meeting the requirements of Section 12.1 above or a termination of this Agreement by Ethicon pursuant to Section 14.1, and any such exercise shall be a material breach of the terms of this Agreement.

13.2 ***. Nothing herein shall be deemed to give one Party, either during the term of this Agreement or thereafter, any right to trademarks or copyrights of the other Party or to their use except that Ethicon shall have the right to use Neoprobe's Trademarks in association with the marketing and sale of the Products during the term of this Agreement, any extension thereof or as provided by Section 13.1 if it chooses to do so *** to the Trademarks.

13.3 CONFIDENTIAL INFORMATION. All written information designated as confidential and exchanged between Neoprobe and Ethicon while this Agreement is in effect shall be treated as confidential information. Neither Party shall for *** after the date of expiration or termination of this Agreement, use (other than in the performance of its obligations hereunder) or disclose such information to any third party without the prior written approval of the other Party, unless such information has become public knowledge through no fault of the Party receiving such information, or comes to such Party from a third party under no obligation of confidentiality with respect to such information, or was in the possession of such Party prior to the date of disclosure, or is developed by or on behalf of such Party without reliance on confidential information received hereunder, or is requested to be disclosed in compliance with applicable laws or regulations in connection with the sale of the Product, or is otherwise required to be disclosed in compliance with an order by a court or other regulatory body having competent jurisdiction, or is product-related information which is reasonably required to be disclosed in connection with marketing the Products. The obligations imposed by this section shall not limit any rights

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provided to Ethicon pursuant to Section 12.1 above to manufacture or have manufactured the Product following Neoprobe's failure to supply pursuant to this Agreement; provided that the disclosure of confidential information to a third party (except as may be reasonably required in preliminary discussions with such third party) for the purpose of enabling such Party to manufacture the Products shall be conditioned upon such third party signing a confidentiality agreement prohibiting the disclosure of such information to any other party and limiting the use of such information to the manufacturing of the Products.

ARTICLE 14 - TERMINATION

14.1 This Agreement may be terminated by either Party in the event the other materially fails to perform or otherwise materially breaches any of its obligations under this Agreement (other than pursuant to Article 12) by giving written notice of its intent to terminate and stating the grounds for termination. The Party receiving the notice shall *** from the date of receipt of the notice to cure the failure or breach. In the event it is cured, the notice shall be of no effect. In the event it is not cured, this Agreement then shall, without more, terminate at the end of such *** period. If the failure to perform or other breach is due to circumstances covered under Section 17.6 below, then this subsection shall not apply until such circumstances have ceased.

14.2 For purposes of Section 14.1 a breach by Neoprobe of its obligations, covenants, representations or warranties under Section 3.2 and 3.3 shall be deemed to be a material failure to perform and a material breach of its obligations under this Agreement. If Ethicon exercises its rights to terminate this Agreement under Section 14.1, Neoprobe grants Ethicon an exclusive paid-up worldwide license under the Patents to make, have made, use, sell, offer for sale, import or otherwise dispose of, the Products, rights under Neoprobe's regulatory clearances, including 510(k), to market the Products, and rights to all Know-How necessary to make, have made, use, sell, offer for sale, import or otherwise dispose of, the Products, such license and rights shall run for the term of this Agreement and any extension thereof, assuming Ethicon had exercised all rights to extensions thereof. Ethicon further shall have the exclusive right to continue to use the Neoprobe Trademarks pursuant to the restrictions set forth in Section 13.2. In the event Ethicon exercises its right to terminate this Agreement under Section 14.1, Neoprobe shall make available to Ethicon all of the information then in Neoprobe's possession or at its free disposal relating to the manufacture of the Products.

14.3 Ethicon may terminate this Agreement upon *** written notice if Ethicon discovers a patent of a third party which arguably covers in whole or in part any aspect of the Product and the infringement is not cured within such *** period in a manner which is satisfactory in Ethicon's sole discretion.

14.4 Following the effective date of termination of this Agreement, Ethicon shall have the right and option to either (i) continue to sell Products in the Territory on an exclusive worldwide basis for a period of ***, or (ii) on written notice to Neoprobe, sell to Neoprobe and have Neoprobe buy, within *** after request, all of the Products in the Ethicon's stock which were received by Ethicon *** of less prior to the effective date of the effective date of termination which are in good condition. Such Products shall be repurchased at the most recent landed cost for such Products in effect hereunder prior to termination of this Agreement, and will be shipped to the designation selected by the Neoprobe, freight collect. Outdated, used or damaged Products shall either be made available to Neoprobe for destruction by Neoprobe at their then current location, or shipped to Neoprobe, freight collect, as determined by Neoprobe.

14.5 Termination of this Agreement for any reason shall not affect rights and obligations of the Parties accrued through the effective date of termination, including without limitation indemnification provisions relating to the Product manufactured or distributed during the term of this Agreement or any extension thereof.

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ARTICLE 15 - RESOLUTION OF DISPUTES

15.1 Any dispute, claim or controversy arising from or related in any way to this agreement or the interpretation, application, breach, termination or validity thereof, including any claim of inducement of this agreement by fraud or otherwise, will be submitted for resolution to arbitration pursuant to the commercial arbitration rules then pertaining of the CPR Institute for Dispute Resolution, or successor ("CPR"), except where those rules conflict with these provisions, in which case these provisions control.
The arbitration will be held in Cincinnati, Ohio.

15.2 The panel shall consist of three (3) arbitrators chosen from the CPR Panels of Distinguished Neutrals (or, by agreement from another provider of arbitrators) each of whom is a lawyer with at least fifteen (15) years experience with a law firm or corporate law department of over twenty-five (25) lawyers or was a judge of a court of general jurisdiction. In the event the aggregate damages sought by the claimant are stated to be less than $5 million, and the aggregate damages sought by the counterclaimant are stated to be less than $5 million, and neither side seeks equitable relief, then a single arbitrator shall be chosen, having the same qualifications and experience specified above. Each arbitrator shall be neutral, independent, disinterested, impartial and shall abide by The Code of Ethics for Arbitrators in Commercial Disputes approved by the AAA. There shall be no EX PARTE communications with an arbitrator either before or during the arbitration, relating to the dispute or the issues involved in the dispute or the arbitrator's views on any such issues.

15.3 The Parties agree to cooperate (a) to obtain selection of the arbitrator(s) within forty-five (45) days of initiation of the arbitration, including jointly interviewing the final candidates, (b) to meet with the arbitrator(s) within forty-five (45) days of selection and (c) to agree at that meeting or before upon procedures for discovery and as to the conduct of the hearing which will result in the hearing being concluded within no more than nine (9) months after selection of the arbitrator(s) and in the award being rendered within sixty (60) days of the conclusion of the hearings, or of any post-hearing briefing, which briefing will be completed by both sides within

thirty (30) days after the conclusion of the hearings. In the event no such agreement is reached, (a) the CPR will select arbitrator(s), allowing appropriate strikes for reasons of conflict or other cause and three (3) peremptory challenges for each side, and permitting the Parties, prior to exercising their final peremptory challenge, jointly to interview each of the top three (3) final candidates (for no more than one (1) hour each) if a single arbitrator is being selected or the top five (5) finalists if a panel of three (3) is being selected, (b) the arbitrator(s) shall set a date for the hearing in accord with the above schedule, commit to the rendering of the award within sixty (60) days of the conclusion of the evidence at the hearing, or of any post-hearing briefing (which briefing will be completed by both sides in no more than thirty (30) days after the conclusion of the hearings), and (c) the arbitrator(s) shall provide for discovery according to these time limits, giving recognition to the understanding of the Parties that they contemplate reasonable discovery, including document demands and depositions, but that such discovery be limited so that the time limits specified herein may be met without difficulty. In no event will the arbitrator(s), absent agreement of the parties, allow more than a total of ten (10) days for the hearing or permit either side to obtain more than a total of forty (40) hours of deposition testimony from all witnesses, including both fact and expert witnesses, or serve more than twenty (20) individual requests for documents, including subparts, or twenty (20) individual requests for admission or interrogatories, including subparts. Multiple hearing days will be scheduled consecutively to the greatest extent possible.

15.4 The arbitrator(s) must render their award by application of the substantive law of the State of Ohio and are not free to apply "amiable compositeur" or their own or another's view of "natural justice and equity." The arbitrator(s) shall render an opinion setting forth findings of fact and conclusions of law with the reasons therefor stated. A transcript of the evidence adduced at the hearing shall be made and shall, upon request, be made available to either party. The arbitrator(s) shall have power to exclude evidence on grounds of hearsay, prejudice beyond its probative value, redundancy, or irrelevance and no award shall be overturned

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by reason of such ruling on evidence.

15.5 To the extent possible, the arbitration hearings and award will be maintained in confidence.

15.6 The United States District Court for the Southern District of Ohio, Western Division at Cincinnati, may enter judgment upon any award. In the event the panel's award exceeds $5 million in monetary damages or includes or consists of equitable relief, or rejects a claim in excess of that amount or for that relief, then the court shall vacate, modify or correct any award (including remanding to the arbitrators for further proceedings) where the arbitrators' findings of fact are clearly erroneous, and/or where the arbitrators' conclusions of law are erroneous; in other words, the court will undertake the same review as if it were a federal appellate court reviewing a district court's findings of fact and conclusions of law rendered after a bench trial. An award for less than $5 million in damages and not including equitable relief or which neither rejects a claim in excess of that amount or for that relief, may be vacated, modified or corrected only pursuant to the Federal Arbitration Act. The Parties consent to the jurisdiction of the above-specified Court for the enforcement of these provisions, the review specified herein, and the entry of judgment on any award. In the event such Court lacks jurisdiction, then any court having jurisdiction of this matter may enter judgment upon any award and provide the same relief, and undertake the same review, as specified herein.

15.7 In the event the expanded judicial review provided for under Section 15.6 above is not available from the court as a matter of law, the party unable to obtain such review may instead obtain review of the arbitrators' award or decision by a single appellate arbitrator (the "Appeal Arbitrator") selected

from the CPR list of distinguished neutrals and pursuant to then current CPR selection procedures. No Appeal Arbitrator shall be selected unless he or she can commit to rendering a decision within forty-five (45) days following oral argument as provided in this Section. Any such review must be initiated with the CPR within thirty (30) days following the date the district court declines the expanded review specified in Section 15.6 above. In the event timely review is sought, the Appeal Arbitrator will make the same review of the arbitration panel's ruling and its bases that the Court of Appeals of the federal circuit where the arbitration hearings are held would make of findings of fact and conclusions of law rendered by a district court after a bench trial and then modify, vacate or affirm the arbitration panel's award or decision accordingly. The Appeal Arbitrator will consider only the arbitration panel's findings of fact and conclusions of law, pertinent portions of the hearing transcript and evidentiary record as submitted by the parties, opening and reply briefs of the party pursuing the review, and the answering brief of the opposing party, plus a total of no more than four (4) hours of oral argument evenly divided between the parties. The party seeking review must submit its opening brief and any reply brief within seventy-five (75) and one hundred twenty (120) days, respectively, following the date the court declines the expanded review specified in Section 15.6; whereas, the opposing Party must submit its responsive brief within one hundred ten (110) days of that date. Oral argument shall take place within five (5) months after the district court declines the expanded review specified in Section 15.6, and the Appeal Arbitrator shall render a decision within forty-five (45) days following oral argument.

15.8 Each party has the right before or, if the arbitrator(s) cannot hear the matter within an acceptable period, during the arbitration to seek and obtain from the appropriate court provisional remedies such as attachment, preliminary injunction, replevin, etc. to avoid irreparable harm, maintain the STATUS QUO, or preserve the subject matter of the arbitration.

15.9 EACH PARTY HERETO WAIVES ITS RIGHT TO TRIAL OF ANY ISSUE BY JURY.

15.10 EACH PARTY HERETO WAIVES ANY CLAIM TO PUNITIVE OR EXEMPLARY, CONSEQUENTIAL DAMAGES FROM THE OTHER.

15.11 EACH PARTY HERETO WAIVES ANY CLAIM FOR ATTORNEYS' FEES AND COSTS AND PREJUDGMENT INTEREST FROM THE OTHER.

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15.12 Any dispute, controversy or claim arising out of or related to this agreement, or the interpretation, application, breach, termination or validity thereof, including any claim of inducement by fraud or otherwise, which claim would, but for this provision, be submitted to arbitration shall, before submission to arbitration, first be mediated through non-binding mediation in accordance with the Model Procedures for the Mediation of Business Disputes promulgated by the CPR then in effect, except where those rules conflict with these provisions, in which case these provisions control. The mediation will be held in Cincinnati, Ohio and shall be attended by a senior executive with authority to resolve the dispute from each of the operating companies that are parties.

15.13 The mediator shall be neutral, independent, disinterested and shall be selected from a professional mediation firm such as ADR Associates or JAMS/ENDISPUTE or CPR.

15.14 The Parties shall promptly confer in an effort to select a mediator by mutual agreement. In the absence of such an agreement within fifteen (15) days of initiation of the mediation, the mediator shall be selected by CPR from a list generated by CPR with each Party having the right to exercise challenges for cause and two (2) peremptory challenges within seventy-two (72) hours of receiving the CPR list.

15.15 The mediator shall confer with the Parties to design procedures to conclude the mediation within no more than forty-five (45) days after initiation. Under no circumstances shall the commencement of arbitration under Section 15.1 above be delayed more than forty-five (45) days by the mediation process specified herein.

15.16 Each Party agrees not to use the period or pendancy of the mediation to disadvantage the other Party procedurally or otherwise. No statements made by either side during the mediation may be used by the other or referred to during any subsequent arbitration.

15.17 Each Party has the right to pursue provisional relief from any court, such as attachment, preliminary injunction, replevin, etc., to avoid irreparable harm, maintain the STATUS QUO, or preserve the subject matter of the arbitration, even though mediation has not been commenced or completed.

ARTICLE 16 - DISCLAIMER

***. Furthermore, all business decisions, including without limitation, sale, price and promotion of the Product marketed under this Agreement and the decision whether to sell the Product shall be within the sole discretion of ***. Neoprobe realizes that Ethicon (and its Affiliates) already sells a complete line of diagnostic and surgical devices and *** under this Agreement.

ARTICLE 17 - MISCELLANEOUS

17.1 ***

17.2 TRANSFER AND ASSIGNMENT. Neither Party shall transfer or assign this Agreement, in whole or in part, without the prior written consent of the other Party (which shall not be unreasonably withheld); except that Ethicon may, without such consent, assign this Agreement to an Affiliate or with the sale of substantially all of

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the assets of the business to which the Products relate.

17.3 COMMUNICATIONS. All communications, purchase orders, invoices, payments and notices required or called for under this Agreement shall be in writing, shall be transmitted by facsimile or first class mail, postage prepaid, and shall be deemed delivered upon confirmed receipt if by facsimile or mailing to the address below or to such other address as either Party may give to the other in writing:

If to Ethicon:

Ethicon Endo-Surgery, Inc.
4545 Creek Road
Cincinnati, Ohio 45242
Attn: President
facsimile: (513) 483-8945

If to Neoprobe:

Neoprobe Corporation
425 Metro Place North, Suite 300
Dublin, Ohio 43017
Attn: President
facsimile: (614) 793-7522

17.4 RELATIONSHIP OF PARTIES The Parties hereto are entering into this Agreement as independent contractors, and nothing herein is intended or shall be construed to create between the Parties a relationship of principal and agent, partners, joint venturers or employer and employee. Neither Party shall hold itself out to others or seek to bind or commit the other Party in any manner inconsistent with the foregoing provisions of this Article 17.

17.5 NO WAIVER. The failure of either Party to enforce at any time for any period the provisions of this Agreement shall not be construed to be a waiver of such provisions or of the right of such Party thereafter to enforce each such provision.

17.6 MAJOR FORCES. Subject to Ethicon's rights set forth in Article 12 above, neither Party shall be responsible for and the terms of this Agreement shall be inapplicable to any defaults or delays which are due to unforeseen causes beyond the Parties' control including, but without limitation, acts of God or public enemy, acts or other order of a government, particularly full market approval by the United States Food and Drug Administration and any foreign government equivalent approval, fire, flood or other natural disasters, embargoes, accidents, explosions, strikes or other labor disturbances (regardless of the reasonableness of the demands of labor), shortage of fuel, power or raw materials, inability to obtain or delays of transportation facilities, incidents of war, or other unforeseen events causing the inability of a Party, acting in good faith with due diligence, to perform its obligations under this Agreement.

17.7 PUBLICITY. With respect to any other publicity, neither Party shall originate any such publicity, news release or public announcement, written or oral, whether to the public or press, stockholders or otherwise, relating to this Agreement or any of its terms, to any amendment or performances under the Agreement, save only such announcements as in the opinion of counsel for the Party making such announcement is required by law to be made. If a Party decides to make an additional announcement required by law under this Agreement, it will give the other Party thirty (30) days advance written notice, or any shorter notice period otherwise required by law, of the text of the announcement so that the other Party will have an opportunity to comment upon the announcement.

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17.8 BANKRUPTCY All licenses granted under or pursuant to this Agreement, by Neoprobe to Ethicon are for all purposes of Section 365(n) of the Bankruptcy Code, licenses to "intellectual property" as defined in the Bankruptcy Code. The Parties agree that Ethicon, as a licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the Bankruptcy Code. Neoprobe agrees during the term of this Agreement to create and maintain current copies or, if not amenable to copying, detailed descriptions or other appropriate embodiments, of all such licensed intellectual property. If a case is commenced by or against Neoprobe under the Bankruptcy Code, then, unless and until this Agreement is rejected as provided in the Bankruptcy Code, Neoprobe (in any capacity, including debtor-in-possession) and its successors and assigns (including, without limitation, a Bankruptcy Code trustee) shall either perform all of the obligations provided in this Agreement to be performed by Neoprobe or provide to Ethicon all such intellectual property (including all embodiments thereof) held by Neoprobe and such successors and assigns, as Ethicon may elect in a written request, immediately upon such request. If a Bankruptcy Code case is commenced by or against Neoprobe, this Agreement is rejected as provided in the Bankruptcy Code and Ethicon elects to retain its rights hereunder as provided in the Bankruptcy Code, then Neoprobe (in any capacity, including debtor-in-possession) and its successors and assigns (including, without limitation, a Bankruptcy Code trustee) shall provide to Ethicon all such intellectual property (including all embodiments thereof) held by Neoprobe and such successors and assigns immediately upon Ethicon's written request therefor. All rights, powers and remedies of Ethicon provided under this Article are in addition to and not in

substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including, without limitation, the Bankruptcy Code) in the event of any such commencement of a bankruptcy proceeding by or against Neoprobe. Ethicon, in addition to the rights, powers and remedies expressly provided herein, shall be entitled to exercise all other such rights and powers and resort to all other such remedies as may now or hereafter exist at law or in equity (including the Bankruptcy Code) in such event.

17.9 ENTIRE AGREEMENT. The Parties have, in this Agreement, incorporated all representations, warranties, covenants, commitments and understandings on which they have relied in entering into this Agreement and, except as provided herein, the Parties make no covenants or other commitments to the other concerning their future actions. Accordingly, this Agreement

(a) constitutes the entire agreement and understanding between the Parties, and there are no promises, representations, conditions, provisions or terms relating to it other than as set forth in this Agreement, and

(b) supersedes all previous understandings, agreements and representations between the Parties, written or oral, relating to the subject matter of this Agreement. This Agreement may be altered or amended only upon mutual written consent.

17.10 SURVIVAL OF CERTAIN PROVISIONS. The provisions of this Agreement set forth in Sections 3.2, 5.22, 10.2, 13.3, 14.3, 14.4, 17.7 and 17.14 and Articles 7, 8, 9, 11, 12 and 15 any remedies for the breach thereof, shall survive the termination of this Agreement under the terms hereof.

17.11 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

17.12 EXPENSES. Each party shall pay all of its own fees and expenses (including all legal, accounting and other advisory fees) incurred in connection with the negotiation and execution of this Agreement and the arrangements contemplated hereby.

17.13 MODIFICATIONS AND AMENDMENTS. This Agreement shall not be modified or otherwise amended except pursuant to an instrument in writing executed and delivered by each of the parties hereto.

17.14 CONSTRUCTION. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or

disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

17.15 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Ohio, without giving effect to the choice of laws provisions thereof.

17.16 INCORPORATION OF EXHIBITS AND SCHEDULES. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

The Parties agree to the terms of this Agreement, as indicated by the signatures of their respective corporate officers, duly authorized as of the last date of signature below.

NEOPROBE CORPORATION ETHICON ENDO-SURGERY, INC.

By: /s/ David Bupp By: /s/ Alastair Clemon

Name: David Bupp Name: Alastair Clemon
Title: President, CEO Title: V.P. Business Development

Date: Sept. 28, 1999 Date: Sept. 28, 1999

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Appendix A Patent, Computer Software, and Mask Work License Agreement

APPENDIX A

PATENT, COMPUTER SOFTWARE, AND MASK WORK LICENSE AGREEMENT

This is an agreement (hereinafter referred to as "Agreement") dated and effective as of September, 28, 1999 ("Effective Date"), by and between the following parties:

a) Ethicon Endo-Surgery, Inc., a corporation organized under the laws of the State of Ohio, having its principal office at 4545 Creek Road, Cincinnati, Ohio 45242 ("Ethicon"); and

b) Neoprobe Corporation, a corporation having its principal office at 425 Metro Place North, Suite 300, Dublin, Ohio ("Licensor").

ARTICLE 1 - BACKGROUND

1.1 Licensor has represented to Ethicon that it owns issued U.S. and foreign patents, copyrighted computer software, mask works, and pending U.S. and foreign patent applications, covering instruments for radiation detection.

1.2 Ethicon desires to obtain an exclusive license from the Licensor under such patents and equivalent pending patent applications. Ethicon further desires to obtain an exclusive license from the Licensor for such copyrighted software and mask works.

1.3 Licensor is willing to grant such a license to Ethicon upon the terms and conditions set forth below.

1.4 Ethicon and Licensor have entered into a Distribution Agreement dated September 28, 1999 to which this Patent, Computer Software, and Mask Work License Agreement is attached as Appendix A ("Distribution Agreement") whereby Licensor has granted Ethicon exclusive rights to distribute Licensor's gamma radiation detection products.

Therefore, in consideration of the mutual promises contained in this Agreement, the parties agree as follows:

ARTICLE 2 - DEFINITIONS

The following terms, when used with initial capital letters, shall have the meanings set forth below, terms set forth herein in capital letters and not defined below shall have the meanings set forth in the Distribution Agreement.

2.1 "Licensed Product" is any instrument, or other product developed by or for Ethicon, which, but for the licenses granted under this Agreement, would infringe at least one Valid Claim of the Licensed Patents in the country in which any Licensed Product is made, used or sold or which uses any Know How,

Licensed Software or Licensed Mask Works.

2.2 "Licensed Patents" are the U.S. Patent applications and U.S. Patents listed in Schedule 2.11 of the Distribution Agreement as well as any counterpart patent applications and any patents subsequently issuing from such applications. Licensed Patents shall also include any other counterparts of the above worldwide, as well as all continuations, continuations-in-part, divisions, renewals, reissues, reexaminations, extensions, and patents of addition and patents of importation. Furthermore, Licensed Patents shall also include each patent which Licensor owns or is empowered to grant a license to Ethicon prior to or during the term of this Agreement, the practice of which is reasonably necessary for Ethicon to make, have made, use, sell, offer for sale, import or otherwise dispose of a Licensed Product.

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2.3 "Licensed Software" shall mean any copyrightable computer software (both source code and object code) used in connection with the Licensed Products.

2.4 "Licensed Mask Work" shall mean any "mask work," as defined in Section 901 of the U.S. Copyright Act, used in connection with the Licensed Products.

2.5 "Derivative Work" shall mean a work that is based upon one or more pre-existing works, such as a revision, modification, translation, abridgment, condensation, expansion, or any other form in which such pre-existing works may be recast, transformed, or adapted and that, if prepared without authorization of the owner of the copyright in such pre-existing work would constitute a copyright infringement. For purposes hereof, a "Derivative Work" shall also include any compilation that incorporates such a pre-existing work.

2.6 "Valid Claim" is a bona fide, unexpired issued claim in the Licensed Patents which has not been held invalid or unenforceable by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid by the Licensor or his successors or assigns through reissue or disclaimer.

2.7 "Net Sales" is the revenue which Ethicon or its Affiliates actually collect from the sale of the Licensed Product to an unaffiliated third party, less the following amounts: (i) discounts, including cash discounts, or rebates actually allowed or granted, (ii) credits or allowances actually granted upon claims or returns regardless of the party requesting the return, (iii) freight charges paid for delivery, and (iv) taxes or other governmental charges levied on or measured by the invoiced amount whether absorbed by the billing or the billed party.

ARTICLE 3 - TERM

Unless otherwise terminated in accordance with the provisions of Article 10 herein, the term of this Agreement shall be from the Effective Date until the date upon which the last of the Licensed Patents expires.

ARTICLE 4 - LICENSE GRANT AND RELEASE

4.1 In addition to the rights and licenses granted to Ethicon under the Distribution Agreement and subject to the terms and conditions of this Agreement, Licensor grants Ethicon the following licenses:

(a) a non-exclusive, worldwide, fully paid-up license under the Licensed Patents and Know How to make, have made, use, sell, offer for sale, import or otherwise dispose of, the Licensed Product;

(b) a non-exclusive, worldwide, fully paid-up license under the Licensed Software to make, display, have made, make derivative works from, use, sell, offer for sale, import, or otherwise dispose of the Licensed Product; and

(c) a non-exclusive, worldwide, fully paid-up license under the Licensed Mask Works to make, have made, use, sell, offer for sale, import or otherwise dispose of, and reproduce the Mask Work by optical, electronic or any other means in, the Licensed Product.

4.2 In the event that the Distribution Agreement is terminated by Licensor in accordance with the provisions of Article 14.1 of the Distribution Agreement, Ethicon's Licenses under Article 4.1 above shall remain in effect, however, Ethicon shall thereafter be required to pay Licensor a royalty of *** of Licensed Products where, but for the licenses granted under this Agreement, such Licensed Product would infringe at least one Valid Claim of the Licensed Patents in the country in which any Licensed Product is made, used or sold. No multiple earned royalties shall be payable because the Licensed Product is covered by more than one of the Licensed Patents. If Ethicon takes a third party license to a patent which covers a Licensed Product, ***.

4.3 Ethicon shall have the right to extend the licenses granted herein to any of its Affiliates, upon the terms and conditions of this Agreement, provided Ethicon agrees in writing to be responsible for the performance by such Affiliates of all of Ethicon's obligations hereunder.

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4.4 Licensor forever releases and discharges Ethicon and its Affiliates, directors, officers, employees, suppliers and customers (the "Released Parties") from and against all claims, liabilities, damages and other expenses whatsoever relating to the manufacture, use, sale, offer for sale or importation of the Licensed Product by or on behalf of the Released Parties prior to the Effective Date.

4.5 Any Derivative Work created by or for Ethicon based upon the Licensed Software or Licensed Mask Work shall be the *** property of Ethicon, and with respect to the Licensed Software or Licensed Mask Work upon which this Derivative Work is based, Ethicon's license granted under 4.1 (b) or (c) shall be perpetual and fully paid-up.

ARTICLE 5 - PAYMENTS

5.1 NON-REFUNDABLE UPFRONT PAYMENT In full consideration for the execution of this Agreement, and for the exclusive license and release granted to Ethicon under Article 4 herein, Ethicon shall pay Licensor the non-refundable sum of four million dollars ($4,000,000.00) within three (3) business days of the Effective Date.

5.2 ROYALTY PAYMENTS Except as specifically set forth herein, Ethicon shall not have any royalty obligations during the term of this Agreement.

5.3 UPFRONT PAYMENT AS ADEQUATE CONSIDERATION Except as specifically set forth in the Distribution Agreement, Licensor shall consider the upfront payment set forth in Article 5.1 above as complete satisfaction of any duty, whether express or implied, which could be imposed upon Ethicon to commercially exploit its rights during the term of this Agreement, and is accepted by Licensor in lieu of any best efforts or other obligation on the part of Ethicon.

ARTICLE 6 - RESERVED

ARTICLE 7 - ENFORCEMENT

The parties acknowledge that it is of the utmost importance to Ethicon to ensure that infringement of the Licensed Patents is prevented. Accordingly, each party shall promptly notify the other party in writing of any infringement by third parties relating to the Licensed Patents. If within ninety (90) days of such notice Licensor has not entered into a royalty-bearing license agreement with such third party under the Licensed Patents or such third party continues its infringing activity, then Licensor shall thereafter promptly initiate and diligently pursue legal proceedings against such third party to protect the Licensed Patents, provided that Licensor shall not be obligated to initiate separate litigation against more than one infringer at any one time. Should Licensor fail to take prompt legal action or diligently pursue legal proceedings, then Ethicon shall be relieved of its obligation to make the earned royalty payments set forth in Article 4.2 above until such time as either Licensor enters into a royalty-bearing license agreement with such third party under the Licensed Patents or such third party discontinues its infringing activity.

ARTICLE 8 - PATENT PROSECUTION AND MAINTENANCE

8.1 Licensor is solely responsible for the continued prosecution of any pending patent applications included in the Licensed Patents, as well as the prosecution of patent applications subsequently filed pursuant to Article 8.2 below. Licensor shall also be solely responsible for the issuance of such applications after allowance.

8.2 Licensor shall pay all government fees in any given country required to maintain the Licensed Patents, including official taxes, annuities and maintenance fees. Any decision to pay any such taxes, annuities or maintenance fees shall be in the sole discretion of Licensor and Licensor may, at any time, after providing written notice to Licensee, drop prosecution or maintenance of any Licensed Patent.

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ARTICLE 9 - WARRANTIES AND REPRESENTATIONS

9.1 Licensor expressly warrants and represents that a) it owns all of the right, title and interest in and to the Licensed Patents, Licensed Software, and Licensed Mask Works; b) it is empowered to grant the licenses and release granted herein; c) it has no outstanding encumbrances or agreements, including any agreements with academic institutions, universities, or third party employers, whether written, oral or implied, which would be inconsistent with the licenses and release granted herein; d) the Licensed Patents are the only patents or pending patent applications related to any instrument for radiation detection which the Licensor currently owns or otherwise have the right to grant licenses therein, whether domestic or foreign; and e) it is unaware of any information which would raise a substantial question of the validity of any of the Licensed Patents, Licensed Software, or Licensed Mask Works.

9.2 Licensor shall indemnify and hold Ethicon harmless from all liabilities, demands, damages, expenses and losses upon the breach of any of the warranties and representations set forth in Article 9.1 above. In the event of any breach of the warranties and representations set forth in Article 9.1 above, Licensee shall be entitled to recover all payments made to Licensor under article 5.1 above.

ARTICLE 10 - TERMINATION

10.1 Ethicon may terminate either this Agreement in full or a portion of its exclusive license in any given country at any time during the term of this Agreement upon four (4) months written notice to Licensor, and such

termination shall become effective at the end of the four (4) month notice period.

10.2 Either party may terminate this Agreement upon *** written notice for any material breach or default of the other party. Such termination shall (subject to the provisions of Article 11 below) become effective at the end of the *** period unless during such period the party in breach or default cures such breach or default.

ARTICLE 11 - RESOLUTION OF DISPUTES

11.1 Any dispute, claim or controversy arising from or related in any way to this agreement or the interpretation, application, breach, termination or validity thereof, including any claim of inducement of this agreement by fraud or otherwise, shall be settled in accordance with the provisions of Article 15 of the Distribution Agreement.

11.2 From the date one party notifies the other it wishes to commence an arbitration proceeding until such time as the matter has been finally settled by arbitration, the running of the time period set forth in Article 10.1 above, as to which a party must cure a breach, shall be suspended as to the subject matter of the dispute.

ARTICLE 12 - MISCELLANEOUS

12.1 BUSINESS DECISIONS Subject to the provisions of the Distribution Agreement, all business decisions, including without limitation the design, manufacture, sale, price and promotion of the Licensed Product shall be within the sole discretion of ***.

12.2 CONFIDENTIALITY AND PUBLICITY Neither party shall disclose the financial terms of this Agreement to an unaffiliated third party, except for legal, financial, accounting or other similar advisors who agree to keep the financial terms of this Agreement confidential, without the prior written approval of the other party. Furthermore, neither party will originate any publicity, news release, or other public announcement, written or oral, whether to the public press, to stockholders, or otherwise, relating to this Agreement, to any amendment hereto or to performance hereunder or the existence of an arrangement

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between the parties without the prior written approval of the other party.

12.3 NOTICES All notices hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, one day after delivery to a nationally recognized overnight delivery service, charges prepaid, three days after sent by registered or certified mail, postage prepaid, or when receipt is confirmed if by, facsimile or other telegraphic means:

In the case of Licensor:

Neoprobe Corporation
425 Metro Place North, Suite 300
Dublin, Ohio 43017
Attn: President
Facsimile: (614) 793-7522

In the case of Ethicon:

Ethicon Endo-Surgery, Inc.
4545 Creek Road
Cincinnati, Ohio 45242
Attn: President
Facsimile: (513) 483-8945

With a copy to:

Chief Patent Counsel
Johnson & Johnson
One Johnson & Johnson Plaza
New Brunswick, New Jersey 08933

Such addresses may be altered by written notice given in accordance with this Article 12.3.

12.4 ASSIGNMENT Ethicon may assign this Agreement or any rights and obligations contemplated herein to an Affiliate of Ethicon or to a company acquiring substantially all of the assets of Ethicon to which this Agreement relates, without the consent of Licensor, upon giving written notice thereof to Licensor. In all other instances, neither Ethicon nor Licensor shall assign this Agreement or any rights granted hereunder without the prior written consent of the other party. Subject to the foregoing, this Agreement shall bind and inure to the benefit of the respective parties hereto and their successors and assigns.

12.5 FORCE MAJEURE Any delays in or failures of performance by either party under this Agreement shall not be considered a breach of this Agreement if and to the extent caused by occurrences beyond the reasonable control of the party affected, including but not limited to: acts of God; acts, regulations or laws of any government; strikes or other concerted acts of workers; fires; floods; explosions; riots; wars; rebellions; and sabotage; and any time for performance hereunder shall be extended by the actual time of delay caused by such occurrence.

12.6 LICENSOR BANKRUPTCY Notwithstanding anything to the contrary in the Distribution Agreement, all rights and licenses granted under or pursuant to this Agreement by Licensor to Ethicon are, for all purposes of Section 365(n) of Title 11, U.S. Code (the "Bankruptcy Code"), licenses of rights to "intellectual property" as defined in the Bankruptcy Code. The parties agree that Ethicon, as a licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the Bankruptcy Code. Licensor agrees during the term of this Agreement to create and maintain current copies or, if not amenable to copying, detailed descriptions or other appropriate embodiments, of all such licensed intellectual property.

Text which has been omitted and filed separately under Rule 24b-2, pursuant to which Neoprobe Corporation has requested confidential treatment of this information, has been replaced by " *** " in this Exhibit.

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If a case is commenced by or against Licensor under the Bankruptcy Code, then, unless and until this Agreement is rejected as provided in the Bankruptcy Code, Licensor (in any capacity, including debtor-in-possession) and its successors and assigns (including, without limitation, a Bankruptcy Code trustee) shall either perform all of the obligations provided in this Agreement to be performed by Licensor or provide to Ethicon all such intellectual property (including all embodiments thereof) held by Licensor and such successors and assigns, as Ethicon may elect in a written request, immediately upon such request. If a Bankruptcy Code case is commenced by or against Licensor, this Agreement is rejected as provided in the Bankruptcy Code and Ethicon elects to retain its rights hereunder as provided in the Bankruptcy Code, then Licensor (in any capacity, including debtor-in-possession) and its successors and assigns (including, without limitation, a Bankruptcy Code trustee) shall provide to Ethicon all such intellectual property (including all embodiments thereof) held by Licensor and such successors and assigns immediately upon Ethicon's written request therefor. All rights, powers and remedies of Ethicon provided under this Article are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including, without limitation, the Bankruptcy Code) in the event of any such commencement of a bankruptcy proceeding by or against Licensor. Ethicon, in addition to the rights, powers and remedies expressly provided herein, shall be entitled to exercise all other such rights and powers and resort to all other such remedies

as may now or hereafter exist at law or in equity (including the Bankruptcy Code) in such event.

12.7 RELATIONSHIP OF PARTIES The parties hereto are entering into this Agreement as independent contractors, and nothing herein is intended or shall be construed to create between the parties a relationship of principal and agent, partners, joint venturers or employer and employee. Neither party shall hold itself out to others or seek to bind or commit the other party in any manner inconsistent with the foregoing provisions of this Article.

12.8 INTEGRATION It is the mutual desire and intent of the parties to provide certainty as to their future rights and remedies against each other by defining the extent of their mutual undertakings as provided herein. The parties have in this Agreement incorporated all representations, warranties, covenants, commitments and understandings on which they have relied in entering into this Agreement and, except as provided for herein and in the Distribution Agreement, neither party has made any covenant or other commitment to the other concerning its future action. Except where specifically set forth herein, in the event of any conflict between the terms of this Agreement and the Distribution Agreement, the terms of the Distribution Agreement shall control. Accordingly, except as expressly set forth herein, this Agreement constitutes the entire agreement and understanding between the parties with respect to the matters contained herein, and there are no prior oral or written promises, representations, conditions, provisions or terms related thereto other than those set forth in this Agreement. The parties may from time to time during the term of this Agreement modify any of its provisions by mutual agreement in writing.

12.9 HEADINGS The inclusion of headings in this Agreement is for convenience only and shall not affect the construction or interpretation hereof.

This Agreement is signed on the dates set forth below by duly authorized representatives of Ethicon and the Licensor, respectively.

Licensor	Ethicon Endo-Surgery, Inc.
By: /s/ David Bupp President, CEO	By: /s/ Alastair Clemon
Date: Sept. 28, 1999	Date: Sept. 28, 1999

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Schedule 2.11 Patents and Patent Applications

NEOPROBE PATENTS

PATENT NUMBER	SERIAL NUMBER	FILING DATE	PATENT TITLE
***	***	***	***

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information, has been replaced by " *** " in this Exhibit.

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Schedule 2.15 Products

<TABLE>
<CAPTION>

NEOPROBE MODEL #	DESCRIPTION	NEOPROBE MODEL #	DESCRIPTION
<S>	<C>	<C>	<C>
***	***	***	***

</TABLE>

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Schedule 2.19

Trademarks

SCHEDULE 2.19

NEOPROBE TRADEMARKS & TRADE NAMES (1)

<TABLE>
<CAPTION>

	U.S. REGISTRATION #	OUS REGISTRATION #
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Audible Tone Sequence	***	
Neoprobe	***	***
	***	***
	***	***
	***	***
	***	***
	***	***
	***	***
	***	***
	***	***
	***	***
	***	***
	***	***
	***	***
	***	***
	***	***
	***	***
Neoprobe and Design	*** ***	
Blue Tip	***	
NE02000	***	
***	***	
***	***	

</TABLE>

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Schedule 3.2 Third Party Agreements

SCHEDULE 3.2

DATE OF DELIVERY OF EXCLUSIVE DISTRIBUTION RIGHTS

PARTY	TERRITORY	DATE*
***	***	***
***		

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Schedule 5.2 Transfer Pricing for Products

SCHEDULE 5.2

TRANSFER PRICING

I. SALEABLE PRODUCT

A. The following schedule shall be used, in conjunction with paragraph I.B., to determine the applicable per unit Transfer Price for all Products meeting the Specifications.

<TABLE>
<CAPTION>

Commercial Year	Product description(2)	Provisional Transfer Price(4)	Floor Price(6)	Actual Transfer Price
<S>	<C>	<C>	<C>	<C>
Initial Period(1)	***	***	***	***
	All other Products	***	***	
	*** Products	***	***	***
Year ***	***	***	***	*** during ***
	***		***	
	*** Products	***	***	***
Years ***	***	***	***	***
	***	***	***	***
***	***	***	***	***
	***	***	***	***

</TABLE>

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Treatment under Rule 24b-2

NOTES

1. For purposes of this Schedule 5.2 only, the Initial Period shall mean the period beginning on the Effective Date of the Agreement and ending on ***.

2. Products described include all Products as defined in Section 2.15 of the Agreement.

3. For purposes of this Schedule 5.2, a "System" shall be defined as one (1) *** unit, one (1) *** and other accessories (including, but not limited to, ***) sold as a package meeting the Specifications.

4. The Provisional Transfer Price (the "Provisional Price") is the amount that shall be used solely for purchase orders and invoicing purposes. The Provisional Price shall be recalculated annually, by the end of the first calendar quarter of each Commercial Year, and will then be in effect for the subsequent twelve-month period as described in paragraph I.B.2.

5. Net Selling Price ("NSP") shall mean the revenue received by Ethicon or an Affiliate from the sale of the Product to an independent third party less the following amounts: (i) discounts, including cash discounts, or rebates actually allowed or granted; (ii) credits or allowances actually granted upon claims or returns, regardless of the party requesting the return; (iii) freight charges paid for customer delivery; and (iv) taxes or other governmental charges levied on or measured by the invoiced amount whether absorbed by the billing or billed party. Commissions paid by Ethicon to its sales representatives shall not be deducted from the amount that Ethicon charges to such third party in determining the NSP.

6. Average Net Selling Price ("Average NSP") shall mean the sum of the NSP for all units sold during the commercial year, including *** as provided for in Section 3.2 and 3.3, divided by the total number of units sold during that same commercial year provided that the total number of units is *** Commercial Year.

7. "Floor Price" shall mean the minimum Transfer Price and the minimum Provisional Price for a unit as defined in the schedule above or based on the actual cost ("Cost") to manufacture plus the indicated percentage mark-up. The Cost to manufacture are the direct material and labor costs for Products supplied to Neoprobe from its suppliers plus Neoprobe's direct and indirect overhead charges, provided that any cost reductions or volume-related discounts or other associated cost savings are applied to the Cost in the Floor Price calculation. Neoprobe's overhead charges mentioned above

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shall be calculated in like manner as the "Current Cost Estimate" shown in the table in paragraph II.

B. PROVISIONAL PRICE CALCULATION

1. During the Initial Period, the Provisional Price for each unit shipped to Ethicon will be as established in the schedule in paragraph I.A.

2. During the first calendar quarter of each Commercial Year, the average NSP will be recalculated based on the actual world-wide sales recognized during the prior Commercial Year, except that, ***, the average NSP will be recalculated based on the actual world-wide sales recognized during the period from the Effective Date to ***.

3. Concurrently, the Provisional Price will also be recalculated

based on the recalculated average NSP as described above. The recalculated Provisional Price shall be equal to the recalculated average NSP multiplied by the percentage indicated in the "Provisional Transfer Price" column of the schedule in paragraph I.A. above or the amount in the "Floor Price" column, whichever is greater. This revised Provisional Price will be in effect for the following twelve-month period, and will be communicated to Neoprobe no later than March 31 of each Commercial Year.

C. RECONCILIATION TO ACTUAL TRANSFER PRICE

On ***, the Provisional Price will be reconciled to the actual Transfer Price based on actual, world-wide average NSP for the period from the Effective Date ***. After the Initial Reconciliation, the Provisional Price will be reconciled to the actual Transfer Price by the end of the first calendar quarter of each Commercial Year, i.e. March 31, based on actual, world-wide average NSP for the previous Commercial Year. Any overpayments or underpayments to Neoprobe shall be reflected on the first invoice to Ethicon after April 1 as a lump-sum adjustment.

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II. SAMPLE DEMONSTRATION UNITS

Products purchased by Ethicon to be used as promotional product demonstration units, training units or sales representative samples will be priced according to the calculation under "Demonstration Unit Pricing" under the following schedule:

<TABLE>
<CAPTION>

	Demonstration Unit Pricing	Current Cost Estimate	Estimated Demonstration Unit Price1
<S>	<C>	<C>	<C>
***			
	***		***
***	***	***	***
CONTROL UNIT ONLY:			
***	***	***	***
***	***	***	***
***	***	***	***
PROBES:			
***	***	***	***
***	***	***	***
***			
***	***	***	***
***	***	***	***
***	***	***	***
***	***		
***	***	***	***
ALL OTHER PRODUCTS		***	

</TABLE>

NOTES

1. The "Estimated Demonstration unit Price" is based on the current estimated Cost of the Products provided to Ethicon by Neoprobe as shown in the "Current Cost Estimate" column in the above schedule and represents the maximum Demonstration Unit Price. It is agreed that any cost reductions, volume-related deductions or associated Cost savings shall reduce the cost in the demonstration unit pricing calculation.

2. The Demonstration Unit Price of *** for the returned and refurbished demonstration units ("Returned Units") from *** only. The maximum quantity of Returned Units is ***. Any and all other demonstration system purchases shall be made at the *** whichever is less. For tracking and compliance purposes, Neoprobe shall provide Ehticon with a list of serial numbers for those demonstration units *** including serial numbers for all related components.

3. The Demonstration Unit Price of *** demonstration units from the *** only. The maximum quantity of *** Blue Tip ***. Any and all other demonstration unit purchases shall be made at the ***. For tracking and compliance purposes, Neoprobe shall provide Ethicon with a list of serial numbers for those demonstration units owned by the current U.S. distributor including serial numbers for all related components.

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Schedule 5.6 Sales and Marketing Literature

LIST OF APPROVED MARKETING LITERATURE

<TABLE>
<CAPTION>

DOCUMENT	REVIEW NUMBER	USE AS OF 9/15/99	QUANTITY
<S>	<C>	<C>	<C>
neo2000tm BlueTipTM Probe Sales Training Binder	99-581	***	***
neo2000tm Gamma Detection System Operation Manual	99-582	***	***
neo2000tm Gamma Detection System Operation Training Binder	99-583	***	***
Neoprobe 14mm Reusable Probe Sales Aid	99-584	***	***
neo2000tm BlueTipTM Probe Sales Aid	99-585	***	***
neo2000tm Gamma Detection System Sales Aid	99-586	***	***

</TABLE>

***
***

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Schedule 5.18 Sales and Marketing Organization

Schedule 5.18 Sales and Marketing Organization

<TABLE>
<CAPTION>
***

Employee	Location	Title	Hire Date
<S>	<C>	<C>	<C>
***	***	***	***
***			
***	***	***	***

</TABLE>

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Schedule 5.25 ***

***

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Schedule 6.1 R&D ***

SCHEDULE 6.1

***

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Schedule 6.3 R&D Programs

SCHEDULE 6.3

EXISTING NEOPROBE R&D PROGRAMS

<TABLE>
<CAPTION>
PRODUCT DESCRIPTION IMPACT AVAILABILITY
<S> <C> <C> <C>
*** *** *** ***
</TABLE>

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Schedule 10.2 *** Descriptions

SCHEDULE 10.2

MATERIAL FOR ***

1) ***

2) ***

3) ***

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Exhibit 2.17 ***

***

1. *** .

2. *** .

3. *** .

4. *** .

5. *** .

6. ***.

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which Neoprobe Corporation has requested confidential treatment of this information, has been replaced by " *** " in this Exhibit.

Exhibit 11.1

NEOPROBE CORPORATION AND SUBSIDIARIES

COMPUTATION OF NET LOSS PER SHARE

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Loss attributable to common stockholders	($ 3,536,832)	($ 5,604,963)	($ 8,127,047)	($17,929,631)
Weighted average number of shares outstanding:				
Weighted average common shares outstanding beginning of period	23,032,910	22,840,017	22,887,910	22,763,430
Weighted average common shares issued during period	11,495	44,511	100,998	59,952
Weighted average number of shares outstanding used in computing basic net loss per share	23,044,405	22,884,528	22,988,908	22,823,382
Weighted average number of shares used in computing diluted net loss per share	23,044,405	22,884,528	22,988,908	22,823,382
Earnings (Net Loss) Per Share:				
Basic	($ 0.15)	($ 0.24)	($ 0.35)	($ 0.79)
Diluted	($ 0.15)	($ 0.24)	($ 0.35)	($ 0.79)

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<CIK> 0000810509
<NAME> NEOPROBE CORPORATION
<MULTIPLIER> 1
<CURRENCY> U.S. DOLLAR

<S> <C>
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<PERIOD-START> DEC-31-1999
<PERIOD-END> SEP-30-1999
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<TOTAL-ASSETS> 12,556,224
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<BONDS> 82,146
<PREFERRED-MANDATORY> 3,708,036
<PREFERRED> 0
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<OTHER-SE> (482,008)
<TOTAL-LIABILITY-AND-EQUITY> 12,556,224
<SALES> 5,226,406
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<CGS> 1,745,476
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<OTHER-EXPENSES> 1,367,334
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<DISCONTINUED> 0
<EXTRAORDINARY> 0
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<NET-INCOME> (4,419,011)
<EPS-BASIC> (0.35)
<EPS-DILUTED> (0.35)

</TABLE>