

NAVIDEA BIOPHARMACEUTICALS, INC.  
Form DEFM14A  
February 08, 2017

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. 2)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**NAVIDEA BIOPHARMACEUTICALS, INC.**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

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

(1) Title of each class of securities to which transaction applies:  
Not applicable

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

Not applicable

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

Not applicable

(3) Proposed maximum aggregate value of transaction:

\$100,100,000

(4) Total fee paid:

\$11,601.59

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**SPECIAL MEETING OF STOCKHOLDERS**

February 8, 2017

Dear Stockholder:

You are cordially invited to attend a Special Meeting of Stockholders of Navidea Biopharmaceuticals, Inc., which will be held at 9:00 a.m., Eastern Standard Time, on March 2, 2017, at the Hilton Garden Inn, 70 Challenger Road, Ridgefield Park, NJ 07660, 201-641-2024. The matters on the meeting agenda are described in the Notice of Special Meeting of Stockholders and proxy statement which accompany this letter.

We hope you will be able to attend the meeting, but regardless of your plans, we ask that you please complete, sign, and date the enclosed proxy card and return it in the envelope provided, or follow the instructions on the proxy card to vote online or by telephone, so that your shares will be represented at the meeting.

Very truly yours,

/s/ Michael M. Goldberg, M.D.

Michael M. Goldberg, M.D.  
President and Chief Executive Officer

**NAVIDEA BIOPHARMACEUTICALS, INC.**

**5600 Blazer Parkway, Suite 200**

**Dublin, Ohio 43017**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To the Stockholders of**

**NAVIDEA BIOPHARMACEUTICALS, INC.:**

A Special Meeting of the Stockholders of Navidea Biopharmaceuticals, Inc., a Delaware corporation (the “Company” or “Navidea”), will be held at the Hilton Garden Inn, 70 Challenger Road, Ridgefield Park, NJ 07660, 201-641-2024, on March 2, 2017, at 9:00 a.m., Eastern Standard Time, for the following purposes:

1. To authorize the sale (the “Asset Sale”) by Navidea of its assets used in connection with Navidea’s Lymphoseek<sup>®</sup> business in North America, as defined in and pursuant to the Asset Purchase Agreement, dated as of November 23, 2016, by and between Navidea and Cardinal Health 414, LLC, as more fully described in the enclosed proxy statement;
2. To adjourn the Special Meeting to a later date, if necessary or appropriate, to allow for the solicitation of additional proxies in favor of the proposal to approve the Asset Sale if there are insufficient votes to approve the Asset Sale; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on January 23, 2017, as the record date for the determination of stockholders entitled to notice of and to vote at the Special Meeting and any adjournment thereof. A list of stockholders will be available for examination by any stockholder at the Special Meeting and for a period of 10 days before the Special Meeting at the executive offices of the Company.

**Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Stockholders to be Held on March 2, 2017: The proxy statement is available at [www.proxyvote.com](http://www.proxyvote.com).**

**Whether or not you plan to attend the Special Meeting, please complete, sign, and date the enclosed proxy card and return it in the envelope provided, or follow the instructions on the proxy card to take advantage of the opportunity to vote your proxy online or by telephone.**

By Order of the Board of Directors

/s/ Michael M. Goldberg, M.D.

Michael M. Goldberg, M.D.  
President and Chief Executive Officer

Dublin, Ohio

February 8, 2017

**PROXY STATEMENT FOR  
SPECIAL MEETING OF STOCKHOLDERS**

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**NAVIDEA BIOPHARMACEUTICALS, INC.**

**5600 Blazer Parkway, Suite 200**

**Dublin, Ohio 43017**

**SPECIAL MEETING OF STOCKHOLDERS**

**MARCH 2, 2017**

**PROXY STATEMENT**

**Dated February 8, 2017**

**INTRODUCTION**

This proxy statement is being furnished to the holders of common stock, \$0.001 par value per share (“Common Stock”), of Navidea Biopharmaceuticals, Inc., a Delaware corporation, in connection with the solicitation of proxies for use at a Special Meeting of Stockholders to be held at 9:00 a.m., Eastern Standard Time, on March 2, 2017, at the Hilton Garden Inn, 70 Challenger Road, Ridgefield Park, NJ 07660, 201-641-2024, and at any adjournment of that meeting. This proxy statement is first being mailed to stockholders on or about February 8, 2017.

In this proxy statement the terms “Navidea,” “Company,” “we,” “our,” “ours,” and “us” refer to Navidea Biopharmaceuticals, Inc. and its subsidiaries. The term “Asset Purchase Agreement” refers to the Asset Purchase Agreement, dated as of November 23, 2016, by and between the Company and Cardinal Health 414, LLC, as it may be amended, restated, modified or superseded from time to time in accordance with its terms. The terms “Lymphoseek” and the “Product” refer to the Company’s radioactive diagnostic agent marketed under the Lymphoseek® trademark for current approved indications by the FDA and similar indications approved by the FDA in the future. The Company develops, manufactures and commercializes a product used for (1) lymphatic mapping, (2) lymph node biopsy, and (3) the diagnosis of metastatic spread to lymph nodes for the staging of cancer (the “Business”), including the Product. The term “Asset Sale” refers to the proposed sale of the assets of the Company used, held for use or intended to be used in connection with the operation of the Business in Canada, Mexico and the United States (including their respective territories and possessions) (the “Territory”), as contemplated by the Asset Purchase Agreement. The term “Cardinal

Health 414” refers to Cardinal Health 414, LLC, a wholly-owned subsidiary of Cardinal Health, Inc. (“Cardinal Health”), an Ohio corporation with common stock listed on the New York Stock Exchange under the symbol “CAH.” Each of Navidea and Cardinal Health 414 are sometimes referred to in this proxy statement as a party, or collectively as the parties.

## SUMMARY

This summary highlights selected information contained in this proxy statement and does not contain all of the information that may be important to you. We urge you to read carefully this proxy statement in its entirety, as well as the appendices. For your convenience, we have included cross references to direct you to a more complete description of the topics described in this summary. Additional, important information is also contained in the documents incorporated by reference into this proxy statement; see the section entitled “Where You Can Find More Information; Incorporation by Reference.”

### **The Asset Sale (page 19)**

On November 23, 2016, the members of our Board of Directors adopted and unanimously approved the Asset Sale pursuant to the Asset Purchase Agreement, a copy of which is included as *Appendix A* to this proxy statement. Please read it carefully. Pursuant to the terms of the Asset Purchase Agreement, among other things:

we agreed to sell all of our assets used, held for use, or intended to be used in operating the Business in the Territory (giving effect to the license-back described below and excluding certain assets specifically retained by the Company), such assets consisting primarily of, without limitation, (i) intellectual property used in or reasonably necessary for the conduct of the Business, (ii) inventory of, and certain customer, distribution, and product manufacturing agreements related to, the Business, (iii) all product registrations related to the Product, including the new drug application approved by the U.S. Food and Drug Administration (“FDA”) for the Product and all regulatory submissions in the United States that have been made with respect to the Product and all Health Canada regulatory submissions and, in each case, all files and records related thereto, (iv) all related clinical trials and clinical trial authorizations and all files and records related thereto; and (v) all right, title and interest in and to the Product (collectively, the “Acquired Assets”).

in exchange for the Acquired Assets, Cardinal Health 414 agreed to: (i) make a cash payment to us at closing of \$80,000,000 (reduced by an aggregate of approximately \$65.5 million of indebtedness to be repaid to Capital Royalty Partners II, L.P. (“CRG”) and Platinum-Montaur Life Sciences LLC and its affiliates (“Platinum”) on behalf of the Company (less approximately \$1.4 million if the transfer of debt to Dr. Goldberg occurs, as discussed under “Interests of Our Directors and Executive Officers in the Asset Sale” beginning on page 27), the amount by which, if any, transferred Product inventory is less than \$6 million, and estimated transaction costs of \$600,000); (ii) assume certain liabilities of the Company associated with the Product as specified in the Asset Purchase Agreement; and (iii) make periodic earnout payments (to consist of contingent payments and milestone payments which, if paid, will be treated as additional purchase price) to us based on the “Net Sales” derived from the purchased Product, subject, in each case, to Cardinal Health 414’s right to off-set. In no event shall the sum of all earnout payments, as further described below, exceed an aggregate of \$230 million. “Net Sales” is defined as gross amounts invoiced to third parties for the Product sold or leased in the Territory for current approved indications by the FDA and similar indications approved by the FDA in the future by Cardinal Health 414, its licensees, sublicensees and affiliates, or in any combination thereof (other than the Company and its sublicensees and affiliates), less the sum of the following actual and customary deductions where applicable and separately listed: cash, trade, or quantity discounts or rebates (as allowed under applicable law); sales tax, use tax, tariff, import/export duties or other excise taxes imposed on particular sales (except for value-added and income taxes imposed on the sales of Product in foreign countries); credits to customers because of rejections or returns, or transfers of Product without charge for charitable, promotional, non-clinical, clinical research or regulatory purposes. For purposes of calculating Net Sales, transfers to Cardinal Health 414’s licensees, sublicensees or affiliates (other than the Company and its sublicensees and affiliates) of Product without an invoice for (i) end use (but not resale) by such licensee, sublicensee or affiliate shall be treated as sales by Cardinal Health 414 at Cardinal Health 414’s list price for the Product or (ii) resale by such licensee, sublicensee or affiliate shall be treated as sales at the list price of such sublicensee or affiliate.

during the period commencing on the date of closing of the Asset Sale and ending on the earlier of (i) June 30, 2026 or (ii) such time as \$160,000,000 in contingent payments have been earned by the Company (the “Contingent Payment Period”), Cardinal Health 414 will pay to the Company contingent payments in an amount equal to eight percent of the Net Sales for each measuring year, or each fiscal year ending June 30<sup>th</sup> through and including June 30, 2026; provided that the first measuring year shall be from the closing of the Asset Sale through and including June 30, 2017. In the case of contingent payments to be made with respect to the first three measuring years during the Contingent Payment Period, Cardinal Health 414 will make such payments on a quarterly basis (equal to the greater of (a) eight percent of Net Sales during the applicable fiscal quarter, or (b) \$1,675,000) to the Company within 30 days following the end of each fiscal quarter during the applicable measuring year. Notwithstanding the foregoing, with respect to the first measuring year, the minimum contingent payment will be pro rated based on a fraction, the

numerator of which equals the number of days elapsed between the closing of the Asset Sale through and including June 30, 2017 and the denominator of which equals 365, and, to the extent such pro ration results in the Company receiving less than the minimum contingent payment for such first measuring period, Cardinal Health 414 will pay the Company a “catch-up contingent payment” in an amount equal to the difference between what the Company received and the minimum contingent payment for such first measuring period within 30 days following the end of the second fiscal quarter of the fourth measuring year. Notwithstanding the foregoing, if the contingent payment in any of the first three measuring years would be less than \$6.7 million (as pro rated for the first measuring year) based upon the calculation of Net Sales, then the contingent payment to the Company for the applicable measuring year will be deemed to be \$6.7 million (as pro rated for the first measuring year) (each such contingent payment during the first three measuring years and the catch up contingent payment, collectively being the “guaranteed payments”), subject to Cardinal Health 414’s right to off-set the difference between \$6.7 million and the amount that would have otherwise been payable in the absence of this minimum threshold against any future earnout payments that are not guaranteed. In no event will the sum of all contingent payments exceed \$160,000,000 (of which \$20,100,000 are guaranteed payments), subject, in each case, to Cardinal Health 414’s right to off-set.

during the Contingent Payment Period, subject to Cardinal Health 414's right to off-set, Cardinal Health 414 will pay to the Company the following additional milestone payments upon the achievement by or on behalf of Cardinal Health 414 of the following milestone events:

- o \$10,000,000, payable after the first fiscal year ending June 30<sup>th</sup> in which annual Net Sales exceed \$100,000,000;
- o \$15,000,000, payable after the first fiscal year ending June 30<sup>th</sup> in which annual Net Sales exceed \$200,000,000;
- o \$20,000,000, payable after the first fiscal year ending June 30<sup>th</sup> in which annual Net Sales exceed \$300,000,000;
- o \$25,000,000, payable after the first fiscal year ending June 30<sup>th</sup> in which annual Net Sales exceed \$400,000,000.

In no event will the aggregate of all such milestone payments exceed \$70,000,000, provided, however, that more than one milestone payment can be earned in the same fiscal year.

As part of the Asset Sale, the parties have agreed that simultaneous with the closing, subject to certain conditions, Cardinal Health 414 will enter into a license-back agreement, a "License Back," with the Company pursuant to which Cardinal Health 414 will grant to the Company a sublicensable (subject to conditions) and royalty-free license to use certain intellectual property rights included in the Acquired Assets and owned by Cardinal Health 414 as of the closing of the Asset Sale to the extent necessary for the Company to (i) on an exclusive basis, subject to certain conditions, develop, manufacture, market, sell and distribute new pharmaceutical and other products that are not Competing Products (as defined below), and (ii) on a non-exclusive basis, develop, manufacture, market, sell and distribute the Product throughout the world other than in the Territory. As used in the License-Back, a "Competing Product" is any pharmaceutical or other product that: (i) accumulates in lymphatic tissue or tumor-draining lymph nodes for the purpose of (a) lymphatic mapping or (b) identifying the existence, location or staging of cancer in a body; (ii) provides for or facilitates any test or procedure that is reasonably substitutable for any test or procedure provided for or facilitated by the Product; or (iii) is marketed for unapproved uses that allow such product to compete with the Product. Subject to the Company's compliance with certain restrictions in the License-Back, the License-Back also restricts Cardinal Health 414 from using the intellectual property rights included in the Acquired Assets to develop, manufacture, market, sell or distribute any product other than the Product or other product that (a) accumulates in lymphatic tissue or tumor-draining lymph nodes for the purpose of (1) lymphatic mapping or (2) identifying the existence, location or staging of cancer in a body, or (b) provides for or facilitates any test or procedure that is reasonably substitutable for any test or procedure provided for or facilitated by the Product. Pursuant to the License-Back and subject to rights under existing agreements, Cardinal Health 414 will be provided with a right of first offer to market, sell and/or market any new products developed from the intellectual property rights licensed by Cardinal Health 414 to the Company by the License-Back.

Also as part of the Asset Sale, the Company shall grant to Cardinal Health 414 a five (5) year warrant to purchase up to 10 million shares of the Company's Common Stock at an exercise price of \$1.50 per share, which warrant is subject to anti-dilution and other customary terms and conditions.

If all necessary approvals have been obtained or waived, including stockholder approval and any third party consents to the Asset Sale, we expect to complete the Asset Sale shortly after this Special Meeting scheduled for March 2, 2017.



**Parties to the Asset Sale (page 19)**

*Navidea Biopharmaceuticals, Inc.* is a biopharmaceutical company focused on the development and commercialization of precision immunodiagnostic agents and immunotherapeutics. Navidea is developing multiple precision-targeted products based on our Manocept™ platform to help identify the sites and pathways of undetected disease and enable better diagnostic accuracy, clinical decision-making, targeted treatment and, ultimately, patient care. Navidea's Manocept platform is predicated on the ability to specifically target the CD206 mannose receptor expressed on activated macrophages. The Manocept platform serves as the molecular backbone of the Product (technetium Tc 99m tilmanocept), the first product developed and commercialized by Navidea based on the platform. After consummation of the Asset Sale, Navidea intends to distribute the Product in Europe, where the Product received European approval in imaging and intraoperative detection of sentinel lymph nodes in patients with melanoma, breast cancer or localized squamous cell carcinoma of the oral cavity. Navidea also intends to continue developing its remaining candidates using the Manocept platform.

*Cardinal Health, 414, LLC* is a wholly-owned subsidiary of Cardinal Health, a global integrated healthcare services and products company providing customized solutions for hospital systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices worldwide. Cardinal Health 414 is the exclusive distributor of the Product in the United States.

**Reasons for the Asset Sale (page 24)**

In arriving at its determination that the Asset Sale is advisable to, and in the best interests of, the Company and our stockholders, our Board of Directors considered various factors, including without limitation, the need to pay off or refinance the Company's outstanding debt obligations to CRG, as discussed below. For the material factors considered by our Board of Directors in reaching its decision to adopt and approve the Asset Sale and the Asset Purchase Agreement, see "The Asset Sale—Reasons for the Asset Sale," beginning on page 24.

**Risk Factors (page 15)**

In evaluating the Asset Sale and Asset Purchase Agreement, you should carefully read this proxy statement and especially consider the factors discussed in the section entitled "Risk Factors" beginning on page 15 of this proxy statement.

**Interests of Our Directors and Executive Officers in the Asset Sale (page 27)**

In considering the recommendation of our Board of Directors to vote for the proposal to adopt and approve the Asset Sale, you should be aware that some of our directors and executive officers may have personal interests in the Asset Sale that are, or may be, different from, or in addition to, your interests. See “Interests of Our Directors and Executive Officers in the Asset Sale” beginning on page 27.

Dr. Michael Goldberg, our President and Chief Executive Officer, previously managed a portfolio of funds for Platinum from May 2007 until December 2013. In 2011, he made an initial investment of \$1.5 million in Platinum Partners Value Arbitrage Fund, L.P (“PPVA”) as a passive investor. Dr. Goldberg believes his current investment balance is approximately \$1.4 million after giving effect to prior redemptions and reinvestments. Dr. Goldberg was not a member of the management of any of the Platinum entities; rather he solely had control over the trading activities of a portfolio of health care investments from funds allocated to him from the Platinum funds. Dr. Goldberg was responsible for all investments made by Platinum in the Company and for the trading in the Company’s securities up until he joined the Company’s Board of Directors in November 2013, at which time he relinquished all control over the trading of the Company’s securities held by all of the Platinum entities. On December 13, 2013, Dr. Goldberg formally separated from Platinum and had no further role in managing their health care portfolio. As part of his separation from Platinum, Dr. Goldberg entered into a settlement agreement, dated March 28, 2014, and amended on June 11, 2015, with PPVA pursuant to which Dr. Goldberg was entitled to receive a beneficial ownership interest in 15% of (1) all securities held by Platinum at the time of his separation from Platinum which included, without limitation, warrants to purchase the Company’s common stock, and (2) the drawn amounts from the Platinum debt facility. Dr. Goldberg and Platinum are presently in the process of effectuating the transfer of ownership in such securities to Dr. Goldberg. In furtherance of the foregoing, on October 17, 2016, Platinum transferred warrants to acquire an aggregate of 5,411,850 shares of our common stock to Dr. Goldberg, which warrants were exercised in full by Dr. Goldberg on January 17, 2017 resulting in gross proceeds to the Company of \$54,118.50. The Company has been advised that a portion of its outstanding debt to Platinum, amounting to approximately \$1.4 million, which accrues interest at an annual rate of 14.125%, compounded monthly, as evidenced by a third amended and restated promissory note, is currently intended to be transferred to Dr. Goldberg upon consummation of the Asset Sale. That part of the Platinum debt not transferred to Dr. Goldberg will be paid-off by us using proceeds of the Asset Sale as the Asset Purchase Agreement requires that, at closing, all indebtedness of the Company be paid in full out of the initial closing cash payment, which includes debts payable to CRG, Platinum and, if the foregoing debt transfer occurs, Dr. Goldberg. The Company discussed obtaining a waiver of such requirement with respect to any Platinum debt transferred to Dr. Goldberg. Cardinal Health 414 has orally agreed to waive such requirement provided there is no security interest in the assets being transferred to Cardinal Health 414. Dr. Goldberg has agreed to not require repayment by the Company of any debt transferred to him until the original maturity date of September 30, 2021, and has agreed to release any financial covenants and securitization requirements. The Company and Dr. Goldberg intend to finalize the negotiation of the definitive terms of such remaining indebtedness. Currently, the Company and Dr. Goldberg have not entered into a formal written agreement concerning the terms of such repayment. Pursuant to a settlement agreement, dated as of June 16, 2016, among the Company, PPVA, Platinum-Montaur Life Sciences, LLC and others, Platinum agreed to forgive interest owed on its credit facility with the Company in an amount equal to 6%, effective July 1, 2016, making the effective annual interest rate on the Platinum debt 8.125% as of December 31, 2016.

Jed A. Latkin, our Interim Chief Operating Officer and Chief Financial Officer, was an independent consultant that served as a portfolio manager from 2011 through 2015 for two entities, namely Precious Capital and West Ventures, each of which were during that time owned and controlled, respectively, by PPVA and Platinum Partners Capital Opportunities Fund, L.P. Mr. Latkin was party to a consulting



agreement with each of Precious Capital and West Ventures pursuant to which, as of April 2015, an aggregate of approximately \$13 million was owed to him, which amount was never paid and Mr. Latkin has no information as to the current value. Mr. Latkin's consulting agreements were terminated upon his ceasing to be an independent consultant in April 2015 with such entities. During his consultancy, Mr. Latkin was granted a .5% ownership interest in each of Precious Capital and West Ventures, however, to his knowledge he no longer owns such interests. In addition, PPVA owes Mr. Latkin \$350,000 for unpaid consulting fees earned and expenses accrued in 2015 in respect of multiple consulting roles with them. Except as set forth above, Mr. Latkin has no other past or present affiliations with Platinum.

Dr. Eric Rowinsky, our director, was recommended for appointment to the Company's Board of Directors by Dr. Goldberg at a time when Dr. Goldberg was affiliated with Platinum and has, since that time, been elected by the Company's stockholders to continue to serve as an independent director. At no time has Dr. Rowinsky been affiliated, or in any way related to, any of the Platinum entities.

### **Post-Closing Business and Proceeds from the Asset Sale (page 28)**

If the Asset Sale is approved by our stockholders and the other conditions to the closing of the Asset Sale are satisfied or waived, Cardinal Health 414 will acquire the Acquired Assets. We will retain all of our other assets and maintain a license to sell the Product outside of the Territory pursuant to the License-Back as a means to grow our revenues following the Asset Sale. We will also retain all debts and liabilities of the Company not assumed by Cardinal Health 414 pursuant to the Asset Purchase Agreement.

We intend to use the initial cash proceeds payable at closing of the Asset Sale to pay off our debt to CRG and Platinum in the aggregate amount of approximately \$65.5 million (less approximately \$1.4 million if the transfer of debt to Dr. Goldberg occurs, as discussed under “Interests of Our Directors and Executive Officers in the Asset Sale” beginning on page 27) and for transaction costs associated with the Asset Sale. Any proceeds remaining, together with guaranteed payments of \$20.1 million payable to us during the three years following closing, may be used, at the discretion of our Board of Directors, to fund future business activities and for general working capital purposes.

If the Asset Sale is not approved by the holders of a majority of our outstanding shares of Common Stock, then Cardinal Health 414 or Navidea may terminate the Asset Purchase Agreement and, among other things, we will not be able to repay our debt to CRG or Platinum. In such instance, our Board of Directors and management will be required to reassess our options in light of our long-term strategic goals. Our Board of Directors and management will also need to focus on our ability to generate sufficient cash flow to sustain our operations and obtain alternative financing to pay off or refinance the CRG debt and the Platinum debt, which financing alternatives have, to date, been unsuccessful or not on terms as favorable to our stockholders as the Asset Sale.

### **Recommendation of Our Board of Directors (page 28)**

After careful consideration, our Board of Directors unanimously determined the Asset Sale to be advisable and in the best interests of the Company and our stockholders, and unanimously recommends to our stockholders that the Asset Sale be adopted and approved by our stockholders.

### **Other Agreements and Transactions Related to the Asset Sale (page 28)**

In addition to the Asset Purchase Agreement, we intend to enter into a number of related agreements with Cardinal Health 414, including, without limitation, the License-Back and a transition services agreement pursuant to which we shall provide certain transitional, administrative and support services to Cardinal Health 414 on a short-term basis.

Under the Asset Purchase Agreement, we are required to amend and restate our license agreement with The Regents of the University of California (San Diego) (“UCSD”) pursuant to which UCSD grants a license to us to exploit certain

intellectual property rights owned by UCSD and Cardinal Health 414 will separately enter into a license agreement with UCSD pursuant to which UCSD will grant a license to Cardinal Health 414 to exploit certain intellectual property rights owned by UCSD for Cardinal Health 414 to sell the Product in North America.

The Company shall grant to UCSD a five (5)-year warrant to purchase up to 1 million shares of the Company's Common Stock at an exercise price of \$1.50 per share, which warrant is subject to anti-dilution and other customary terms and conditions.

**Appraisal Rights (page 29)**

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

**Material U.S. Federal, State and Local Income Tax Consequences (page 29)**

The Asset Sale will not result in any material U.S. federal, state or local income tax consequences to our stockholders. The transaction will be a taxable event to us for U.S. federal, state and local income tax purposes, but we anticipate that a portion of the taxable gain for U.S. federal, state and local income tax purposes resulting from the Asset Sale will be offset by net operating losses and tax credits. For a complete description of the material tax consequences of the Asset Sale to Navidea, you are urged to read the discussion under the section entitled “Material U.S. Federal, State and Local Income Tax Consequences,” beginning on page 29 and to consult your tax advisor as to the United States federal income tax consequences of the Asset Sale, as well as the effects of state, local and foreign tax laws.

**Regulatory Matters (page 29)**

We do not believe that the Asset Sale is subject to the reporting and waiting requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976. Cardinal Health 414 is subject to the terms of the Final Order and Stipulated Permanent Injunction entered by the U.S. District Court for the Southern District of New York on April 23, 2015 in Federal Trade Commission v. Cardinal Health, Inc. (Civ. No. 15-CV-3031(ER)) (the “FTC Order”), and a condition to Cardinal Health 414’s obligation to close the Asset Sale is that the waiting period (and any extension thereof) under such order will have expired or will have been terminated or otherwise determined to be inapplicable.

Except as set forth above, we are not aware of any other material regulatory consents that are required in connection with the Asset Sale.

**Covenants and Agreements (page 35)**

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

the Company preserve the present business operations, organization and goodwill of the Business and preserve present relationships with customers, suppliers and employees of the Business until the closing of the Asset Sale;

the Company continue to operate its Business generally in the ordinary course until the closing of the Asset Sale;

the Company not initiate, solicit, facilitate, or encourage alternative acquisition proposals involving the Acquired Assets or the sale of the Company as a whole, or provide information or engage in discussions with third parties in connection with any such acquisition proposal; and

from and after the closing date of the Asset Sale, the Company shall cease to make use of the name “Lymphoseek” and certain of our similar trade names and trademarks.

**Covenant Not to Compete or Disclose (page 36)**

Under the Asset Purchase Agreement, we have also agreed, subject to certain exceptions, that for five years following the closing of the Asset Sale, the Company will not, either directly or indirectly, engage in any business that competes with the Business (including marketing any products for unapproved uses that allow such products to compete with the Product) in the Territory.

Pursuant to the License-Back, and subject to the Company’s compliance with certain restrictions in the License-Back, Cardinal Health 414 will not use the intellectual property rights included in the Acquired Assets to develop, manufacture, market, sell or distribute any product other than the Product or any other product that (a) accumulates in lymphatic tissue or tumor-draining lymph nodes for the purpose of (i) lymphatic mapping or (ii) identifying the existence, location or staging of cancer in a body, or (b) provides for or facilitates any test or procedure that is reasonably substitutable for any test or procedure provided for or facilitated by the Product.

Under the Asset Purchase Agreement, each of Cardinal Health 414 and Navidea covenant to use its good faith, commercially reasonable efforts to ensure that all labeling with respect to the products manufactured by or for the benefit of such party, for a period of five years following the closing of the Asset Sale, shall not suggest that users thereof may use such products in any manner (such as promoting “off-label” use) that would violate the restrictions of such party set forth in the Asset Purchase Agreement (with respect to Navidea) or the License-Back Agreement (with respect to Cardinal Health 414).

### **Supply and Distribution Agreement (page 36)**

The Supply and Distribution Agreement, dated November 15, 2007 (as amended, the “Supply and Distribution Agreement”), between Cardinal Health 414 and the Company will be terminated as of the closing of the Asset Sale and that the provisions thereof shall be of no further force or effect from and after the closing of the Asset Sale (other than any indemnification, notification or data sharing obligations which shall survive the termination).

### **Conditions to Completion of the Asset Sale (page 37)**

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

- the receipt of our stockholders’ approval;

- all filings with governmental authorities, if any, shall have been made and any necessary authorizations, consents or approvals required from such authorities shall have been obtained;

- If any notification is required by the Hart-Scott Rodino Act, the waiting period (and any extension thereof) under such act shall have expired or will have been terminated;

- the absence of any valid order, statute, rule, regulation, executive order, stay, decree, judgment or injunction which prohibits or prevents the consummation of the Asset Sale; and

The amended and restated license agreement between UCSD and the Company, and the license agreement between UCSD and Cardinal Health 414, shall each have been executed by the respective parties.

In addition, the obligations of Cardinal Health 414 to complete the Asset Sale are subject to the satisfaction by us or waiver by Cardinal Health 414 of conditions, including the following:

Our fundamental representations and warranties set forth in the Asset Purchase Agreement shall be true and correct in all material respects as of the date of execution of the Asset Purchase Agreement and as of the closing date, and all other representations and warranties set forth therein shall be true and correct (without regard to any qualifications therein as to materiality or material adverse effect) as of the date of execution of the Asset Purchase Agreement and as of the Closing Date as though such representations and warranties were made as of the Closing Date (or as of the specific date referred to for any representation or warranty which specifically refers to an earlier date), except in each case for breaches or inaccuracies of such representations or warranties that, individually or in the aggregate, have not had and would not reasonably be expected to have a material adverse effect;

We shall have performed and complied in all material respects with all agreements contained in the Asset Purchase Agreement required to be performed or complied with prior to the closing of the Asset Sale;

After the date of the Asset Purchase Agreement no Material Adverse Effect (as defined below under “Asset Purchase Agreement – Representations and Warranties”) shall have occurred; and

All investigations relating to the Field Alert Report submitted by Cardinal Health 414 to the FDA on March 31, 2016 will have been completed and closed, and any flawed assay method that may be the root cause for the failure that led to the Field Alert Report will have been addressed to the satisfaction of Cardinal Health 414.

Finally, our obligations to complete the Asset Sale are subject to the satisfaction by Cardinal Health 414 or waiver by us of certain conditions, including the following:

Cardinal Health 414's fundamental representations and warranties set forth in the Asset Purchase Agreement shall be true and correct in all material respects as of the date of execution of the Asset Purchase Agreement and as of the closing date, and all other representations and warranties set forth therein shall be true and correct (without regard to any qualifications therein as to materiality or material adverse effect) as of the date of execution of the Asset Purchase Agreement and as of the Closing Date as though such representations and warranties were made as of the Closing Date (or as of the specific date referred to for any representation or warranty which specifically refers to an earlier date), except in each case for breaches or inaccuracies of such representations or warranties that, individually or in the aggregate, have not had and would not reasonably be expected to have a material adverse effect on the ability of Cardinal Health 414 to perform its obligations under the Asset Purchase Agreement or to consummate the transactions contemplated by such agreement; and

Cardinal Health 414 shall have performed and complied in all material respects with all agreements contained in the Asset Purchase Agreement required to be performed or complied with at or prior to the closing of the Asset Sale.

### **Termination (page 38)**

Under certain circumstances, the Asset Purchase Agreement may be terminated and the Asset Sale may be abandoned at any time prior to the closing, whether before or after approval of the Asset Sale by our stockholders. If the Asset Purchase Agreement is terminated, we may be responsible for payment of termination fees and/or reasonable out-of-pocket expenses, and/or be required to extend the term of the Supply and Distribution Agreement with Cardinal Health 414 for an additional three-year period, as described below and in the section entitled "Asset Purchase Agreement – Termination Fees and Expenses."

### **Termination Fees; Expenses (pages 38-39)**

If the Company terminates the Asset Purchase Agreement at any time prior to obtaining stockholder approval because the Company enters into another acquisition agreement providing for the implementation of transactions contemplated by a superior proposal, as defined in the Asset Purchase Agreement, or Cardinal Health 414 terminates the Asset Purchase Agreement as a result of (i) the Company's board adversely changing its favorable recommendation that the Company's stockholders approve the Asset Sale, (ii) the Company failing to reconfirm its favorable recommendation of the Asset Sale in certain instances upon request by Cardinal Health 414, (iii) the



Company or its Board of Directors making certain public disclosure with respect to any acquisition proposal other than the Asset Sale, or (iv) the Company breaching in any material respect any of its exclusivity obligations under the Asset Purchase Agreement, then the Company will be required to pay a termination fee of \$3,000,000 to Cardinal Health 414 and reimburse Cardinal Health 414 for its reasonable out-of-pocket expenses, actually documented and incurred or payable by or on behalf of Cardinal Health 414 in connection with or in anticipation of the Asset Sale and the agreements related thereto, including all attorney's fees, financial advisor's fees, accountants' fees and filing fees not to exceed \$2,000,000 in the aggregate; provided, however, that if Cardinal Health 414 elects to extend the Supply and Distribution Agreement pursuant to the terms of the Asset Purchase Agreement, the termination fee will not be paid and Cardinal Health 414 will only be eligible to receive a reimbursement of expenses.

In the event that the Asset Purchase Agreement is terminated pursuant to the termination provisions of the Asset Purchase Agreement and within twelve months after such termination, the Company accepts a written offer for, or otherwise enters into an agreement or consummates one or more transactions that, directly or indirectly, result in a sale, license or other transfer of the Business, the Product or all or substantially all of the Company or its assets to a third party, then the Supply and Distribution Agreement shall, subject to the applicable requirements of the FTC Order, be extended under the existing terms for a period of three years from its then-existing expiration date; provided, however, that if the parties are unable to extend the Supply and Distribution Agreement under the FTC Order due to the action of any governmental authority or for any other reason, Cardinal Health 414 will be eligible to be paid the termination fee of \$3,000,000.

If the Asset Purchase Agreement is terminated by (i) Cardinal Health 414 (so long as Cardinal Health 414 is not then in material breach of the Asset Purchase Agreement) if a breach of the Asset Purchase Agreement by the Company results in or would result in certain conditions of the Asset Purchase Agreement not being satisfied and such breach cannot be cured or, if curable, remains uncured for a period of 30 days after the Company has received written notice from Cardinal Health 414 of the occurrence of such breach (of, if earlier, the date of termination), and such conditions have not been waived by Cardinal Health 414, or (ii) either party if the Asset Sale is not approved by the stockholders, then the Company will reimburse Cardinal Health 414 for its reasonable out-of-pocket expenses, actually documented and incurred or payable by or on behalf of Cardinal Health 414 in connection with or in anticipation of the Asset Sale and the agreements related thereto, including all attorney's fees, financial advisor's fees, accountants' fees and filing fees not to exceed \$2,000,000 in the aggregate. In addition, if prior to such termination there exists another proposal for the acquisition, merger, consolidation or other business combination involving the Product or the Company, and within twelve months after such termination the Company or its subsidiaries accepts a written offer for, or otherwise enters into an agreement to consummate or consummates, such other acquisition, merger, consolidation or other business combination involving the Product or the Company, then upon the signing of a definitive agreement related to any such transaction, or, if no such agreement is signed, then upon consummation of any such transaction, the Company will pay to Cardinal Health 414 a \$3,000,000 termination fee unless Cardinal Health 414 elects to extend the Supply and Distribution Agreement in accordance with the Asset Purchase Agreement and such term is actually so extended.

## QUESTIONS AND ANSWERS ABOUT THE ASSET SALE

The following questions and answers briefly address some commonly asked questions about the Asset Sale and the Asset Purchase Agreement. These questions and answers may not address all questions that may be important to you as a stockholder. You should still carefully read this entire proxy statement, including each of the appendices and the documents referred to or incorporated by reference in this proxy statement because the information in this section does not provide all the information that may be important to you as a stockholder of the Company with respect to the proposals.

### The Asset Sale

Q: What is the proposed transaction?

A: The Asset Purchase Agreement provides for the sale of our assets used, held for use, or intended to be used in operating the Business in the Territory (giving effect to the license-back described below and excluding certain assets specifically retained by the Company), such assets consisting primarily of, without limitations (i) intellectual property used in or reasonably necessary for the conduct of the Business, (ii) inventory of, and certain customer, distribution, and product manufacturing agreements related to, our Product, (iii) the new drug application approved by the U.S. Food and Drug Administration for the Product and all files and records related thereto; and (iv) all right, title and interest in and to the Product, for: (i) a cash payment of \$80,000,000 (reduced by an aggregate of

approximately \$65.5 million of indebtedness to be repaid to CRG and Platinum on behalf of the Company (less approximately \$1.4 million if the transfer of debt to Dr. Goldberg occurs, as discussed under “Interests of Our Directors and Executive Officers in the Asset Sale” beginning on page 27), the amount by which, if any, transferred Product inventory is less than \$6 million, and estimated transaction costs of \$600,000); (ii) the agreement of Cardinal Health 414 to assume certain liabilities of the Company associated with the Product as specified in the Asset Purchase Agreement; and (iii) periodic earnout payments (to consist of contingent payments and milestone payments) to us based on the annual “Net Sales” derived from the purchased Product, subject to Cardinal Health 414’s right to off-set. As part of the Asset Sale, subject to certain conditions, Cardinal Health 414 will enter into a license-back agreement with the Company pursuant to which Cardinal Health 414 will grant to us a sublicensable (subject to conditions) and royalty-free license to use certain intellectual property rights included in the Acquired Assets and owned by Cardinal Health 414 as of the closing of the Asset Sale to the extent necessary for the Company to (i) on an exclusive basis, subject to certain conditions, develop, manufacture, market, sell and distribute new pharmaceutical and other products that are not Competing Products, and (ii) on a non-exclusive basis, develop, manufacture, market, sell and distribute the Product throughout the world other than in the Territory. As used in the License-Back, a Competing Product is any pharmaceutical or other product that: (i) accumulates in lymphatic tissue or tumor-draining lymph nodes for the purpose of (a) lymphatic mapping or (b) identifying the existence, location or staging of cancer in a body; (ii) provides for or facilitates any test or procedure that is reasonably substitutable for any test or procedure provided for or facilitated by the Product; or (iii) is marketed for unapproved uses that allow such product to compete with the Product. Subject to the Company’s compliance with certain restrictions in the License-Back, the License-Back also restricts Cardinal Health 414 from using the intellectual property rights included in the Acquired Assets to develop, manufacture, market, sell or distribute any product other than the Product or other product that (a) accumulates in lymphatic tissue or tumor-draining lymph nodes for the purpose of (1) lymphatic mapping or (2) identifying the existence, location or staging of cancer in a body, or (b) provides for or facilitates any test or procedure that is reasonably substitutable for any test or procedure provided for or facilitated by the Product. Pursuant to the License-Back, Cardinal Health 414 will be provided with a right of first offer to market, sell and/or market any new products developed from the intellectual property rights licensed by Cardinal Health 414 to the Company by the License-Back. Also as part of the Asset Sale, the Company shall grant to Cardinal Health 414 a five (5)-year warrant to purchase up to 10 million shares of the Company’s common stock, par value \$.001 per share, at an exercise price of \$1.50 per share.

Q: Why are we asking for a stockholder vote?

A: Stockholder approval of the Asset Sale is a condition to the closing of the Asset Sale under the terms of the Asset Purchase Agreement we negotiated with Cardinal Health 414.

Q: What is the purpose of the proposed transaction?

The Company and its subsidiary Macrophage Therapeutics, Inc. (“Macrophage”), as guarantor, are parties to a loan agreement with CRG and other lenders (the “CRG Loan Agreement”) pursuant to which there is an aggregate amount of approximately \$55.9 million outstanding owed to CRG. During April 2016, the Company received several notices from CRG which claimed that certain events of default had occurred under the CRG Loan Agreement and, as such, interest on the Company’s debt to CRG would begin to accrue at a default rate at 18% per annum until paid. A: On May 31, 2016, CRG declared all of the Company’s obligations under the CRG Loan Agreement and all other loan documents to be immediately due and payable. The Company disputes the amount claimed to be due and believes that CRG does not have the right to accelerate the loan. Furthermore, the Company believes that CRG’s actions to accelerate the loan constitute a material breach of the CRG Loan Agreement and therefore, the Company is no longer subject to certain provisions of such agreement. This matter is currently being litigated in Harris County Court, Texas.

In addition, the Company’s loan agreement with Platinum (the “Platinum Loan Agreement”), pursuant to which there is an aggregate amount of approximately \$9.6 million outstanding (inclusive of approximately \$1.4 million currently contemplated to be transferred to Dr. Goldberg, as discussed under “Interests of Our Directors and Executive Officers in the Asset Sale” beginning on page 27), carries standard non-financial covenants typical for commercial loan agreements, many of which are similar to those contained in the CRG Loan Agreement, that impose significant requirements on the Company. The Company’s ability to comply with these provisions may be affected by changes in our business condition or results of our operations, or other events beyond our control. The breach of any of these covenants would result in a default under the Platinum Loan Agreement, permitting Platinum to terminate our ability to obtain additional draws under the Platinum Loan Agreement and accelerate the maturity of the debt, subject to the limitations of a subordination agreement with CRG. Such actions by Platinum could materially adversely affect our operations, results of operations and financial condition, including causing us to substantially curtail our product development activities.

As a result of the foregoing, the Company believes the best course of action is to pay off its debt to CRG and Platinum and that the Asset Sale will provide the Company with the cash proceeds needed to do so. In addition, the Asset Purchase Agreement requires that, at closing, all indebtedness of the Company be paid in full out of the initial closing cash payment, which includes debts payable to CRG and Platinum. The Platinum Loan Agreement also prohibits us from selling the Business without either obtaining Platinum’s consent or repaying the outstanding Platinum debt in full. Furthermore, in connection with the Asset Sale, the \$20.1 million of guaranteed payments (subject to Cardinal Health 414’s right to off-set from such payments any indemnification obligations of the Company) paid to us during the first three years following the closing of the Asset Sale will provide the Company with needed financial liquidity and flexibility, and provide the Company with the opportunity to continue to operate its Remaining Businesses, as defined

below, while pursuing other initiatives intended to increase stockholder value.

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

We currently estimate the net cash proceeds from the Asset Sale to be approximately \$14 million after the payment of \$55.9 million principal, accrued interest and fees to CRG, \$9.6 million principal to Platinum (less approximately \$1.4 million if the transfer of debt to Dr. Goldberg occurs, as discussed under “Interests of Our Directors and Executive Officers in the Asset Sale” beginning on page 27), and estimated transaction costs of \$600,000. This estimate assumes that the Asset Sale is completed by February 28, 2017, and does not include the potential additional \$230 million in earnout payments (inclusive of contingent and milestone payments) available pursuant to the terms of the Asset Purchase Agreement, of which \$20.1 million is guaranteed to be paid. The actual amount of net cash proceeds from the Asset Sale may vary from this estimate. In addition, this estimate does not include, and the actual amount of cash proceeds from the Asset Sale will be reduced by, among other things, continuing benefit costs for departing employees.

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

We currently anticipate that we will use the majority of the initial net cash proceeds from the Asset Sale to pay off our indebtedness owed to Platinum (as necessitated by the Platinum Loan Agreement) and CRG. We anticipate that the balance from such proceeds, along with \$20.1 million of guaranteed payments and any contingent payments under the Asset Purchase Agreement, will be used for working capital and general corporate purposes and to continue to invest in (i) Macrophage, our majority-owned subsidiary that was formed specifically to further explore immune-therapeutic applications for the Manocept platform; (ii) advancing our technology for the early diagnosis and disease monitoring for Cardiovascular diseases or “CVD,” rheumatoid arthritis or “RA,” along with other macrophage involved diseases; and (iii) the development, manufacture, and commercialization of the Product outside the Territory (hereinafter referred to collectively as the “Remaining Businesses”). We may also use proceeds from the Asset Sale for future acquisitions complementary to our Remaining Businesses; however, at this time no specific acquisition targets have been identified. If we have adequate working capital and establish adequate cash reserves without using all of our cash, and if we are unable to identify suitable acquisition targets that are appropriately valued, we will consider alternate uses of any excess cash in order to enhance stockholder value.

Q: When will the Asset Sale be consummated?

In the event the stockholders approve the Asset Sale and the Asset Purchase Agreement, we expect that the Asset Sale will close promptly following our Special Meeting. However, the consummation of the Asset Sale is contingent upon a number of closing conditions, including: (i) the absence of a material adverse effect on the Acquired Assets subject to the Asset Sale, the liabilities to be assumed by the Buyer, or the financial condition or results of operations attributed to the Product; (ii) the representations and warranties of the parties being true and correct at closing except as would not reasonably be expected to have a material adverse effect; (iii) there being no material breaches of the terms of the Asset Purchase Agreement; (iv) the absence of any litigation or other legal requirement prohibiting the consummation of the Asset Sale; (v) the receipt of certain third party consents; and (vi) certain other customary closing conditions.

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

The Company will continue to be a publicly traded company whether or not the Asset Sale closes so long as we continue to meet the requirements for continued listing under the rules and regulations of the United States Securities and Exchange Commission (the “SEC”) and the NYSE MKT. There can be no assurances in this regard. As long as we continue to trade publicly, we do not intend to change our NYSE MKT ticker symbol, and will remain “NAVB” whether or not the Asset Sale closes.

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

For us to complete the Asset Sale, stockholders holding at least a majority of the shares of our outstanding Common Stock at the close of business on the record date (January 23, 2017) must vote “FOR” the proposal adopting and approving the Asset Sale.

Q: What will happen if the Asset Sale is not approved by our stockholders?

If the Asset Sale is not approved by our stockholders, we will not complete the Asset Sale and the other transactions contemplated by the Asset Purchase Agreement. In that event, we will be unable to pay our existing debt to CRG and Platinum or to continue to operate the Company as we have been doing. Our Board of Directors will continue to evaluate strategic alternatives, but any such strategic alternatives previously identified have been unsuccessful and, in any event, have not been on terms as favorable to our stockholders as the Asset Sale. In addition, under the Asset Purchase Agreement, we would also be required to reimburse Cardinal Health 414 an amount equal to reasonable out-of-pocket expenses, actually documented and incurred or payable by or on behalf of Cardinal Health 414 in connection with or in anticipation of the Asset Sale and the agreements related thereto, including all attorney's fees, financial advisor's fees, accountants' fees and filing fees up to a maximum amount of \$2,000,000 in the aggregate. Moreover, if, prior to such termination, there exists another proposal for the acquisition, merger, consolidation or other business combination involving the Product or the Company, and within twelve months after such termination the Company or its subsidiaries accepts a written offer for, or otherwise enters into an agreement to consummate or consummates, such other acquisition, merger, consolidation or other business combination involving the Product or the Company, then upon signing of a definitive agreement relating to such transaction, or, if no such agreement is signed, then upon consummation of any such transaction, the Company will pay to Cardinal Health 414 a termination fee of \$3,000,000 unless Cardinal Health 414 elects to extend the term of the Supply and Distribution Agreement and such term is actually so extended.

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

A: All expenses in connection with this solicitation of proxies will be paid by us. Proxies will be solicited principally by mail, but directors, officers and certain other individuals authorized by us may personally solicit proxies.

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

If you have additional questions about the Asset Sale or need assistance in submitting your proxy or voting your shares of our Common Stock, please contact Laurel Hill Advisory Group, 2 Robbins Lane, Suite 201, Jericho, NY 11753, our proxy solicitor. Banks and brokers may call (516) 933-3100; all others may call toll-free at (888) 742-1305. You can also refer to the section of this proxy statement entitled, "Where You Can Find More Information; Incorporation by Reference."

#### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you to in this proxy statement, contain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including, among others, under the headings "Summary Term Sheet," "Questions and Answers About the Asset Sale," "Asset Sale," "The Asset Purchase Agreement," "Proposal No 1 – The Asset Sale and the Asset Purchase Agreement," and in statements containing



the words “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “should,” “plans,” “targets” and/or similar expressions. Forward-looking statements also include the following: (1) statements containing projections of revenues, operating expenses, income (or loss), earnings (or loss) per share, capital expenditures, dividends, capital structure, and other financial items; (2) statements concerning the plans and objectives of the Company’s management for future operations, including plans or objectives relating to its products or services; (3) statements of future economic performance; (4) statements of the assumptions underlying or relating to any statement described in (1), (2), or (3); and (5) statements regarding the timing or completion of the Asset Sale. Actual results could differ materially from those predicted by these forward-looking statements.

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

Forward-looking statements are not guarantees of future performance, and actual results may differ materially from those contemplated by forward-looking statements. You should not place undue reliance on any forward-looking statements contained herein, which speak only as of the date of this proxy statement, or, in the case of documents referred to in this proxy statement, as of the respective dates of such documents. These and other factors are discussed in our current filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and our subsequent SEC filings. In addition to other factors and matters contained in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the failure to satisfy any of the conditions to complete the Asset Sale, including the receipt of the required stockholder approval;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Asset Purchase Agreement;
- the outcome of any legal proceedings instituted against us and others in connection with the CRG Loan Agreement or proposed Asset Sale;
- the failure of the Asset Sale to close for any other reason;
- the amount of the costs, fees, expenses and charges relating to the Asset Sale;
- business uncertainty and contractual restrictions prior to the Asset Sale close;
- the failure of Cardinal Health 414 to maximize Net Sales of the Product in the Territory after the Asset Sale closing, and our earnout payments;
- competition generally and the increasingly competitive nature of our industry;
- stock price and interest rate volatility; and
- failure to operate our business successfully.

The foregoing list and the risks reflected in this proxy statement should not be construed to be exhaustive. Actual results or matters related to the Asset Sale could differ materially from the forward-looking statements contained in this proxy statement as a result of the timing of the completion of the Asset Sale or the impact of the Asset Sale on our results of operations, financial condition, cash flows, capital resources, profitability, cash requirements, management resources and liquidity. In view of these uncertainties, you should not place undue reliance on any forward-looking statements, which are based on our current expectations.

## RISK FACTORS

You should consider carefully the risk factors described below and those risk factors generally associated with our business contained in our Annual Report on Form 10-K for the year ended December 31, 2015, and our subsequent SEC filings, along with other information provided to you in this proxy statement, in deciding how to vote on the proposal to approve the Asset Sale pursuant to the terms of the Asset Purchase Agreement. See “Where You Can Find More Information; Incorporation by Reference.”

The risk factors described below are not the only ones facing the Company. Additional considerations not presently known to us or that we currently believe are immaterial may also impair our business operations. If any of the following risk factors actually occur, our business, financial condition or results of operations could be materially adversely affected, the market price of our Common Stock may decline, and you may lose all or part of your investment.

*If the Asset Sale is not completed or is delayed if the conditions to closing are not satisfied or waived, our business may be harmed.*

The Asset Sale may not be completed or may be delayed because the conditions to closing, including approval of the Asset Sale by our stockholders and the absence of a material adverse effect before the closing, may not be satisfied or waived. If the Asset Sale is not completed for either of these reasons or any other reason, we will not have sufficient cash on hand to repay our outstanding indebtedness to CRG or Platinum because we intend to utilize a substantial portion of the initial cash proceeds from the Asset Sale for this purpose. As a result, CRG could foreclose on their security interest in substantially all our assets and Platinum could terminate our ability to obtain additional draws under the Platinum Loan Agreement and accelerate the maturity of the debt, subject to the limitations of the Company's subordination agreement with CRG. As a result, the Company would not likely be able to continue as a going concern. In addition, if the Asset Sale is not completed, the Company will not be paid guaranteed payments of \$20.1 million during the first three years following the closing of the Asset Sale as provided in the Asset Purchase Agreement, which payments are needed to provide the Company with financial liquidity and flexibility, and the opportunity to continue to operate its Remaining Businesses while pursuing other initiatives intended to increase stockholder value.

In addition, if we fail to complete the Asset Sale, we may have difficulty recouping the costs incurred in connection with negotiating the Asset Sale, our relationships with our customers, suppliers and employees may be damaged, and our business may be harmed. As a result of our announcement of the Asset Sale, third parties may be unwilling to enter into material agreements with respect to our Product. New or existing customers and business partners may prefer to enter into agreements with our competitors who have not expressed an intention to sell their business because customers and business partners may perceive that such new relationships are likely to be more stable. Employees working in areas of our business related to the Product may become concerned about the future of the business and lose focus or seek other employment. If we fail to complete the Asset Sale, the failure to maintain existing business relationships or enter into new ones could adversely affect our business, results of operations, and financial condition. If we fail to complete the Asset Sale, we will also retain the Product. The resultant potential for loss or disaffection of employees or customers could have a material, negative impact on the value of the Product.

Furthermore, if the Asset Sale is not consummated, our directors, executive officers and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the transaction, and we will have incurred significant third party transaction costs, in each case, without any commensurate benefit, which may have a material and adverse effect on our stock price and results of operations.

*Failure to complete the Asset Sale may cause the market price for our Common Stock to decline.*

If our stockholders fail to approve the Asset Sale, or if the Asset Sale is not completed for any other reason, the market price of our Common Stock may decline due to various potential consequences, including:

- we will not be able to repay \$55.9 million of debt to CRG and \$9.6 million of debt to Platinum;
- we may not be able to sell the Product or Business to another party on terms as favorable to us as the terms of the Asset Purchase Agreement;
- the failure to complete the Asset Sale may create substantial doubt as to our ability to effectively implement our current business strategies or continue as a going concern;
- our costs related to the Asset Sale, such as legal and accounting fees, must be paid even if the Asset Sale is not completed; and
- we will be obligated to reimburse Cardinal Health 414 for up to \$2 million of expenses relating to the Asset Sale.

*If the Asset Sale is not completed, we may explore other potential transactions, but the alternatives may be less favorable to us, and there can be no assurance that we will be able to complete an alternative transaction.*

If the Asset Sale is not completed, we may explore other potential transactions, including a sale to another party on such terms as the Board of Directors may approve. The terms of an alternative transaction may be less favorable to us than the terms of the Asset Sale and there can be no assurance that we will be able to reach agreement with or complete an alternative transaction with another party.

*The amount of net proceeds that we will receive from the Asset Sale is subject to uncertainties.*

Pursuant to the Asset Purchase Agreement, the amount that we receive from the Buyer is subject to the possibility of reduction by virtue of a purchase price adjustment described below under “The Asset Purchase Agreement—General.” The amount of net proceeds is subject to further reduction after the closing if the Buyer successfully asserts claims for indemnification pursuant to the indemnification provisions of the Asset Purchase Agreement. See “The Asset Purchase Agreement—Indemnification.” In addition, the amounts paid to CRG and Platinum are subject to final negotiation of payoff amounts, including interest accrued through the closing date. Furthermore, we may have unforeseen liabilities and expenses that must be satisfied from the after-tax net proceeds of the Asset Sale, leaving less to fund our remaining operations.

Pursuant to the Asset Purchase Agreement, the Company has the potential to be paid up to an aggregate of \$230 million in earnout payments after the \$80 million at closing of the Asset Sale, including \$20.1 million of guaranteed payments. Earnout payments are calculated based on Net Sales that are entirely within the control of Cardinal Health 414. There can be no assurances that after the closing of the Asset Sale, Cardinal Health 414 will focus on Product sales or that Cardinal Health 414 will not decide to reduce or terminate the Product line. Accordingly, we cannot determine with any certainty the amount of earnout payments (other than guaranteed payments) which the Company will be paid.

*Stockholders are not guaranteed any of the proceeds from the Asset Sale.*

The purchase price for the Asset Sale will be paid directly to our Company. You should not vote in favor of the Asset Sale based upon the assumption that you will receive any portion of the net proceeds from the Asset Sale.

*Management could allocate, spend or invest the net proceeds from the Asset Sale in ways with which our stockholders may not agree.*

Our management could allocate, spend or invest the proceeds from the sale of the Business to Cardinal Health 414 in ways with which our stockholders may not agree. The investment of these proceeds may not yield a favorable return.

*If the Asset Sale is completed, we will be a relatively small public company.*

Once the Asset Sale is completed, we will remain a publicly traded company and will continue to be subject to SEC and NYSE MKT rules and regulations, including the Sarbanes-Oxley Act of 2002. While all public companies face the costs and burdens associated with being publicly traded, given the size of our company, the costs and burden of being a public company will be a significant portion of our annual revenues.

*If the Asset Sale is completed, we will have no FDA approved products.*

Once the Asset Sale is completed, we will not own any FDA approved products and will be reliant on developing new revenue producing products. There can be no assurances we will develop such products.

*We will be unable to compete with Cardinal Health 414 for a period of five years after the date of the closing of the Asset Sale.*

The Asset Purchase Agreement provides that for a period of five years after the date of the closing of the Asset Sale, we will be prohibited from activities with respect to North America that involve (i) developing, manufacturing, marketing, selling or distributing any product that accumulates in lymphatic tissue or tumor-draining lymph nodes for the purpose (a) of lymphatic mapping or (b) identifying the existence, location or staging of cancer in a body; (ii) developing, manufacturing, marketing, selling or distributing any product that provides for or facilitates any test or procedure that is reasonably substitutable for any test or procedure provided for or facilitated by the Product; or (iii) marketing any products for unapproved uses that allow such products to compete with the Product. These restrictions may prevent us from pursuing business opportunities that would be attractive to us or our stockholders.

*The Asset Purchase Agreement will expose us to contingent liabilities that could have a material adverse effect on our financial condition.*

We have agreed to indemnify Cardinal Health 414 for breaches of any representation, warranty, or covenant made by us in the Asset Purchase Agreement and the other related agreements, for losses arising out of or in connection with excluded assets or excluded liabilities, the Acquired Assets and for certain other matters. Significant indemnification claims by Cardinal Health 414 could have a material adverse effect on our financial condition. We will not be obligated to indemnify Cardinal Health 414 for the breach of the non-fundamental representations or warranties made by us under the Asset Purchase Agreement until the aggregate amount of claims for indemnification exceeds \$400,000. In the event that claims for indemnification for breach of such representations and warranties made by us under the Asset Purchase Agreement exceed this threshold, we will be obligated to indemnify the Buyer for any excess damages or loss resulting from such breach up to 15.0% of the purchase price (including the cash payment at closing and all earnout payments received). Claims for indemnification for breaches of covenants made by us under the Asset Purchase Agreement, breaches of representations and warranties classified as fundamental representations and indemnification claims based upon excluded assets or liabilities will not be subject to the deductible or aggregate liability cap described above.

*The Asset Purchase Agreement limits our ability to pursue alternatives to the Asset Sale.*

The Asset Purchase Agreement contains provisions that make it more difficult for us to sell our Business to any party other than Cardinal Health 414. These provisions include the prohibition on our ability to solicit competing proposals and the requirement that we pay a termination fee of \$3,000,000 and reimburse Cardinal Health 414 for its reasonable out-of-pocket expenses up to \$2,000,000 in the aggregate, if the Asset Purchase Agreement is terminated in specified circumstances. See “The Asset Purchase Agreement—Termination” and “The Asset Purchase Agreement—No Negotiation or Solicitation of Competing Transaction.” These provisions could discourage a third party that might have an interest in acquiring all of or a significant part of Navidea or the Business from considering or proposing an alternative transaction, even if that party were prepared to pay consideration with a higher value than the consideration to be paid by Cardinal Health 414.

*We may be exposed to litigation related to the Asset Sale from the holders of our common stock.*

Transactions such as the Asset Sale are often subject to lawsuits by stockholders. Because the holders of our common stock may believe the consideration paid by Cardinal Health 414 for the Acquired Assets is inadequate, it is possible that they may sue us or our Board of Directors. Such lawsuits could result in substantial costs and divert our management’s attention from other business concerns, which could seriously harm our business.

## THE SPECIAL MEETING

*Date, Time and Place of Special Meeting.* A Special Meeting of the Stockholders of Navidea Biopharmaceuticals, Inc. will be held at the Hilton Garden Inn, 70 Challenger Road, Ridgefield Park, NJ 07660, 201-641-2024, on March 2, 2017, at 9:00 a.m., Eastern Standard Time.

*Solicitation.* This proxy statement is being mailed to the stockholders of Navidea Biopharmaceuticals, Inc., a Delaware corporation, in connection with the solicitation by the Board of Directors of the Company of proxies to be voted at a Special Meeting of Stockholders to be held on March 2, 2017, and any adjournment thereof. All expenses in connection with this solicitation of proxies will be paid by Navidea. Proxies will be solicited principally by mail, but directors, officers and certain other individuals authorized by us may personally solicit proxies. Navidea will reimburse custodians, nominees or other persons for their out-of-pocket expenses in sending proxy materials to beneficial owners.



*Company Address.* The mailing address of our principal executive offices is 5600 Blazer Parkway, Suite 200, Dublin, Ohio 43017.

*Voting Rights.* Stockholders of record at the close of business on January 23, 2017, the record date, are entitled to notice of and to vote at the Special Meeting. As of that date, there were 161,190,985 shares of Common Stock outstanding. Each holder of Common Stock of record on the record date, is entitled to one vote per share held with respect to all matters which may be brought before the Special Meeting. For directions on how to vote, please refer to the proxy card provided.

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

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

*Tabulation.* Under Section 216 of the Delaware General Corporation Law (DGCL) and our bylaws, the presence, in person or by proxy, of the holders of a majority of the outstanding shares of our Common Stock is necessary to constitute a quorum for the transaction of business at the Special Meeting. Shares represented by signed proxies that are returned to the Company will be counted toward the quorum even though they are marked as “Abstain” or “Against” on one or more, or all matters, or they are not marked at all. Brokers, banks, or other nominees who hold their customers’ shares in street name, may, under the applicable rules of the exchanges and other self-regulatory organizations of which such brokers, banks, or other nominees are members, sign and submit proxies for such shares and may vote such shares on routine matters. Neither of the proposals are considered a routine matter under such rules. Brokers, banks, or other nominees may not vote on matters considered non-routine without specific instructions from the customer who owns the shares. Proxies signed and submitted by brokers, banks, or other nominees that have not been voted on certain matters are referred to as broker non-votes. Such proxies count toward the establishment of a quorum. We encourage you to provide voting instructions to any broker, bank or other nominee that holds your shares by carefully following the instructions provided in the proxy card from such entity.

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

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

*Effect of Not Casting Your Vote.* If you hold your shares in street name it is critical that you cast your vote if you want it to count. If you hold your shares in street name and you do not instruct your bank, broker, or other nominee how to vote, no votes will be cast on your behalf for any of the proposals to be considered at the Special Meeting.

## THE ASSET SALE

The following is a description of the material aspects of the Asset Sale, including background information relating to the proposed terms of the Asset Purchase Agreement. While we believe that the following description covers the material terms of the Asset Sale, the Asset Purchase Agreement, and other arrangements between Cardinal Health 414 and us, the description may not contain all of the information that is important to you. You should carefully read this proxy statement and the other documents to which we refer, including the Asset Purchase Agreement, for a complete understanding of the terms of the Asset Sale.

Parties to the Asset Sale

*Navidea Biopharmaceuticals, Inc.*

Navidea is a biopharmaceutical company focused on the development and commercialization of precision immunodiagnostic agents and immunotherapeutics. Navidea is developing multiple precision-targeted products based on our Manocept™ platform to help identify the sites and pathways of undetected disease and enable better diagnostic accuracy, clinical decision-making, targeted treatment and, ultimately, patient care. The Manocept platform serves as the molecular backbone of Lymphoseek® (technetium Tc 99m tilmanocept) injection, the first product developed by Navidea based on the platform. Lymphoseek is a novel, state-of-the-art, receptor-targeted, small-molecule radiopharmaceutical used in the evaluation of lymphatic basins that may have cancer involvement in patients. Other than Lymphoseek, none of the Company's drug product candidates have been approved for sale in any market. We have agreed to sell our Lymphoseek Product pursuant to the Asset Purchase Agreement. For more information, please visit our website at [www.navidea.com](http://www.navidea.com). Our common stock is listed on the NYSE MKT under the trading symbol "NAV.B." Navidea is a Delaware corporation. Our executive offices are located at 5600 Blazer Parkway, Suite 200, Dublin, OH 43017. Our telephone number is (614) 793-7500.

*Cardinal Health 414, LLC*

Cardinal Health 414, LLC is a wholly-owned subsidiary of Cardinal Health, a global integrated healthcare services and products company providing customized solutions for hospital systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices worldwide. Cardinal Health provides clinically proven medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency from hospital to home. It connects patients, providers, payers, pharmacists, and manufacturers for integrated care coordination and better patient management. For more information, please visit [www.cardinalhealth.com](http://www.cardinalhealth.com). Cardinal Health is an Ohio corporation. Its common stock is listed on the New York Stock Exchange under the symbol "CAH" and its executive offices are located at 7000 Cardinal Place, Dublin, Ohio 43017. The telephone number there is (614) 757-5000.

## Background of the Asset Sale

On July 25, 2012, the Company and Platinum entered into the Platinum Loan Agreement, pursuant to which Platinum agreed to make a non-revolving draw credit facility available to the Company in an initial aggregate principal amount of up to \$15,000,000, which was subsequently increased to \$50,000,000. We intend to use a portion of the net proceeds of the Asset Sale to repay approximately \$9.6 million of principal and other amounts owed to Platinum under the Platinum Loan Agreement (less approximately \$1.4 million if the transfer of debt to Dr. Goldberg occurs, as discussed under “Interests of Our Directors and Executive Officers in the Asset Sale” beginning on page 27) as a condition to consummation of the Asset Sale. Section 6.9(b) of the Platinum Loan Agreement prohibits the Company from selling, transferring or otherwise disposing of all or substantially all of its assets, which could include consummation of the Asset Sale, without consent of Platinum or repayment of all amounts due.

In May 2015, the Company and Macrophage, as guarantor, entered into the CRG Loan Agreement with CRG in its capacity as a lender and as control agent for other affiliated lenders party to the CRG Loan Agreement in which the lenders made a term loan to Navidea in the aggregate principal amount of \$50 million, with an additional \$10 million in loans to be made available in certain instances. The loan with CRG is collateralized by a security interest in substantially all of Navidea’s assets. The lenders may accelerate the payment terms of the CRG loan upon the occurrence of certain events of default set forth therein, which include, without limitation, the failure of Navidea to make timely payments of amounts due under the CRG Loan Agreement, the failure of Navidea to adhere to the covenants set forth in the CRG Loan Agreement, and the insolvency of Navidea. We intend to use a portion of the net proceeds of the Asset Sale to repay approximately \$55.9 million of principal, accrued interest and other fees currently owed to CRG.

During April 2016, the Company received several notices from CRG which claimed that certain events of default had occurred under the CRG Loan Agreement, including under Sections 11.01(m) (alleging that a Change of Control has occurred), 11.01(e) (alleging that the Company’s agreement with Platinum reported in the Company’s Current Report on Form 8-K filed on March 18, 2016 constituted an amendment, modification, waiver or supplement to the Platinum Loan Agreement that required the written consent of CRG and that a subsidiary of the Company opened a bank account without notifying CRG), and 11.01(d) (alleging that the failure by the Company to notify CRG of a default itself constitutes an event of default) of the CRG Loan Agreement, and, as such, interest on the Company’s debt to CRG would begin to accrue at a default rate at 18% per annum until paid. Thereafter, on May 31, 2016, CRG declared all of the Company’s obligations under the CRG Loan Agreement and all other loan documents to be immediately due and payable. The Company disputes the amount claimed to be due and believes that CRG does not have the right to accelerate the loan. This matter is currently being litigated in Harris County Court, Texas.

In light of the CRG litigation, the Company’s current management team (Dr. Michael Goldberg, our President and Chief Executive Officer and former Chairman of the Board, and Jed A. Latkin, Interim Chief Operating Officer and Chief Financial Officer) has actively considered ways to monetize some or all of the Company’s assets and to pursue new strategic initiatives, such as a sale transaction or refinancing of the CRG debt. In order to maximize the number

of potential investors, the Company entered into confidentiality agreements at various times with multiple investment banks. The Company also commenced work with several outside advisors to set up meetings with potential investors.

On May 5, 2016, Dr. Goldberg and Mr. Latkin met telephonically with a representative of an investment bank to discuss refinancing options and review lists of potential investors to provide loans to the Company. The parties met again on May 17, 2016, to further discuss financing options. The Company advised that issuing equity at this time would be too dilutive to stockholders, but it would consider royalty-based financing. In response, the investment bank's representative indicated that it would be difficult for the Company to raise \$60 million in a royalty-based financing without at least half of the amount coming from an equity raise.

On May 18, 2016, Dr. Goldberg and Mr. Latkin met with representatives of an investment advisor to discuss pursuing either a royalty-based transaction or debt placement. Again, that firm was not able to connect the Company with potential investors for a royalty-based transaction without including a dilutive equity component. On June 7, 2016, a representative of the investment advisor confirmed with Dr. Goldberg and Mr. Latkin that in order to be successful, all strategic options would require a significantly dilutive equity component.

On May 25, 2016, one of the investment banks started contacting investors for a potential refinancing of the CRG debt. The Company prepared a revised presentation and new financial projections were given to each of the investment banks.

On May 31, 2016, the Company signed an engagement letter with a second investment bank. Potential investors were immediately contacted to discuss either a debt financing or a royalty-based transaction that would limit the financing costs to a percentage of revenues from the Business. A small number of investors were interested in pursuing transactions which included both equity and debt. Dr. Goldberg and Mr. Latkin engaged in preliminary discussions with several investment funds, but the Company did not receive any firm commitments for financing.

On June 1, 2016, CRG contacted Cardinal Health 414 and demanded Cardinal Health 414 make all future payments for Lymphoseek sales directly to CRG, rather than to the Company. Cardinal Health 414 filed an interpleader in Franklin County, Ohio Court of Common Pleas, requesting that the court make a determination as to whom it should make such payments. Rulings on June 28, 2016, and August 1, 2016 resulted in \$1,000,000 of Cardinal Health 414 payments being placed in escrow with the court, with the remaining payments going directly to the Company.

On June 3, 2016, Dr. Goldberg and Mr. Latkin met telephonically with Brian Pero, Cardinal Health's legal counsel, to discuss the CRG litigation and a potential partnership between the Company and Cardinal Health. Discussions continued through June 8, 2016 and turned to potential financing options. On June 16, 2016, the Company signed a non-disclosure agreement with Cardinal Health 414, and on June 20, 2016, the Company was advised that a potential deal would be offered by Cardinal Health's business development team.

On June 17, 2016, Dr. Goldberg and Mr. Latkin met with a representative of a healthcare focused fund management company. The parties discussed all aspects of the Company's business and the various refinancing options for the Company. After the meeting, a non-disclosure agreement was signed and on June 21, 2016, the Company provided a full financial model with projected five-year cash flows, which included a royalty model, that outlined how a royalty-based deal structure would work and what type of return investors could expect.

On June 20, 2016, after not being able to find a viable investor for a royalty-based financing without a dilutive equity component, Dr. Goldberg and Mr. Latkin met again with Cardinal Health's senior corporate development team (Joshua Gaines, James Steinberg and Aaron Lynch) to propose a potential acquisition of the Business. Throughout the month of June, our senior management and Board of Directors met internally and discussed a number of potential strategic alternatives to enhance stockholder value, including, without limitation, the possibility of selling the Business. Our management discussed these potential strategic alternatives at length with our Board of Directors at a meeting of our Board of Directors in June 2016. Our Board of Directors instructed our management to continue to evaluate potential strategic alternatives for the Business and to further apprise the Board regarding those alternatives. In addition, based on feedback from investors, bankers, and potential lenders and royalty-based lenders, the Company was advised that it

needed a full-time committed chief executive officer in order to have a chance to refinance the CRG debt. The Board of Directors asked Dr. Goldberg to take on that responsibility as he had the knowledge and experience to step in immediately to take on this responsibility.

On June 23, 2016, Dr. Goldberg and Mr. Latkin met with management from Cardinal Health to discuss the general parameters of a possible transaction and a structure that could work for both parties.

On June 24, 2016, Cardinal Health 414 submitted an offer to the Company which consisted of (i) a cash payment to the Company of \$45 million, (ii) a three-year \$15 million secured loan to the Company with interest accruing annually at 12%, and (iii) five-year warrants to purchase up to 15 million shares of the Company's common stock at a per share price of \$0.66. The proposal outlined a royalty structure as follows: 10% for 2017, 8% for 2018 above the 2017 sales figure, 6% for 2019 above the 2018 sales figure, 4% for 2020 above the 2019 sales figure, and 2% for 2021 above the 2020 sales figure. The proposal also included a 15-year exclusive co-development deal whereby Cardinal Health 414 would own all future indications of Lymphoseek but would pay to the Company 20% of future sales on new indications of Lymphoseek. The proposal included a license-back of certain intellectual property related to the Business for outside of North America and within that license-back the Company would be responsible for royalty payments of 5% of all international sales.

Discussions with Cardinal Health 414 concluded on June 26, 2016 with the Company's Chairman of the Board of Directors advising that the initial proposal was inadequate and would need to be substantially revised to be taken under further consideration by the Company. In a discussion between Dr. Goldberg and Josh Gaines, Sr. Vice President Corporate Development of Cardinal Health, the key assumptions of both companies were reviewed and a number of differences were identified. The parties agreed to share additional information to see if they could bridge the gap in valuation. Navidea agreed to provide additional information regarding the Lymphoseek asset and Cardinal Health 414 agreed to focus their interest with respect to a more limited market.

On June 28, 2016, our Chairman of the Board sent a formal letter to Cardinal Health 414 expressing appreciation of their proposal but that at this time the Company believed Cardinal Health 414 was undervaluing the Lymphoseek asset and that consummation of such a transaction would leave the Company in financial distress.

On June 30, 2016, after several calls and a meeting with the investment committee of an interested party, a representative of the interested party advised the Company that it would not be pursuing a refinancing with the Company at this time.

During July 2016, a third investment bank presented several potential investors to the Company. The Company determined to follow up with one of the investors. It was determined to be unlikely that the other investors would consummate an acceptable transaction with the Company.

On July 13, 2016, a court hearing was held in Texas with respect to the aforementioned CRG litigation. At the conclusion of the hearing, the court ordered the parties to mediation and stayed any ruling on CRG's request to enjoin the Company from taking certain actions until after a mediation has been completed. The Company immediately contacted Cardinal Health 414 to discuss their interest in re-engaging in discussions, as the Company believed its options to remain a going concern and raising capital sufficient to repay CRG while continuing litigation with CRG were limited.

On July 14, 2016, Dr. Goldberg and Mr. Latkin spoke telephonically with management of an interested party and a representative from an investment bank. After the call, the Company provided the interested party with two models, the full company projections and an abbreviated royalty-based projection model designed to reflect the investor's returns on a \$60 million investment.

On July 27, 2016, the Company was advised by the investment company that it was not interested in a transaction with the Company at the valuations discussed. The investment company indicated that a smaller royalty-based deal following a substantial equity raise would be a possibility.



On August 29, 2016, Mr. Latkin met with representatives of Cardinal Health 414 who requested the meeting to express their continued interest in acquiring the North American rights to the Product. Cardinal Health 414 indicated that based on the continued growth in the Product sales and progress on their diligence they remained eager to work with the Company to see if a deal could be reached on mutually agreeable terms. Cardinal Health 414 offered a deal with a longer-term payout to help bridge the valuation gap.

On August 30, 2016, the Harris County court granted CRG's TRO request in relation to the disclosure of the Company's bank accounts and the implementation of control agreements on all non disclosed bank accounts. The decision caused an imminent threat to the Company's ability to maintain a viable business. Dr. Goldberg contacted Mr. Gaines and requested a meeting as soon as possible to determine next steps. Dr. Goldberg indicated that he believed Navidea would likely have to shut down its operations until the completion of the CRG litigation because even if successful in appealing the Harris County ruling, Navidea would be unable to refinance the CRG debt until after completion of the litigation which was scheduled for mid-2017. He indicated that Navidea remained open to a transaction with Cardinal Health 414 but that the terms had to enable Navidea adequate time to execute on its business model in order for the Cardinal Health 414 transaction to be preferential to shutting down the Company until after the conclusion of the CRG litigation. Late in the evening August 30, 2016, the Company received an updated non-binding letter of intent from Cardinal Health 414 that included the new improved terms and conditions upon which Cardinal Health 414 would acquire the Business for \$65 million in cash payable at closing and make royalty payments beginning in 2017 at 10% which decline by 1% each year thereafter until they reach 5% for the years 2022-2026 with total payments not to exceed \$110 million or \$175 million in the aggregate. Dr. Goldberg followed up with Cardinal Health 414 by email indicating the Company's interest to move forward negotiating a transaction. A meeting was set for September 1, 2016. Navidea's Board of Directors met by phone to discuss the Harris County court ruling and to review the latest offer from Cardinal Health 414. The Board of Directors authorized management to negotiate and close a deal with Cardinal Health 414 as they determined that there were no other viable alternatives given the court's ruling in Harris County.

On September 1, 2016, Dr. Goldberg and Mr. Latkin attended a lengthy meeting at Cardinal Health to discuss material terms of the potential transaction with Cardinal Health 414 management. The parties aligned on those terms at the meeting and, Cardinal Health 414 promptly revised its non-binding offer to \$80 million cash upon closing plus \$6.7 million in earnout payments guaranteed for the first three years after close with the opportunity for the Company to earn additional payments of up to \$210 million so that the maximum possible value of the transaction would be \$310 million. In addition, the equity portion of the transaction was also increased from an initial offer of \$1.00 per share for 10 million warrant shares to \$1.50 per share, thereby potentially adding another \$15 million for the Company. Both parties agreed to present the deal terms to their respective boards of directors and received approval to move forward with the proposed transaction on September 2, 2016. During the next few days the parties negotiated the letter of intent to reflect the foregoing.

On September 2, 2016, the Company's Board of Directors met telephonically and reviewed the terms of the proposed Cardinal Health 414 transaction reflected in the letter of intent. The members reviewed the feedback from bankers and investors regarding replacing the CRG debt. Given the significant deterioration in the Company's stock price as a result of the CRG litigation and the announcement of the Harris County Court decision, the Board of directors determined that there was no viable alternative to the Cardinal Health 414 deal. The Company was not able to pursue an equity transaction because, among other things, we did not have an effective registration statement for the sale of equity and, regardless the amount of equity we would have to sell was extremely dilutive to our stockholders. The Cardinal Health 414 deal was the only viable option and it provided the funds necessary to repay all our debt and provide sufficient funds to enable the achievement of a number of important milestones on our remaining product portfolio. After careful consideration, the Company's Board of Directors voted to sell the Business to Cardinal Health 414.

On September 5, 2016, we executed the non-binding letter of intent providing Cardinal Health 414 with exclusivity in negotiations regarding the Business for a period of time that covered the period through which a definitive asset purchase agreement was executed. Exclusivity was granted to Cardinal Health 414 due to their extensive knowledge of the Product, the limited timeline to get a deal completed and the absence of competing offers to date. On September 6, 2016, we issued a press release in respect of the foregoing.

During the month of September 2016, the Company began responding to diligence requests from Cardinal Health 414.

On September 29, 2016, we received an initial draft of the proposed Asset Purchase Agreement from Cardinal Health 414.

On October 2, 2016, our Board of Directors met to discuss the diligence being conducted by Cardinal Health 414. Our senior management reviewed the progress of diligence and document review, the schedule for management meetings with Cardinal Health 414, and the timeline for preparation of asset purchase documents. At this meeting, our senior

management also reviewed with our Board of Directors the status of the Business sale process.

Throughout October 2016, our senior management and Maslon LLP and Porzio, Bromberg & Newman, P.C., our legal advisors, held conference calls with Cardinal Health 414 and its advisors to discuss the proposed terms of the Asset Purchase Agreement, to address certain due diligence items raised by Cardinal Health 414, and to negotiate various terms and conditions of the Asset Purchase Agreement and related documents, and circulated revised drafts of such documents. Also during this period, representatives of Cardinal Health 414 continued their due diligence review of the Business and the Product. In addition to the negotiation of material terms set forth in the Asset Purchase Agreement and other ancillary agreements, the Company negotiated changes to the termination fee provisions to permit extension of the terms of Cardinal Health 414's existing supply and distribution agreement with the Company or a termination fee payable upon the occurrence of certain events, but Cardinal Health 414 will not be entitled to both the extension to be granted and the fee to be paid. See pages 38-39 for a description of the final terms of the termination fee, extension of supply agreement and reimbursement of expenses upon termination of the Asset Purchase Agreement.

Also, in October 2016, a revised temporary restraining order was issued in respect of the CRG litigation, allowing the Company to receive 100% of the receivables due from Cardinal Health 414 with an additional \$1 million deposited in a pledged collateral account by the Company as a bond. The \$1 million previously deposited by Cardinal Health 414 in the Court's registry as a bond has also been transferred to the pledged collateral account. There is currently \$5 million in such pledged collateral account.

Although the Company maintains that CRG's allegations of default under the CRG Loan Agreement are without merit and believes it has defenses against these claims, the Company determined that its best course of action is to refinance its existing debt with CRG in the quickest manner possible. With this in mind, our senior management and Board of Directors reviewed the performance of our businesses and our strategies, opportunities, and objectives in the markets in which we operate. In conjunction with those reviews, we assessed the short- and long-term prospects of our business segments and the Company as a whole. We evaluated opportunities to grow our businesses based on our current assets and technology platforms, as well as by means of mergers, acquisitions, licenses, divestitures, asset sales, and strategic alliances with other companies. Our senior management and Board of Directors concluded that pursuing a transaction with Cardinal Health 414, our primary distributor of the Product throughout the United States through its network of nuclear pharmacies, would be in the best interest of the Company and its stockholders. Cardinal Health 414 is party to the Supply and Distribution Agreement with us, has knowledge of the Product and an interest in the success of the Business, with over 99% of the Product sales being made to Cardinal Health 414 during the nine months ended September 30, 2016 and approximately 81% of accounts and other receivables were due to us from Cardinal Health 414 as of September 30, 2016.

On November 21, 2016, our Board of Directors convened a meeting to discuss the proposed terms of the Asset Sale transaction and the proposed Asset Purchase Agreement and related documents. Our senior management and our corporate counsel also were present at the meeting. At the meeting, the current status of the Asset Purchase Agreement and the transaction was discussed, as well as a memorandum previously sent to our Board of Directors summarizing the fiduciary duties of the directors owed to our stockholders. Our Board of Directors also discussed the advantages and risks of the proposed transaction that are described in "Reasons for the Asset Sale" below. Dr. Goldberg also explained that as a result of the Asset Sale, the Company would have the resources necessary to focus on expanding its portfolio for Tilmanocept. The opportunities include ongoing clinical trials exploring the use of our imagin agent in cardio vascular, rheumatoid arthritis indications and multiple animal trials completed and ongoing at the Company's wholly-owned subsidiary Macrophage Therapeutics in the therapeutic setting. The Board of Directors agreed that these opportunities represent a larger overall economic potential for the Company than the already approved diagnostic indications for the Product. Furthermore, the members of the Board of Directors agreed that the lightened commercial burden and more streamlined operations of the Company would allow it to be more flexible in its future pursuits of these new indications. After careful consideration, on November 23, 2016, by unanimous written consent, our Board of Directors determined that the Asset Sale and Asset Purchase Agreement were in the best interests of Navidea and our stockholders, approved the Asset Purchase Agreement and the Asset Sale, and recommended that our stockholders adopt and approve the Asset Purchase Agreement and the Asset Sale.

The Asset Purchase Agreement was executed by Navidea and Cardinal Health 414 on November 23, 2016.

On November 23, 2016, following the temporary suspension of trading on the NYSE MKT, Navidea issued a press release announcing the execution of the Asset Purchase Agreement and other matters.

Reasons for the Asset Sale

Our Board of Directors has determined that the sale of the Business in the Asset Sale is in the best interests of our stockholders because it believes that the purchase price represents the full valuation of the Business and that the Company will have a better chance of increasing stockholder value by selling the Business in this transaction than it would if it retained and continued the Business. Specifically, the initial cash proceeds of the Asset Sale will provide the Company with needed financial liquidity to eliminate all of the Company's outstanding indebtedness to CRG and Platinum, which indebtedness the Company was previously unsuccessful in refinancing through other sources. In addition, in connection with the Asset Sale, and subject to Cardinal Health 414's offset rights, the Company is guaranteed payments of \$20.1 million during the first three years following the closing which, together with any initial cash proceeds remaining after CRG and other lenders of the Company are paid, will provide the Company with the opportunity to continue to operate its Remaining Businesses while pursuing other initiatives intended to increase stockholder value. Also, Cardinal Health 414, as owner of the Business after the closing of the Asset Sale, will have greater resources than the Company and a strong incentive to market the Product which factor into the amount of earnout payments up to \$230 million of which can be earned by the Company during the course of ten years, without significant effort on the Company's part.

We believe that focusing on our Remaining Businesses will permit greater management and resource focus on what we believe to be the most substantial opportunity for growth and the creation of long-term stockholder value. The separation of the Business from our Remaining Businesses will better position the Business and our Remaining Businesses to each realize its full potential without any restrictions from the other. The growth of the Business would require increasing investment of our resources and focus as we seek to increase revenue, diversify revenue sources, and achieve profitability. The Asset Sale will allow us to increase our focus on the Remaining Business, including distributing the Product outside of North America.

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

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

- the value and the consideration to be received by us pursuant to the Asset Purchase Agreement, including the fact that we would receive an up-front payment without the placement of any funds in escrow;

- the potential for us to receive additional consideration in the form of earnout payments in the amount of up to an aggregate of \$230 million based on the Net Sales attributable to the Product, of which \$20.1 million is guaranteed, subject to Cardinal Health 414's offset rights;

- the form of the consideration in the Asset Sale being cash (both in respect of the up-front payment and any continuing royalty payments), and the certainty of the value of such cash consideration compared to stock or other possible forms of consideration;

- the fact that we are in litigation with CRG and need to immediately eliminate our entire indebtedness to CRG and remove CRG's security interest in substantially all of the assets of the Company;

- that Cardinal Health 414 is an obvious buyer for the Product in that Cardinal Health 414 is party to the Supply and Distribution Agreement with the Company and is familiar with the Product and has an interest in the success of the Business, with over 99% of the Product sales being made to Cardinal Health 414 during the nine months ended September 30, 2016 and approximately 81% of accounts and other receivables were due to us from Cardinal Health 414 as of September 30, 2016.

financial information concerning the Business and our other businesses (including, without limitation, information relating to the financial condition and prospects of the Business and other businesses), current industry, economic and market conditions relating to the Product and other businesses and the possibility that the short- and long-term prospects of the Product may face increasing market pressures while our Remaining Businesses are presented with continued opportunities to grow;

the fact that the continued operation of both our Business and Remaining Businesses together could place certain restrictions on each of the businesses, due to strategic, competitive and operational considerations and limitations that may hinder their respective abilities to achieve their goals in the future;

the additional financial flexibility to continue to aggressively grow our Remaining Business, both with our current assets and technologies and through additional licenses or acquisitions;

the comprehensive review process undertaken by us which ultimately resulted in the agreement with Cardinal Health 414 to acquire the Product;

the alternatives available if we did not sell the Product to Cardinal Health 414, including independent pursuit of growth of the Business, through acquisitions or otherwise, all of which involve meaningful risks, financial commitments, and uncertainties, none of which, in the view of our Board of Directors, were as favorable to us and our stockholders as, nor more favorable to us and our stockholders than, the Asset Sale;

the business reputation and experience of Cardinal Health 414 and its management, directors and shareholders and its financial resources which our Board of Directors believed supported the conclusion that a transaction with Cardinal Health 414 could be completed in an efficient and orderly manner;

the impact of the Asset Sale on our customers, employees, and other business partners; and

the reasonable likelihood of the consummation of the Asset Sale in light of the relatively limited conditions to Cardinal Health 414's obligations to consummate the Asset Sale, including the fact that the consummation of the Asset Sale is not contingent on Cardinal Health 414's ability to secure financing commitments or third party consents.

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

the possibility that the transactions contemplated by the Asset Purchase Agreement, including the Asset Sale, might not be consummated, and the fact that if the Asset Sale is not consummated, (a) our directors, executive officers and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the transaction, (b) we will have incurred significant transaction costs, (c) the potential negative market perception of our continuing business could potentially result in a loss of customers, business partners, channel partners and employees, any of which may have a material and adverse effect on our results of operations and our stock price, and (d) we will not be able to repay \$55.9 million of debt to CRG and \$9.6 million of debt to Platinum and will be required to explore alternative financing arrangements;

the effect of the public announcement of the Asset Sale and the Asset Purchase Agreement, including effects on our sales, customer and channel partner relationships, operating results, stock price, and our ability to attract and retain key management and sales and marketing personnel and technical support agents;

the fact that, after the Asset Sale, we will be entirely dependent on the performance of our Remaining Business, which, except with respect to distribution of the Product in Europe, is in a research and development stage and has not generated any revenues to date;

our obligations to provide services to Cardinal Health 414 for a period of time following the closing pursuant to the terms of the transition services agreement;

the restrictions on the conduct of the Business prior to completion of the Asset Sale, requiring us to conduct the Business only in the ordinary course, subject to specific limitations or Cardinal Health 414's consent, which may delay or prevent us from undertaking business opportunities that may arise pending completion of the Asset Sale;



the restrictions on our Board of Directors' ability to solicit or engage in discussions or negotiations with a third party regarding alternative transactions, and the requirement that we pay for Cardinal Health 414's transaction expenses, or Cardinal Health 414's transaction expenses plus a \$3,000,000 termination fee, in certain cases in the event of a termination of the Asset Purchase Agreement;

the risk that we will not be able to satisfy some or all of the conditions to Cardinal Health 414's obligation to consummate the Asset Sale;

the risk that we could be exposed to future indemnification payments for a breach or violation of the representations and warranties or covenants contained in the Asset Purchase Agreement;

the performance of the Business as operated by Cardinal Health 414 following the Asset Sale which could result in our not receiving any of the additional \$230,000,000 in earnout payments available pursuant to the Asset Purchase Agreement other than \$20,100,000 of guaranteed payments (subject to Cardinal Health 414's right to off-set from such payments any indemnification obligations of the Company), based on net sales attributable to the Product in North America over the course of the next ten years after consummation of the Asset Sale;

the expectation that a portion of the consideration we will receive in connection with the Asset Sale will be subject to certain U.S. federal, state, and local income and other taxes;

the risk that unforeseen liabilities and expenses may be incurred that may limit the ultimate amount of net proceeds from the Asset Sale; and

the significant costs involved in consummating the Asset Sale, including legal and accounting and other costs, which we estimate to be approximately \$600,000.

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

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

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

In considering the recommendation of our Board of Directors to vote for the proposal to adopt and approve the Asset Sale, you should be aware that some of our directors and executive officers may have personal interests in the Asset Sale that are, or may be, different from, or in addition to, your interests.

Dr. Michael Goldberg, our President and Chief Executive Officer, previously managed a portfolio of funds for Platinum from May 2007 until December 2013. In 2011, he made an initial investment of \$1.5 million in PPVA as a passive investor. Dr. Goldberg believes his current investment balance is approximately \$1.4 million after giving effect to prior redemptions and reinvestments. Dr. Goldberg was not a member of the management of any of the Platinum entities; rather he solely had control over the trading activities of a portfolio of health care investments from funds allocated to him from the Platinum funds. Dr. Goldberg was responsible for all investments made by Platinum in the Company and for the trading in the Company's securities up until he joined the Company's Board of Directors in November 2013, at which time he relinquished all control over the trading of the Company's securities held by all of the Platinum entities. On December 13, 2013, Dr. Goldberg formally separated from Platinum and had no further role

in managing their health care portfolio. As part of his separation from Platinum, Dr. Goldberg entered into a settlement agreement, dated March 28, 2014, and amended on June 11, 2015, with PPVA pursuant to which Dr. Goldberg was entitled to receive a beneficial ownership interest in 15% of (1) all securities held by Platinum at the time of his separation from Platinum which included, without limitation, warrants to purchase the Company's common stock, and (2) the drawn amounts from the Platinum debt facility. Dr. Goldberg and Platinum are presently in the process of effectuating the transfer of ownership in such securities to Dr. Goldberg. In furtherance of the foregoing, on October 17, 2016, Platinum transferred warrants to acquire an aggregate of 5,411,850 shares of our common stock to Dr. Goldberg, which warrants were exercised in full by Dr. Goldberg on January 17, 2017 resulting in gross proceeds to the Company of \$54,118.50. The Company has been advised that a portion of its outstanding debt to Platinum, amounting to approximately \$1.4 million, which accrues interest at an annual rate of 14.125%, compounded monthly, as evidenced by a third amended and restated promissory note, is currently intended to be transferred to Dr. Goldberg upon consummation of the Asset Sale. That part of the Platinum debt not transferred to Dr. Goldberg will be paid-off by us using proceeds of the Asset Sale as the Asset Purchase Agreement requires that, at closing, all indebtedness of the Company be paid in full out of the initial closing cash payment, which includes debts payable to CRG, Platinum and, if the foregoing debt transfer occurs, Dr. Goldberg. The Company discussed obtaining a waiver of such requirement with respect to any Platinum debt transferred to Dr. Goldberg. Cardinal Health 414 has orally agreed to waive such requirement provided there is no security interest in the assets being transferred to Cardinal Health 414. Dr. Goldberg has agreed to not require repayment by the Company of any debt transferred to him until the original maturity date of September 30, 2021, and has agreed to release any financial covenants and securitization requirements. The Company and Dr. Goldberg intend to finalize the negotiation of the definitive terms of such remaining indebtedness. Currently, the Company and Dr. Goldberg have not entered into a formal written agreement concerning the terms of such repayment. Pursuant to a settlement agreement, dated as of June 16, 2016, among the Company, PPVA, Platinum-Montaur Life Sciences, LLC and others, Platinum agreed to forgive interest owed on its credit facility with the Company in an amount equal to 6%, effective July 1, 2016, making the effective annual interest rate on the Platinum debt 8.125% as of December 31, 2016.

Jed A. Latkin, our Interim Chief Operating Officer and Chief Financial Officer, was an independent consultant that served as a portfolio manager from 2011 through 2015 for two entities, namely Precious Capital and West Ventures, each of which were during that time owned and controlled, respectively, by PPVA and Platinum Partners Capital Opportunities Fund, L.P. Mr. Latkin was party to a consulting agreement with each of Precious Capital and West Ventures pursuant to which, as of April 2015, an aggregate of approximately \$13 million was owed to him, which amount was never paid and Mr. Latkin has no information as to the current value. Mr. Latkin's consulting agreements were terminated upon his ceasing to be an independent consultant in April 2015 with such entities. During his consultancy, Mr. Latkin was granted a .5% ownership interest in each of Precious Capital and West Ventures, however, to his knowledge he no longer owns such interests. In addition, PPVA owes Mr. Latkin \$350,000 for unpaid consulting fees earned and expenses accrued in 2015 in respect of multiple consulting roles with them. Except as set forth above, Mr. Latkin has no other past or present affiliations with Platinum.

Dr. Eric Rowinsky, our director, was recommended for appointment to the Company's Board of Directors by Dr. Goldberg at a time when Dr. Goldberg was affiliated with Platinum and has, since that time, been elected by the Company's stockholders to continue to serve as an independent director. At no time has Dr. Rowinsky been affiliated, or in any way related to, any of the Platinum entities.

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

Upon the closing of the Asset Sale, our Board of Directors and management will focus their attention on the License-Back and our Remaining Business. We will continue to pursue our growth strategy and the development of our technology for the early diagnosis and disease monitoring of cardiovascular disease and rheumatoid arthritis, along with other macrophage involved diseases, and the development, manufacture, and commercialization of the Product outside the Territory. We will also investigate possibilities for enhancing the business of Macrophage Therapeutics, Inc. that may have been less available to us, due to competitive factors, resource issues, or otherwise, when we operated both the Business and Remaining Business.

Our goals following the conclusion of the Asset Sale will be to continue to grow and diversify revenue in the Remaining Business while driving to achieve profitability, initially focusing on distribution of the Product in Europe and then by expanding the Product's sales to other regions around the globe. To achieve growth we expect to continue to expand on our current pipeline of both diagnostic products through Navidea and our emerging Therapeutic products at our Macrophage Therapeutics subsidiary. During our growth process, we expect to add some additional employees and seek to outsource to clinical research organizations and other outside individuals and groups to assist us in developing our pipeline.

## Recommendation of Our Board of Directors

After careful consideration, the members of our Board of Directors unanimously adopted and approved the Asset Sale pursuant to the Asset Purchase Agreement and determined the Asset Sale to be advisable and in the best interests of the Company and our stockholders, and recommends unanimously to our stockholders that the Asset Sale be approved by our stockholders.

## Other Agreements and Transactions Related to the Asset Sale

### *License-Back Agreement*

As part of the Asset Sale, subject to certain conditions, Cardinal Health 414 will enter into a license-back agreement with the Company pursuant to which Cardinal Health 414 will grant to us a sublicensable (subject to conditions) and royalty-free license to use certain intellectual property rights included in the Acquired Assets and owned by Cardinal Health 414 as of the closing of the Asset Sale to the extent necessary for the Company to (i) on an exclusive basis,

subject to certain conditions, develop, manufacture, market, sell and distribute new pharmaceutical and other products that are not Competing Products, and (ii) on a non-exclusive basis, develop, manufacture, market, sell and distribute the Product throughout the world other than in the Territory. As used in the License-Back, a Competing Product is any pharmaceutical or other product that: (i) accumulates in lymphatic tissue or tumor-draining lymph nodes for the purpose of (a) lymphatic mapping or (b) identifying the existence, location or staging of cancer in a body; (ii) provides for or facilitates any test or procedure that is reasonably substitutable for any test or procedure provided for or facilitated by the Product; or (iii) is marketed for unapproved uses that allow such product to compete with the Product. Subject to the Company's compliance with certain restrictions in the License-Back, the License-Back also restricts Cardinal Health 414 from using the intellectual property rights included in the Acquired Assets to develop, manufacture, market, sell or distribute any product other than the Product or other product that (a) accumulates in lymphatic tissue or tumor-draining lymph nodes for the purpose of (1) lymphatic mapping or (2) identifying the existence, location or staging of cancer in a body, or (b) provides for or facilitates any test or procedure that is reasonably substitutable for any test or procedure provided for or facilitated by the Product. Pursuant to the License-Back, Cardinal Health 414 will be provided with a right of first offer to market, sell and/or market any new products developed from the intellectual property rights licensed by Cardinal Health 414 to the Company by the License-Back.

#### *Warrant Agreement*

The Company shall grant to Cardinal Health 414 a five (5) - year warrant to purchase up to 10 million shares of the Company's Common Stock at an exercise price of \$1.50 per share.

#### *Transition Services Agreement*

Pursuant to the Asset Purchase Agreement, we have agreed to enter into a transition services agreement with Cardinal Health 414 pursuant to which we shall provide certain transitional, administrative and support services to Cardinal Health 414 following the closing of the Asset Sale.

*License Agreements with The Regents of the University of California (San Diego)*

The Asset Purchase Agreement requires Cardinal Health 414 enter into a license agreement with UCSD to sell the Product in North America, and that our license agreement with UCSD be amended and restated.

*Safety Data Exchange Agreement*

Pursuant to the Asset Purchase Agreement, we will enter into a safety data exchange agreement in a form acceptable to us and Cardinal Health 414, which will set forth the terms and conditions by which safety data related to the Product will be shared.

*Appraisal Rights*

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

*Accounting Treatment of the Asset Sale*

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

*Financing; Source and Amount of Funds*

The Asset Sale is not conditioned on Cardinal Health 414's ability to obtain financing.

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

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

#### Regulatory Matters

We have determined that the Asset Sale is not subject to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or the reporting and waiting requirements of any other United States antitrust law. However, the Asset Sale may be subject to the FTC Order. A condition to Cardinal Health 414's obligation to consummate the Asset Sale requires that the waiting period (and any extension thereof) under such order will have expired or will have been terminated or otherwise determined to be inapplicable. We are not aware of any other material regulatory approvals that are required to complete the Asset Sale.

## ASSET PURCHASE AGREEMENT

The following summary of the Asset Purchase Agreement is not complete and is qualified in its entirety by reference to the copy of the Asset Purchase Agreement attached to this proxy statement as Appendix A and incorporated by reference herein. We urge you to read the Asset Purchase Agreement carefully and in its entirety because it, and not the summary set forth in this proxy statement, is the legal document that governs the Asset Sale.

The terms of the Asset Purchase Agreement (such as the representations and warranties) are intended to govern the contractual rights and relationships, and allocate risks, between the parties in relation to the Asset Sale. The Asset Purchase Agreement contains representations and warranties that Navidea, on the one hand, and Cardinal Health 414, on the other hand, made to each other as of specific dates. The representations and warranties were negotiated between the parties with the principal purpose of setting forth their respective rights with respect to their obligations to consummate the Asset Sale and may be subject to important limitations and qualifications as set forth therein, including a contractual standard of materiality different from that generally applicable under federal securities laws. In addition, certain representations and warranties relate to information that is not known currently by either party and have been negotiated such that the risk that such representations or warranties are ultimately shown to not be true is allocated between the parties.

In addition, such representations and warranties are qualified by information in confidential disclosure schedules that Navidea and Cardinal Health 414 have exchanged in connection with signing the Asset Purchase Agreement. While Navidea does not believe that the disclosure schedules contain information that the securities laws require to be publicly disclosed, the disclosure schedules do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached Asset Purchase Agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they are modified by the underlying disclosure schedules. These disclosure schedules contain certain information that has been included in our prior public disclosures, as well as additional non-public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Asset Purchase Agreement, which subsequent information may or may not be fully reflected in our public disclosures.

### General

Under the terms of the Asset Purchase Agreement, Cardinal Health 414 has agreed to purchase the Acquired Assets. Specifically, the Company will sell, assign, convey and transfer to Cardinal Health 414, free and clear of all liens, all of its right, title and interest in, to and under all tangible and intangible assets used, held for use, or intended to be used in operating the Business in the Territory, including:



inventories used, held for use, or intended to be used in operating the Business, wherever located, including inventories of raw materials, finished goods, operating supplies, work-in-process, products, supplies, packaging, packaging materials, parts and other inventories used, held for use, or intended to be used in operating the Business, including any such being held on consignment, bailment or other arrangement;

all tooling, dies and other supplies and equipment, wherever located, used or held for use in manufacturing, testing, storing or handling of the Product;

all supplier and customer lists and pricing information relating to the Product;

other than the contracts specifically excluded from the Asset Sale pursuant to the Asset Purchase Agreement, all contracts and agreements to which the Company or any of its affiliates is a party to the extent related to the development, offer or sale of, or that are otherwise material to, the Product in the Territory or any employee hired by Cardinal Health 414 on or after the closing of the Asset Sale;

all intellectual property used in or reasonably necessary to conduct the Business and the goodwill associated therewith;

all product registrations of regulatory authorities related to the Product, including the new drug application approved by the FDA for the Product, all regulatory submissions in the United States that have been made with respect to the Product and all Health Canada regulatory submissions and, in each case, all files, data and records related thereto;

all permits related to the Product in the Territory;

the clinical trials and the clinical trial authorizations scheduled in the Asset Purchase Agreement and all files and records related thereto;

all of the Company's or its affiliates' claims, causes of action, defenses and rights of offset or counterclaim against third parties relating to any Acquired Asset or any liability assumed by Cardinal Health 414 under the Asset Purchase Agreement, including unliquidated rights under manufacturers' or vendors' warranties;

all books and records of the Business, including all product designs and manufacturing drawings and all technical, sales and promotional literature used in the Territory, all correspondence with the FDA regarding an investigational new drug application ("IND") and new drug application ("NDA") for the Product, all clinical study data supporting the IND and NDA for the Product and all related historical safety and pharmacovigilance data;

all insurance benefits to the extent relating to claims arising out of events that occurred prior to closing of the Asset Sale (if any) and associated with the Acquired Assets, including such rights and proceeds receivable or hereafter received under any insurance policy written prior to such closing;

all right, title and interest in and to the Product; and

all goodwill associated with the Business and the Acquired Assets.

As consideration for the Asset Sale, Cardinal Health 414 agreed to: (i) make a cash payment to us at closing of \$80,000,000 (reduced by an aggregate of approximately \$65.5 million of indebtedness to be repaid to CRG and Platinum on behalf of the Company (less approximately \$1.4 million if the transfer of debt to Dr. Goldberg occurs, as discussed under "Interests of Our Directors and Executive Officers in the Asset Sale" beginning on page 27), the amount by which, if any, transferred Product inventory is less than \$6 million, and estimated transaction costs of \$600,000); (ii) assume certain liabilities of the Company associated with the Business as specified in the Asset Purchase Agreement; and (iii) make periodic earnout payments of up to \$230 million, but not less than \$20.1 million (to consist of contingent payments and milestone payments which, if paid, will be treated as additional purchase price) to us based on the Net Sales derived from the purchased Product, subject, in each case, to Cardinal Health 414's right to off-set.

During the Contingent Payment Period, Cardinal Health 414 will pay to the Company contingent payments in an amount equal to eight percent of the Net Sales for each measuring year, or each fiscal year ending June 30<sup>th</sup> through and including June 30, 2026; provided that the first measuring year shall be from the closing of the Asset Sale through and including June 30, 2017. In the case of contingent payments to be made with respect to the first three measuring years during the Contingent Payment Period, Cardinal Health 414 will make such payments on a quarterly basis (equal to the greater of (a) eight percent of Net Sales during the applicable fiscal quarter, or (b) \$1,675,000) to the Company within 30 days following the end of each fiscal quarter during the applicable measuring year. Notwithstanding the foregoing, with respect to the first measuring year, the minimum contingent payment will be pro rated based on a fraction, the numerator of which equals the number of days elapsed between the closing of the Asset Sale through and including June 30, 2017 and the denominator of which equals 365, and, to the extent such pro ration results in the Company receiving less than the minimum contingent payment for such first measuring period, Cardinal Health 414 will pay the Company a "catch-up contingent payment" in an amount equal to the difference between what

the Company received and the minimum contingent payment for such first measuring period within 30 days following the end of the second fiscal quarter of the fourth measuring year. Notwithstanding the foregoing, if the contingent payment in any of the first three measuring years would be less than \$6.7 million (as pro rated for the first measuring year) based upon the calculation of Net Sales, then the contingent payment to the Company for the applicable measuring year will be deemed to be \$6.7 million (as pro rated for the first measuring year) (each such contingent payment during the first three measuring years, and the catch up contingent payment being the guaranteed payments), subject to Cardinal Health 414's right to off-set the difference between \$6.7 million and the amount that would have otherwise been payable in the absence of this minimum threshold against any future earnout payments that are not guaranteed. In no event will the sum of all contingent payments exceed \$160,000,000.

During the Continent Payment Period, Cardinal Health 414 will pay to the Company the following additional milestone payments upon the achievement by or on behalf of Cardinal Health 414 of the following milestone events:

- o \$10,000,000, payable after the first fiscal year ending June 30<sup>th</sup> in which annual Net Sales exceed \$100,000,000;
- o \$15,000,000, payable after the first fiscal year ending June 30<sup>th</sup> in which annual Net Sales exceed \$200,000,000;
- o \$20,000,000, payable after the first fiscal year ending June 30<sup>th</sup> in which annual Net Sales exceed \$300,000,000;

o \$25,000,000, payable after the first fiscal year ending June 30<sup>th</sup> in which annual Net Sales exceed \$400,000,000.

In no event will the aggregate of all such milestone payments exceed \$70,000,000, provided, however, that more than one milestone payment can be earned in the same fiscal year.

As part of the Asset Sale, the parties have agreed that simultaneous with the closing, subject to certain conditions, Cardinal Health 414 will enter into a License Back with the Company, pursuant to which Cardinal Health 414 will grant to the Company a sublicensable (subject to conditions) and royalty-free license to use certain intellectual property rights included in the Acquired Assets and owned by Cardinal Health 414 as of the closing of the Asset Sale to the extent necessary for the Company to (i) on an exclusive basis, subject to certain conditions, develop, manufacture, market, sell and distribute new pharmaceutical and other products that are not Competing Products, and (ii) on a non-exclusive basis, develop, manufacture, market, sell and distribute the Product throughout the world other than in the Territory. The License-Back also restricts Cardinal Health 414 from using the intellectual property rights included in the Acquired Assets to develop, manufacture, market, sell or distribute any product other than the Product or other product that (a) accumulates in lymphatic tissue or tumor-draining lymph nodes for the purpose of (1) lymphatic mapping or (2) identifying the existence, location or staging of cancer in a body, or (b) provides for or facilitates any test or procedure that is reasonably substitutable for any test or procedure provided for or facilitated by the Product. Pursuant to the License-Back, Cardinal Health 414 will be provided with a right of first offer to market, distribute and/or sell new products developed by the Company using the licensed intellectual property rights in the License-Back.

In addition, the Company will grant to Cardinal Health 414 a five (5) - year warrant to purchase up to 10 million shares of the Company's Common Stock at an exercise price of \$1.50 per share.

## Closing

Closing of the Asset Sale under the Asset Purchase Agreement will occur within three business days following the satisfaction or waiver of all conditions to the obligations of the parties to consummate the transactions contemplated thereby, including the adoption and approval of the Asset Sale and the Asset Purchase Agreement by the holders of a majority of our Common Stock outstanding on the record date, or at such other time as we and Cardinal Health 414 may agree upon in writing.

## Representations and Warranties

The Asset Purchase Agreement contains a number of customary representations and warranties applicable to us, subject in some cases to customary qualifications, relating to, among other things, the following:

- corporate existence, qualification and good standing;
  
- corporate power and authority to enter into and perform the Asset Sale and the execution, delivery and enforceability of the Asset Purchase Agreement;
  
- binding effect of the Asset Purchase Agreement and the other agreements contemplated thereby;
  
- subsidiaries of the Company;
  
- absence of conflicts with or defaults under organizational documents, other contracts and applicable law or acceleration of material obligations, except as otherwise provided in the Asset Purchase Agreement;
  
- required consents;
  
- financial statements of the Business fairly present, in all material respects, the financial position and results of operation of the Business as of the respective dates or for the respective periods indicated;
  
- absence of certain material adverse changes or events effecting the Business since December 31, 2015;
  
- compliance with laws applicable to the Business and Acquired Assets;
- validity of governmental permits;

- absence of litigation related to the Business, the Product or the Acquired Assets or seeking to enjoin or delay consummation of the Asset Sale;
- title to property and purchased assets and sufficiency of the purchased assets for the continued conduct of the Business;
- tax compliance and related matters with respect to the Business and the Acquired Assets;
- environmental matters;
- labor and employment matters and employee benefit plans;
- intellectual property, used exclusively in connection with the Business;
- material contracts related to the Business, including materiality requirements and thresholds related thereto;
- insurance related to the Business;
- title to Acquired Assets and sufficiency of the Acquired Assets in the conduct of the Business;
- affiliate transactions;
- brokers' or finders' fees, and other fees with respect to the Asset Sale;
- suppliers of the Business;
- product recalls and product liability claims;
- FDA and regulatory matters
- use and merchantability of inventory; and

Board of Director recommendation to approve the Asset Purchase Agreement and the Asset Sale and recommend stockholders approve the Asset Sale.

The Asset Purchase Agreement also contains a disclaimer of any other representations or warranties, express or implied, other than as set forth in the Asset Purchase Agreement or the Supply and Distribution Agreement.

Certain representations and warranties in the Asset Purchase Agreement provide exceptions for items that are not reasonably likely to have a “Material Adverse Effect.” For purposes of the Asset Purchase Agreement, a “Material Adverse Effect” means any change, effect, event, occurrence, circumstance, state of facts or development that, individually or in the aggregate, is or is reasonably likely to have a material adverse effect on (a) the Company, the Business, the Acquired Assets or the liabilities of or related to the Product to be assumed by Cardinal Health 414, or (b) the ability of the Company to timely consummate the transactions contemplated by the Asset Purchase Agreement; provided, however, that for purposes of the representations and warranties entitled “Absence of Certain Developments” and “Conduct of Business Prior to Closing” of the Asset Purchase Agreement, any adverse change, effect, event, occurrence, circumstance, state of facts or development to the extent arising from or related to any of the following will not be deemed to constitute and will not be taken into account in determining whether a Material Adverse Effect has occurred: (i) the announcement, pendency or consummation of the transactions contemplated by the Asset Purchase Agreement; (ii) conditions affecting the global economy or financial markets as a whole, or generally affecting the medical product industry; (iii) any change after the date of the Asset Purchase Agreement in any applicable legal requirements or generally accepted accounting principles; (iv) the commencement, occurrence or continuation of any war, armed hostilities or acts of terrorism; or (v) earthquakes, hurricanes, floods or other natural disasters (except in the case of the foregoing clauses (ii) through (v) to the extent such changes, effects, events, occurrences, circumstances, states of fact or developments have a disproportionate adverse impact on the Company or the Business as compared to other participants in the industry or geographies in which they operate).

The Asset Purchase Agreement also contains a number of customary representations and warranties applicable to Cardinal Health 414, subject in some cases to customary qualifications, relating to, among other things, the following:

- corporate existence, qualification and good standing;

- corporate power and authority to enter into and perform the Asset Sale and the execution, delivery and enforceability of the Asset Purchase Agreement;

- binding effect of the Asset Purchase Agreement and the other agreements contemplated thereby;

- absence of conflicts with or defaults under organizational documents, other contracts and applicable law or acceleration of material obligations, except as otherwise provided in the Asset Purchase Agreement;

- required consents;

- absence of litigation with material adverse effect on Cardinal Health 414's ability to consummate the Asset Sale;

- brokers' or finders' fees, and other fees with respect to the Asset Sale; and

- the availability of funds necessary to allow Cardinal Health 414 to consummate the Asset Sale.

#### Indemnification; Survival of Indemnification Obligations

After the closing of the Asset Sale, we have agreed to indemnify and hold Cardinal Health 414 and its affiliates harmless from any loss arising out of (i) any breach or inaccuracy of representations and warranties by us in the Asset Purchase Agreement and other related agreements, (ii) breaches by us of any covenants or agreements made or to be performed by us under the Asset Purchase Agreement or related agreements, (iii) any excluded assets or liabilities under the Asset Purchase Agreement, and (iv) certain additional items scheduled by the parties. In general, we are required to indemnify Cardinal Health 414 for any indemnifiable losses arising out of a breach of our representations or warranties, subject to certain exceptions, for a period of three years following the closing date of the Asset Sale. In general, we are not obligated to make Cardinal Health 414 whole for any losses suffered as a result of breaches of our representations and warranties until Cardinal Health 414 suffers losses in excess of \$400,000, at which point we are obligated to indemnify Cardinal Health 414 for all losses in excess of \$400,000, subject to limitations set forth below. In addition, our liability for any claim for indemnification brought by us for breach of a representation or warranty is, subject to certain exceptions for fundamental representations set forth in the Asset Purchase Agreement, limited to



fifteen percent of the purchase price, which shall include \$80 million initial cash payment at closing plus the aggregate of earnout payments up to \$230 million, of which \$20.1 million is guaranteed, subject to offset for indemnification claims. Claims for breaches of representations and warranties regarding our corporate existence, validity of the Asset Purchase Agreement, authority and power to enter into the Asset Sale, our subsidiaries, conflicts, consents to the Asset Sale, compliance with laws, taxes, intellectual property, title to Acquired Assets, affiliate transactions, and brokers, as fundamental representations, are not subject to the limitations on indemnification set forth above and in the Asset Purchase Agreement, and Cardinal Health 414 may proceed directly against us for any such claims up to the full purchase price.

After closing of the Asset Sale, Cardinal Health 414 has agreed to indemnify and hold us and our affiliates harmless from any loss arising out of (i) any breach of representations and warranties by Cardinal Health 414 in the Asset Purchase Agreement and other related agreements, (ii) breaches by Cardinal Health 414 of any covenants or agreements made or to be performed by it under the Asset Purchase Agreement or any agreements entered into in connection therewith, or (iii) any liability assumed by Cardinal Health 414 under the Asset Purchase Agreement. In general, Cardinal Health 414 is not obligated to make us whole for any losses arising out of breaches of Cardinal Health 414's representations and warranties until we suffer losses in excess of \$400,000, at which point Cardinal Health 414 is obligated to indemnify us for all losses in excess of \$400,000. Claims for breaches of representations and warranties regarding Cardinal Health 414's corporate existence, validity of the Asset Purchase Agreement, authority and power to enter into the Asset Sale, conflicts, consents to the Asset Sale, and brokers, are not subject to the limitations on indemnification set forth above and in the Asset Purchase Agreement, and we may proceed directly against Cardinal Health 414 for any such claims.

## Covenants and Agreements

Under the Asset Purchase Agreement, we have agreed to abide by certain customary covenants prior to the closing of the Asset Sale or the earlier termination of the Asset Purchase Agreement. Among others, these covenants include an agreement to not take any of the following actions without the written consent of Cardinal Health 414 prior to the closing of the Asset Sale or the earlier termination of the Asset Purchase Agreement:

- fail to use reasonable efforts to preserve the present business operations, organization and goodwill of the Company's Business and preserve present relations with customers, suppliers and employees of such business, and conduct such Business in the ordinary course consistent with past practice;
- take or permit any action that, if it had been taken or permitted, would reasonably be expected to result in a breach of any representation or warranty made by us under the Asset Purchase Agreement;
- amend our certificate of incorporation or bylaws in any manner which could adversely affect the transactions contemplated by the Asset Purchase Agreement;
- merge or consolidate with any entity or acquire any equity interest in any business or entity;
- adopt a plan or complete a partial liquidation or authorize or undertake a dissolution, consolidation, restructuring, recapitalization or other reorganization;
- sell, pledge, dispose of, transfer, lease, license, guarantee, encumber or authorize the sale, pledge, disposition, transfer, lease, license, guarantee or encumbrance of any assets, other than any sale of finished product inventory in the ordinary course of business;
- take any action that would reasonably be expected to increase taxes with respect to the Business or the Acquired Assets for any taxable period beginning after the closing date of the Asset Sale or the portion of any straddle period for taxes beginning the day after the closing;
- waive, release, compromise or settle any pending or threatened action except for actions (i) with respect to which an insurer has the right to control the decision to settle or (ii) as to which such settlement does not adversely affect the Company after the closing of the Asset Sale or solely involves monetary payments, prior to the closing, of less than \$75,000; or

agree, commit or offer to or fail to perform any action that results in or legally binds the Company to do any of the foregoing.

#### No Negotiation or Solicitation of Competing Transaction

The Asset Purchase Agreement provides that, except as specifically provided for in the Asset Purchase Agreement, we will not (and we will cause our employees, officers, directors and agents not to), directly or indirectly, initiate, facilitate, solicit or encourage any inquiries, proposals, indications of interest or offer that constitute or could reasonably be expected to lead to any proposal with respect to any merger, consolidation or other business combination, reorganization, recapitalization, share exchange, dissolution, liquidation or similar transaction involving the Company or its subsidiaries or the purchase or sale of an equity interest representing more than 25% of the voting power of the Company or the purchase or sale of assets, businesses, securities or ownership interests representing more than 25% of the net revenues, net income or net assets of the Business, taken as a whole, or of the Company and its subsidiaries as a whole (an "Acquisition Proposal").

#### Employee Matters

Cardinal Health 414 may offer employment after the closing of the Asset Sale to any employee of the Company who devotes any portion of his or her time to the Business. We shall retain responsibility for all costs arising on account of periods ending with the closing of the Asset Sale with respect to all employees.

In addition, directly or indirectly, during the five year period from and after the closing of the Asset Sale, we may not solicit, encourage to leave employment, or hire any person employed by Cardinal Health 414 on the date the Asset Purchase Agreement was executed, or any employee in the Business, or induce or attempt to induce, or assist anyone else to induce or attempt to induce, any customer, supplier, licensee of Cardinal Health 414 to reduce or discontinue its business with Cardinal Health 414 or in any way interfere with the relationship between any customer, supplier, licensee or business relation of the Business.

#### Exclusivity

Our Board of Directors shall not (i) withdraw, amend or modify, or propose publicly to withdraw, amend or modify, in a manner adverse to Cardinal Health 414, its recommendation that the Company's stockholders approve the Asset Sale or (ii) recommend, adopt or approve, or propose publicly to recommend, adopt or approve, or fail to reject, any acquisition proposal or (iii) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal, or cause or permit the Company to execute or enter into any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, joint venture agreement or other similar agreement related to, or that is intended to or could reasonably be expected to lead to, any acquisition proposal. Notwithstanding the foregoing, if prior to obtaining stockholder approval of the Asset Sale, the Board of Directors determines in good faith that failure to do so would be reasonably likely to be a violation of its fiduciary duties to the stockholders of the Company under Delaware law, the Company may terminate the Asset Purchase Agreement, subject to the other terms and provisions of the Asset Purchase Agreement.

#### Covenant Not to Compete or Disclose

Pursuant to the Asset Purchase Agreement, the Company has agreed that it shall not, and shall cause its affiliates not to:

for a period of five years from the closing of the Asset Sale, engage in any business that competes with the Business in North America, either directly or indirectly through any entity, as an entity, owner, partner, agent, employee, consultant or in any other capacity, and regardless of whether the Company utilizes any of Cardinal Health 414's intellectual property rights to compete with the Business;

for a period of five years from the closing of the Asset Sale, (i) hire, solicit, encourage, or engage in any activity to induce any employee transferred to Cardinal Health 414 at the closing or other then-current employee of the Business in the Territory, to terminate his or her employment or relationship with Cardinal Health 414, (ii) interfere with the relationship between Cardinal Health 414 and any employee of the Business, or (iii) induce or attempt to induce any customer, supplier, licensee, or business relation of the Business to cease doing business with Cardinal

Health 414 in the Territory; or

· disclose any confidential information of the Business to any person, or use such information for any purpose.

Pursuant to the Asset Purchase Agreement, each of Cardinal Health 414 and Navidea covenant to use its good faith, commercially reasonable efforts to ensure that all labeling with respect to the products manufactured by or for the benefit of such party, for a period of five years following the closing of the Asset Sale, shall not suggest that users thereof may use such products in any manner (such as promoting “off-label” use) that would violate the restrictions of such party set forth in the Asset Purchase Agreement (with respect to Navidea) or the License-Back Agreement (with respect to Cardinal Health 414).

### Supply and Distribution Agreement

The Supply and Distribution Agreement, dated November 15, 2007, between us and Cardinal Health 414 will be terminated as of the closing of the Asset Sale and the provisions thereof shall be of no further force and effect from and after the closing (other than any indemnification, notification or data sharing obligations which shall survive the termination). Cardinal Health 414 and the Company on behalf of themselves and their respective affiliates will irrevocably release and forever discharge each other from all of their respective duties, obligations and liabilities under such Supply and Distribution Agreement (other than indemnification, notification or data sharing obligations which shall survive the termination). If the closing of the Asset Sale does not occur, the Supply and Distribution Agreement may, in certain circumstances and subject to certain conditions, be extended under its existing terms for a period of three years from its existing expiration date as described below under the section entitled “Termination”.

### Conditions to Completion of the Asset Sale

The obligations of us and Cardinal Health 414 to complete the Asset Sale are subject to the satisfaction or waiver of certain customary conditions, including the following:

- absence of any order, statute, rule, regulation, executive order, stay, decree, judgment or injunction which prohibits or prevents the consummation of the transactions contemplated by this Agreement or the closing of the Asset Sale;

- if a filing is made under the Hart-Scott-Rodino Act, the waiting period (and any extension thereof) under the such act will have expired or will have been terminated;

- the requisite stockholders of the Company shall have approved the Asset Purchase Agreement and Asset Sale; and

- Cardinal Health 414 shall have entered into a license agreement with UCSD to sell the Product in North America, and our existing license agreements with UCSD shall have been amended and restated.

In addition, the obligations of Cardinal Health 414 to complete the Asset Sale are subject to the satisfaction by us or waiver by Cardinal Health 414 of conditions, including the following:

Our fundamental representations and warranties set forth in the Asset Purchase Agreement shall be true and correct in all material respects as of the date of execution of the Asset Purchase Agreement and as of the closing date, and all other representations and warranties set forth therein shall be true and correct (without regard to any qualifications therein as to materiality or material adverse effect) as of the date of execution of the Asset Purchase Agreement and as of the Closing Date as though such representations and warranties were made as of the Closing Date (or as of the specific date referred to for any representation or warranty which specifically refers to an earlier date), except in each case for breaches or inaccuracies of such representations or warranties that, individually or in the aggregate, have not had and would not reasonably be expected to have a material adverse effect.

- we shall have performed and complied in all material respects with each of the covenants, agreements and obligations we are required to perform under the Asset Purchase Agreement;

- the absence of a Material Adverse Effect;

- Cardinal Health 414 shall have received all permits necessary to operate the Business;

- We shall have delivered all transaction documents to be delivered in connection with the closing;
  
- individuals requested by Cardinal Health 414 shall have entered into retention agreements with Cardinal Health 414 on terms and conditions satisfactory to Cardinal Health 414;
  
- Product registrations shall have been transferred in accordance with applicable laws from us to Cardinal Health 414 in the Territory;
  
- the waiting period (and any extension thereof) under the FTC Order will have expired or will have been terminated or otherwise determined to be inapplicable;
  
- all investigations relating to the Field Alert Report submitted by Navidea to the FDA on March 31, 2016 will have been completed and closed, and any flawed assay method that may be the root cause for the failure that led to the Field Alert Report will have been addressed, to the reasonable satisfaction of Buyer; and
  
- all supplier audits due in 2016 will have been completed to the satisfaction of Cardinal Health 414.

Our obligation to complete the Asset Sale is subject to the satisfaction by Cardinal Health 414 or waiver by us of conditions, including the following:

Cardinal Health 414's fundamental representations and warranties set forth in the Asset Purchase Agreement shall be true and correct in all material respects as of the date of execution of the Asset Purchase Agreement and as of the closing date, and all other representations and warranties set forth therein shall be true and correct (without regard to any qualifications therein as to materiality or material adverse effect) as of the date of execution of the Asset Purchase Agreement and as of the Closing Date as though such representations and warranties were made as of the Closing Date (or as of the specific date referred to for any representation or warranty which specifically refers to an earlier date), except in each case for breaches or inaccuracies of such representations or warranties that, individually or in the aggregate, have not had and would not reasonably be expected to have a material adverse effect on the ability of Cardinal Health 414 to perform its obligations under the Asset Purchase Agreement or to consummate the transactions contemplated by such agreement;

Cardinal Health 414 shall have performed and complied in all material respects with each of the covenants, agreements and obligations Cardinal Health 414 is required to perform under the Asset Purchase Agreement; and

Cardinal Health 414 shall have delivered all transaction documents to be delivered in connection with the closing.

#### Termination

We and Cardinal Health 414 may by mutual written consent terminate the Asset Purchase Agreement at any time prior to the completion of the Asset Sale.

In addition, either we or Cardinal Health 414 may, in writing, terminate the Asset Purchase Agreement at any time prior to the effective time of the Asset Sale:

if the Asset Sale has not been completed on or before the 180<sup>th</sup> calendar day after execution of the Asset Purchase Agreement, unless extended by writing of the parties, provided, however, that the right to terminate in this instance will not be available to any party whose failure to fulfill or comply with any obligation or covenant under the Asset Purchase Agreement has been the cause of, or resulted in, the failure to close on or prior to such date;

if (so long as such party is not then in material breach of any of its representations, warranties or covenants contained in the Asset Purchase Agreement) the other party shall have breached any material provision of the Asset Purchase Agreement as specifically set forth therein, and such breach is not curable, or shall not have cured such breach within 30 days of receiving notice, and such provision has not been waived by the party terminating the agreement;

if any governmental authority will have issued an order or other legal requirement enjoining or otherwise prohibiting the transactions contemplated by the Asset Purchase Agreement and such order or legal requirement will have



become final and nonappealable, except that the right to terminate and abandon the transactions contemplated by the Asset Purchase Agreement pursuant hereto will not be available to any party whose failure to fulfill or comply with any obligation or covenant under the Asset Purchase Agreement has been the cause of, or resulted in, the issuance of such nonappealable order or legal requirement; or

at any time following the Special Meeting of the Stockholders (including any adjournment or postponement thereof in accordance with the terms of the Asset Purchase Agreement) if the Company does not receive stockholder approval for the Asset Sale at the meeting.

The Asset Purchase Agreement may also be terminated by us, at any time prior to obtaining stockholder approval, if our Board of Directors shall approve and we concurrently with such termination enter into another acquisition agreement providing for the implementation of transactions contemplated by a superior proposal, or by Cardinal Health 414 if (i) our board adversely changes its favorable recommendation that our stockholders approve the Asset Sale, (ii) the Company fails to reconfirm its favorable recommendation of the Asset Sale in certain instances within five business days of Cardinal Health 414's request, (iii) the Company or our Board of Directors makes certain public disclosure with respect to any Acquisition Proposal other than the Asset Sale, or (iv) we breach in any material respect any of our exclusivity obligations set forth in the Asset Purchase Agreement. In any of these instances, the Company will be required to pay a termination fee of \$3,000,000 to Cardinal Health 414 and reimburse Cardinal Health 414 for its reasonable out-of-pocket expenses, actually documented and incurred or payable by or on behalf of Cardinal Health 414 in connection with or in anticipation of the Asset Sale and the agreements related thereto, including all attorney's fees, financial advisor's fees, accountants' fees and filing fees not to exceed \$2,000,000 in the aggregate ("Termination Expenses"); provided, however, that if Cardinal Health 414 elects to extend the Supply and Distribution Agreement pursuant to the terms of the Asset Purchase Agreement, the Termination Fee will not be paid and Cardinal Health 414 will only be eligible to receive a reimbursement of expenses.

In the event that the Asset Purchase Agreement is terminated pursuant to the termination provisions of the Asset Purchase Agreement and within twelve months after such termination, the Company accepts a written offer for, or otherwise enters into an agreement or consummates one or more transactions that, directly or indirectly, result in a sale, license or other transfer of the Business, the Product or all or substantially all of the Company or its assets to a third party, then the Supply and Distribution Agreement shall, subject to the applicable requirements of the FTC Order, be extended under the existing terms for a period of three years from its then-existing expiration date; provided, however, that if the parties are unable to extend the Supply and Distribution Agreement under the FTC Order due to the action of any governmental authority or for any other reason, Cardinal Health 414 will be eligible to be paid the termination fee described above.

If the Asset Purchase Agreement is terminated by (i) Cardinal Health 414 (so long as Cardinal Health 414 is not then in material breach of the Asset Purchase Agreement) if a breach of the Asset Purchase Agreement by the Company results in or would result in certain conditions of the Asset Purchase Agreement not being satisfied and such breach cannot be cured or, if curable, remains uncured for a period of 30 days after the Company has received written notice from Cardinal Health 414 of the occurrence of such breach (of, if earlier, the date of termination), and such conditions have not been waived by Cardinal Health 414, or (ii) either party if the Asset Sale is not approved by the stockholders, then the Company will reimburse Cardinal Health 414 for Termination Expenses. In addition, if prior to such termination there exists another proposal for the acquisition, merger, consolidation or other business combination involving the Product or the Company, and within twelve months after such termination the Company or its subsidiaries accepts a written offer for, or otherwise enters into an agreement to consummate or consummates, such other acquisition, merger, consolidation or other business combination involving the Product or the Company, then upon the signing of a definitive agreement related to any such transaction, or, if no such agreement is signed, then upon consummation of any such transaction, the Company will pay to Cardinal Health 414 a \$3,000,000 termination fee unless Cardinal Health 414 elects to extend the Supply and Distribution Agreement in accordance with the Asset Purchase Agreement and such term is actually so extended.

## Expenses

The Asset Purchase Agreement provides that, except as otherwise set forth in the Asset Purchase Agreement, each party shall pay all costs and expenses incurred on its behalf in connection with the negotiation, preparation and execution of this Agreement and the consummation of the transactions contemplated by the Asset Purchase Agreement, including, without limitation, the fees and expenses of their attorneys, accountants, advisors and other representatives.

## Amendment

The Asset Purchase Agreement shall be amended, modified or supplemented only by a written agreement between Cardinal Health 414 and the Company.

## NAVIDEA BIOPHARMACEUTICALS, INC. AND SUBSIDIARIES

**SELECTED CONSOLIDATED FINANCIAL DATA**

Set forth below is our selected financial data as of the dates and for the periods indicated. The selected consolidated balance sheet data as of September 30, 2016 and the consolidated statement of operations data for the nine months ended September 30, 2016 and 2015 were derived from our unaudited consolidated financial statements included in our filings on Form 10-Q for the quarters ended September 30, 2016 and 2015. The consolidated balance sheet data as of December 31, 2015, 2014, 2013, 2012, and 2011 and the consolidated statements of operations data for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 were derived from the audited consolidated financial statements included in our filings on Form 10-K for each of the respective periods. The data should be read in conjunction with our financial statements and notes thereto, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our filings on Forms 10-Q and 10-K. Certain reclassifications have been made to the prior year’s financial statements to conform to the 2016 presentation. Summary financial data for 2015 and 2011 reflect the disposition of our gamma detection device business in August 2011 and the reclassification of certain related items to discontinued operations. Data are in thousands, except per-share data.

	Pro Forma (a) September 30, 2016		Historical December 31, 2015				
	2016	2016	2015	2014	2013	2012	2011
Consolidated Balance Sheet							
Data:							
Total assets	\$20,963	\$11,190	\$14,965	\$11,830	\$39,626	\$11,677	\$30,603
Long-term liabilities	651	11,200	62,616	32,573	32,703	7,107	6,122
Accumulated deficit	(316,433)	(390,973)	(380,547)	(352,984)	(317,257)	(274,558)	(245,357)

	Pro Forma(a) Nine Months Ended September 30, 2016		Historical <b>Nine Months Ended</b> September 30, Years Ended December 31,						
	Year Ended December 31, 2015	2015	2016	2015	2015	2014	2013	2012	2011
Consolidated Statement of Operations									
Data:									
Revenue	\$3,940	\$3,013	\$18,614	\$8,956	\$13,249	\$6,275	\$1,131	\$79	\$598
Cost of goods sold	5	3	2,017	1,239	1,755	1,586	333	—	—
	5,013	10,563	6,461	10,181	12,788	16,780	23,710	16,890	15,154

Research and development expenses									
Selling, general and administrative expenses	5,833	10,888	9,926	13,486	17,257	15,542	15,526	11,178	9,548
(Loss) income from operations	(6,911 )	(18,441 )	210	(15,950 )	(18,551 )	(27,633 )	(38,438 )	(27,989 )	(24,104 )
Other expenses, net	(107 )	(3,989 )	(10,637 )	(9,103 )	(10,208 )	(8,094 )	(4,261 )	(1,168 )	(943 )
Income tax benefit	—	436	—	—	436	—	—	—	7,880
Loss from continuing operations	\$(7,018 )	\$(21,994 )	(10,427 )	(25,053 )	(28,323 )	(35,727 )	(42,699 )	(29,157 )	(17,167 )
Discontinued operations, net			—	—	759	—	—	—	22,780
Net (loss) income			(10,427 )	(25,053 )	(27,564 )	(35,727 )	(42,699 )	(29,157 )	5,613
Less loss attributable to noncontrolling interest			—	—	(1 )	—	—	—	—
Deemed dividend			—	(46 )	(46 )	—	—	—	—
Preferred stock dividends			—	—	—	—	—	(43 )	(100 )
(Loss) income attributable to common stockholders			\$(10,427 )	\$(25,099 )	\$(27,609 )	\$(35,727 )	\$(42,699 )	\$(29,200 )	\$5,513
(Loss) income per common Share (basic and diluted):									
Continuing operations	\$(0.05 )	\$(0.15 )	\$(0.07 )	\$(0.17 )	\$(0.19 )	\$(0.24 )	\$(0.35 )	\$(0.29 )	\$(0.17 )
Discontinued operations			\$(0.00 )	\$(0.00 )	\$0.01	\$(0.00 )	\$(0.00 )	\$(0.00 )	\$0.23
(Loss) income attributable to common stockholders			\$(0.07 )	\$(0.17 )	\$(0.18 )	\$(0.24 )	\$(0.35 )	\$(0.29 )	\$0.06
Shares used in computing (loss) income									

per common  
share:

Basic and diluted	155,391	151,180	155,391	150,031	151,180	148,748	121,809	99,060	90,509
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Pro forma financial data is intended to represent the financial position and results of operations as if the Business (a) had been sold as of January 1, 2015, the start date of the first period that is presented pro forma in this table. For more information, refer to our unaudited pro forma consolidated financial statements and notes on pages 57 – 65.

THE LYMPHOSEEK NORTH AMERICA BUSINESS OF

**NAVIDEA BIOPHARMACEUTICALS, INC.**

**UNAUDITED FINANCIAL STATEMENTS**

Navidea develops, manufactures and commercializes a product used for (1) lymphatic mapping, (2) lymph node biopsy, and (3) the diagnosis of metastatic spread to lymph nodes for the staging of cancer, the North American rights to which are being sold to Cardinal Health 414 (the Business). Navidea has prepared the following unaudited financial statements to show the balance sheets, statements of operations and statements of cash flows of the Business on a stand-alone basis. The unaudited financial statements represent the results of operations and financial position of the Business, reflecting the assets to be acquired and liabilities to be assumed by Cardinal Health 414 pursuant to the Asset Purchase Agreement.

The following unaudited financial statements of the Business are presented:

*Interim Data*

- Unaudited Balance Sheets – as of September 30, 2016 and December 31, 2015
- Unaudited Statements of Operations – nine months ended September 30, 2016 and 2015
- Unaudited Statements of Cash Flows – nine months ended September 30, 2016 and 2015
- Notes to the Unaudited Interim Financial Statements

*Full-Year Data*

- Unaudited Balance Sheets – as of December 31, 2015 and 2014
- Unaudited Statements of Operations – years ended December 31, 2015, 2014 and 2013
- Unaudited Statements of Cash Flows – years ended December 31, 2015, 2014 and 2013
- Notes to the Consolidated Financial Statements

The unaudited financial statements of the Business, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the historical audited consolidated financial statements and the notes thereto included in Navidea's Annual Report on Form 10-K for the years ended December 31, 2015 and 2014 and Quarterly Report on Form 10-Q for the nine months ended September 30, 2016, as filed with the SEC, which are incorporated herein by reference.

The unaudited financial statements of the Business do not purport to represent, and are not necessarily indicative of, what the actual financial results would have been had Navidea operated the Business as a separate entity.



**THE LYMPHOSEEK NORTH AMERICA BUSINESS OF****NAVIDEA BIOPHARMACEUTICALS, INC.****UNAUDITED BALANCE SHEETS**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
Current assets:		
Accounts receivable, net	\$ 2,829,199	\$ 2,498,087
Inventory, net	804,882	652,906
Prepaid expenses and other	243,031	172,585
Total current assets	3,877,112	3,323,578
Property and equipment	352,256	352,256
Less accumulated depreciation and amortization	248,664	200,844
	103,592	151,412
Patents and trademarks	55,509	55,509
Less accumulated amortization	21,209	16,036
	34,300	39,473
Total assets	\$ 4,015,004	\$ 3,514,463
<b>LIABILITIES AND NET INVESTMENT</b>		
Current liabilities:		
Accounts payable	\$ 688,559	\$ 242,220
Accrued liabilities and other	1,157,720	859,365
Total current liabilities	1,846,279	1,101,585
Other liabilities	—	1,000,000
Total liabilities	1,846,279	2,101,585
Navidea Biopharmaceuticals, Inc. net investment in the Business	2,168,725	1,412,878
Total liabilities and net investment in the Business	\$ 4,015,004	\$ 3,514,463

The accompanying notes are an integral part of these unaudited financial statements.

**THE LYMPHOSEEK NORTH AMERICA BUSINESS OF****NAVIDEA BIOPHARMACETUCIALS, INC.****UNAUDITED STATEMENTS OF OPERATIONS**

	Nine Months Ended September 30,	
	2016	2015
Revenues:		
Lymphoseek sales revenue	\$ 14,673,689	\$ 6,737,917
Grant and other revenue	575	279
Total revenue	14,674,264	6,738,196
Cost of goods sold	2,012,301	1,237,061
Gross profit	12,661,963	5,501,135
Operating expenses:		
Research and development	1,447,611	1,650,531
Selling, general and administrative	4,092,951	4,821,565
Total operating expenses	5,540,562	6,472,096
Income (loss) from operations	7,121,401	(970,961 )
Other income (expense):		
Interest expense	(12,286,094)	(3,419,105)
Change in fair value of financial instruments	1,755,989	(1,702,902)
Total other expense, net	(10,530,105)	(5,122,007)
Loss before income tax	(3,408,704 )	(6,092,968)
Income tax benefit	1,363,482	2,437,187
Net loss	\$(2,045,222 )	\$(3,655,781)

The accompanying notes are an integral part of these unaudited financial statements.

**THE LYMPHOSEEK NORTH AMERICA BUSINESS OF****NAVIDEA BIOPHARMACEUTICALS, INC.****UNAUDITED STATEMENTS OF CASH FLOWS**

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$(2,045,222)	\$(3,655,781 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation of equipment	47,820	49,222
Amortization of patents and trademarks	5,172	5,154
Loss on disposal and abandonment of assets	—	8,618
Change in reserve for uncollectable accounts	—	16,000
Change in inventory reserve	43,354	138,914
Amortization of debt discount and issuance costs	77,964	97,077
Debt discount and issuance costs written off	1,955,541	—
Prepayment premium and debt collection fees related to long term debt	2,923,271	—
Compounded interest on notes payable	1,367,260	1,231,125
Stock compensation expense	118,358	513,348
Change in fair value of financial instruments	(1,755,989)	1,702,902
Issuance of common stock to 401(k) plan	51,312	41,633
Changes in operating assets and liabilities:		
Accounts receivable	(331,112 )	(1,075,190 )
Inventory	(195,330 )	(221,845 )
Prepaid expenses and other assets	(70,446 )	346,848
Accounts payable	446,339	(524,803 )
Accrued liabilities and other liabilities	4,963,961	193,264
Net cash provided by (used in) operating activities	7,602,252	(1,133,514 )
Cash flows from investing activities:		
Purchases of equipment	—	(25,492 )
Patent and trademark costs	—	(1,407 )
Net cash used in investing activities	—	(26,899 )
Cash flows from financing activities:		
Proceeds from notes payable	—	54,500,000
Payment of debt-related costs	(3,923,271)	(1,200,025 )
Principal payments on notes payable	(189,163 )	—
Payment to parent company	(3,489,818)	(52,139,562)
Net cash (used in) provided by financing activities	(7,602,252)	1,160,413
Net change in cash	—	—

Cash, beginning of period	—	—
Cash, end of period	\$—	\$—

The accompanying notes are an integral part of these unaudited financial statements.

THE LYMPHOSEEK NORTH AMERICA BUSINESS OF

NAVIDEA BIOPHARMACEUTICALS, INC.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

**Basis of Presentation:** Navidea Biopharmaceuticals, Inc. (Navidea, the Company, or we) is a biopharmaceutical company focused on the development and commercialization of precision immunodiagnostic agents and immunotherapeutics.

In November 2016, Navidea entered into an agreement (the Asset Purchase Agreement) to sell the Company's radioactive diagnostic agent marketed under the Lymphoseek® trademark (the Product) for current approved indications by the FDA and similar indications approved by the FDA in the future (the Business) in Canada, Mexico and the United States (the Territory) to Cardinal Health 414, LLC (Cardinal Health 414) for \$80 million to be reduced to the extent the amount of transferred Product inventory is less than \$6 million, plus annual earn-out and milestone payments based upon the volume of Product sales. For the first three years, the earn-out payments shall be no less than \$6.7 million per year. In no event will the entire purchase price, including all earn-out payments, exceed \$310 million.

Assets and liabilities being sold to Cardinal Health 414 include:

- Working capital related to the Business, including inventories, prepaid expenses and other assets, accounts payable and other accruals;
- Equipment of the Business used in the manufacture of the Product; and
- Patents and trademarks related to the Business.

Assets and liabilities excluded from the sale to Cardinal Health 414 include:

- Cash and cash equivalents;

· Assets and liabilities related to Navidea in general, such as office computers, furniture and equipment;

· Assets and liabilities related to Macrophage Therapeutics, Inc., our majority-owned subsidiary that was formed specifically to further explore immunotherapeutic applications for the Manocept platform;

· Assets and liabilities related to advancing our technology for diagnosis and disease monitoring of rheumatoid arthritis or “RA,” cardiovascular disease, and other potential immunodiagnostic applications of our Manocept platform;

· Assets and liabilities related to the development, manufacture, and commercialization of the Product outside the Territory; and

· Other assets and liabilities as specified in the Asset Purchase Agreement.

To the extent practicable, revenue and expenses of the Business have been specifically identified and included in the Statements of Operations of the Business. Certain headcount and other supporting expenses have been allocated to the Business based on the amount of time devoted to the Business by the relevant departments. Interest expense related to the CRG and Platinum debt obligations, which will be paid off with the initial net proceeds of the Asset Sale, have also been allocated to the Business in accordance with current accounting guidance.

Navidea has prepared these unaudited financial statements to present the assets and liabilities of the Business as of September 30, 2016 and December 31, 2015, as well as the operating results and cash flows of the Business for the nine-month periods ended September 30, 2016 and 2015. The information presented is unaudited, but includes all adjustments (which consist only of normal recurring adjustments) that the management of Navidea 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 accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. The balances as of September 30, 2016 and the results for the interim periods are not necessarily indicative of results to be expected for the year. These financial statements should be read in conjunction with Navidea’s audited consolidated financial statements for the year ended December 31, 2015 which were included as part of our Annual Report on Form 10-K, with the unaudited consolidated interim financial statements for the nine months ended September 30, 2016 which were included as part of our Quarterly Report on Form 10-Q, and with the unaudited annual financial statements of the Business for the years ended December 31, 2015, 2014 and 2013 included herein.

- b. Financial Instruments and Fair Value:** The carrying amounts of accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments.

**Revenue Recognition:** We generate revenue primarily from sales of the Product. Our standard shipping terms are free on board (FOB) shipping point, and title and risk of loss passes to the customer upon delivery to a carrier for shipment. We generally recognize sales revenue related to sales of our products when the products are shipped. Our customers have no right to return products purchased in the ordinary course of business, however, we may allow returns in certain circumstances based on specific agreements. We earn additional revenues based on a percentage c. of the actual net revenues achieved by Cardinal Health 414 on sales to end customers made during each fiscal year. The amount we charge Cardinal Health 414 related to end customer sales of Lymphoseek are subject to a retroactive annual adjustment. To the extent that we can reasonably estimate the end-customer prices received by Cardinal Health 414, we record sales based upon these estimates at the time of sale. If we are unable to reasonably estimate end customer sales prices related to products sold, we record revenue related to these product sales at the minimum (i.e., floor) price provided for under our distribution agreement with Cardinal Health 414.

## 2. Stock-Based Compensation

Stock options granted under Navidea's stock incentive plans generally vest on an annual basis over one to four years. Outstanding stock options under the plans, if not exercised, generally expire ten years from their date of grant or up to 90 days from the date of an optionee's separation from employment with the Company. We issue new shares of our common stock upon exercise of stock options.

Stock-based payments to employees and directors, including grants of stock options, are recognized in the statement of operations based on their estimated fair values. The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatilities are based on the Company's historical volatility, which management believes represents the most accurate basis for estimating expected future volatility under the current circumstances. Navidea uses historical data to estimate forfeiture rates. The expected term of stock options granted is based on the vesting period and the contractual life of the options. The risk-free rate is based on the U.S. Treasury yield in effect at the time of the grant.

Compensation cost arising from stock-based awards is recognized as expense using the straight-line method over the vesting period. Restricted shares generally vest upon occurrence of a specific event or achievement of goals as defined in the grant agreements. As a result, we record compensation expense related to grants of restricted stock based on management's estimates of the probable dates of the vesting events.

For the nine-month periods ended September 30, 2016 and 2015, our total stock-based compensation expense related to employees allocated to the Business was approximately \$118,000 and \$513,000, respectively. The costs associated with these plans have been allocated and included in the corresponding statements of operations of the Business and

as a component of Navidea's net investment in the Business. Upon closing of the sale to Cardinal Health 414, these costs will no longer be incurred by Navidea and any related assets or liabilities associated with the stock compensation plans will remain with Navidea.

### **3. Inventory, net**

All components of inventory are valued at the lower of cost (first-in, first-out) or market. We adjust inventory to market value when the net realizable value is lower than the carrying cost of the inventory. Market value is determined based on estimated sales activity and margins. We estimate a reserve for obsolete inventory based on management's judgment of probable future commercial use, which is based on an analysis of current inventory levels, estimated future sales and production rates, and estimated shelf lives.



The components of inventory as of September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016 (unaudited)	December 31, 2015
Materials	\$ 517,650	\$ 330,000
Work-in-process	51,175	378,022
Finished goods	442,881	275,168
Reserves	(206,824 )	(330,284 )
Total	\$ 804,882	\$ 652,906

#### 4. Property and Equipment

Property and equipment of the Business totaled approximately \$352,000 as of September 30, 2016 and December 31, 2015. Depreciation of property and equipment related to the Business is generally computed using the straight-line method over an estimated useful life of 5 years, or in certain cases over an estimated total number of uses.

During the nine-month periods ended September 30, 2016 and 2015, we recorded \$70,000 and \$81,000, respectively, of depreciation related to property and equipment of the Business. During the nine-month period ended September 30, 2015, we recorded losses of \$9,000 on the disposal of property and equipment of the Business.

#### 5. Income Taxes

For purposes of the stand-alone Business financial statements, income tax was calculated at statutory rates.

#### 6. Supplemental Disclosure for Statements of Cash Flows

During the nine-month periods ended September 30, 2016 and 2015, we issued approximately 28,000 and 23,000 shares of our common stock, respectively, as matching contributions to our 401(k) Plan which were valued at \$51,000 and \$42,000, respectively, related to employees allocated to the Business.

**THE LYMPHOSEEK NORTH AMERICA BUSINESS OF****NAVIDEA BIOPHARMACEUTICALS, INC.****UNAUDITED BALANCE SHEETS**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Current assets:		
Accounts receivable	\$ 2,498,087	\$ 807,744
Inventory, net	652,906	794,253
Prepaid expenses and other	172,585	582,794
Total current assets	3,323,578	2,184,791
Property and equipment	352,256	371,335
Less accumulated depreciation and amortization	200,844	168,617
	151,412	202,718
Patents and trademarks	55,509	54,102
Less accumulated amortization	16,036	9,146
	39,473	44,956
Total assets	\$ 3,514,463	\$ 2,432,465
<b>LIABILITIES AND NET INVESTMENT</b>		
Current liabilities:		
Accounts payable	\$ 242,220	\$ 575,450
Accrued liabilities and other	859,365	556,591
Total current liabilities	1,101,585	1,132,041
Other liabilities	1,000,000	—
Total liabilities	2,101,585	1,132,041
Navidea Biopharmaceuticals, Inc. net investment in the Business	1,412,878	1,300,424
Total liabilities and net investment in the Business	\$ 3,514,463	\$ 2,432,465

The accompanying notes are an integral part of these unaudited financial statements.

**THE LYMPHOSEEK NORTH AMERICA BUSINESS OF****NAVIDEA BIOPHARMACEUTICALS, INC.****UNAUDITED STATEMENTS OF OPERATIONS**

	Years Ended December 31,		
	2015	2014	2013
Revenues:			
Lymphoseek sales revenue	\$10,235,277	\$4,220,753	\$607,823
Grant and other revenue	669	—	—
Total revenue	10,235,946	4,220,753	607,823
Cost of goods sold	1,751,537	1,583,519	331,397
Gross profit	8,484,409	2,637,234	276,426
Operating expenses:			
Research and development	2,225,004	1,662,611	6,050,984
Selling, general and administrative	6,369,183	6,016,087	4,948,406
Total operating expenses	8,594,187	7,678,698	10,999,390
Loss from operations	(109,778 )	(5,041,464)	(10,722,964)
Other income (expense):			
Interest expense	(5,603,820 )	(326,337 )	(468,230 )
Change in fair value of financial instruments	(614,782 )	(1,347,703)	(106,032 )
Loss on extinguishment of debt	—	—	(943,363 )
Total other expense, net	(6,218,602 )	(1,674,040)	(1,517,625 )
Loss before income tax	(6,328,380 )	(6,715,504)	(12,240,589)
Income tax benefit	2,531,352	2,686,202	4,896,236
Net loss	\$(3,797,028 )	\$(4,029,302)	\$(7,344,353 )

The accompanying notes are an integral part of these unaudited financial statements.

**THE LYMPHOSEEK NORTH AMERICA BUSINESS OF****NAVIDEA BIOPHARMACEUTICALS, INC.****UNAUDITED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net loss	\$(3,797,028 )	\$(4,029,302)	\$(7,344,353)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of equipment	69,278	32,850	28,771
Amortization of intangible assets	6,890	(11,885 )	1,203
Loss on disposal and abandonment of assets	8,618	—	—
Change in inventory reserve	143,493	539,027	—
Amortization of debt discount and issuance costs	166,519	—	—
Compounded interest on notes payable	2,048,960	—	—
Stock compensation expense	660,715	384,356	484,199
Change in fair value of financial instruments	614,782	1,347,703	106,032
Loss on extinguishment of debt	—	—	943,363
Issuance of common stock to 401(k) plan	41,633	30,597	12,452
Changes in operating assets and liabilities:			
Accounts receivable	(1,690,343 )	(564,916 )	(242,828 )
Inventory	(2,146 )	899,157	(1,934,936)
Prepaid expenses and other assets	410,209	(372,237 )	330,669
Accounts payable	(333,230 )	(129,301 )	420,653
Accrued liabilities and other liabilities	302,774	128,447	205,932
Net cash used in operating activities	(1,348,876 )	(1,745,504)	(6,988,843)
Cash flows from investing activities:			
Purchases of equipment	(26,590 )	(9,141 )	(39,810 )
Patent and trademark costs	(1,407 )	(14,838 )	(12,037 )
Net cash used in investing activities	(27,997 )	(23,979 )	(51,847 )
Cash flows from financing activities:			
Proceeds from notes payable	54,500,000	—	4,000,000
Payment of debt-related costs	(1,200,025 )	—	—
Principal payments on notes payable	—	—	(4,781,333)
Payment (to) from parent company	(51,923,102)	1,769,483	7,822,023
Net cash provided by financing activities	1,376,873	1,769,483	7,040,690
Net change in cash	—	—	—
Cash, beginning of year	—	—	—
Cash, end of year	\$—	\$—	\$—

The accompanying notes are an integral part of these unaudited financial statements.

**THE LYMPHOSEEK NORTH AMERICA BUSINESS OF**

**NAVIDEA BIOPHARMACEUTICALS, INC.**

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**

**1. Organization and Summary of Significant Accounting Policies**

**Organization and Nature of Operations:** Navidea Biopharmaceuticals, Inc. (Navidea, the Company, or we) is a pharmaceutical company focused on the development and commercialization of precision immunodiagnostic agents and immunotherapeutics.

In November 2016, Navidea entered into an agreement (the Asset Purchase Agreement) to sell the Company's radioactive diagnostic agent marketed under the Lymphoseek® trademark (the Product) for current approved indications by the FDA and similar indications approved by the FDA in the future (the Business) in Canada, Mexico and the United States (the Territory) to Cardinal Health 414, LLC (Cardinal Health 414) for \$80 million to be reduced to the extent the amount of transferred Product inventory is less than \$6 million), plus annual earn-out and milestone payments based upon the volume of Product sales. For the first three years, the earn-out payments shall be no less than \$6.7 million per year. In no event will the entire purchase price, including all earn-out payments, exceed \$310 million.

Assets and liabilities being sold to Cardinal Health 414 include:

- Working capital related to the Business, including inventories, prepaid expenses and other assets, accounts payable and other accruals;
- Equipment of the Business used in the manufacture of the Product; and
- Patents and trademarks related to the Business.

Assets and liabilities excluded from the sale to Cardinal Health 414 include:

- Cash and cash equivalents;

- Assets and liabilities related to Navidea in general, such as office computers, furniture and equipment;

- Assets and liabilities related to Macrophage Therapeutics, Inc., our majority-owned subsidiary that was formed specifically to further explore immunotherapeutic applications for the Manocept platform;

- Assets and liabilities related to advancing our technology for diagnosis and disease monitoring of rheumatoid arthritis or “RA,” cardiovascular disease, and other potential immunodiagnostic applications of our Manocept platform;

- Assets and liabilities related to the development, manufacture, and commercialization of the Product outside the Territory; and

- Other assets and liabilities as specified in the Asset Purchase Agreement.

To the extent practicable, revenue and expenses of the Business have been specifically identified and included in the Statements of Operations of the Business. Certain headcount and other supporting expenses have been allocated to the Business based on the amount of time devoted to the Business by the relevant departments. Interest expense related to the CRG and Platinum debt obligations, which will be paid off with the initial net proceeds of the Asset Sale, have also been allocated to the Business in accordance with current accounting guidance.

Navidea has prepared these unaudited financial statements to present the assets and liabilities of the Business as of December 31, 2015 and 2014, as well as the operating results and cash flows of the Business for the years ended December 31, 2015, 2014 and 2013. The information presented is unaudited, but includes all adjustments (which consist only of normal recurring adjustments) that the management of Navidea 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 accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. These financial statements should be read in conjunction with Navidea’s audited consolidated financial statements for the year ended December 31, 2015, which were included as part of our Annual Report on Form 10-K.

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Instruments and Fair Value:** The carrying amounts of accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

**Stock-Based Compensation:** Stock options granted under the 2002 Plan and the 2014 Plan generally vest on an annual basis over one to four years. Outstanding stock options under the plans, if not exercised, generally expire ten years from their date of grant or up to 90 days following the date of an optionee's separation from employment with the Company. We issue new shares of our common stock upon exercise of stock options.

Stock-based payments to employees and directors, including grants of stock options, are recognized in the statement of operations based on their estimated fair values. The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatilities are based on the Company's historical volatility, which management believes represents the most accurate basis for estimating expected future volatility under the current circumstances. Navidea uses historical data to estimate forfeiture rates. The expected term of stock options granted is based on the vesting period and the contractual life of the options. The risk-free rate is based on the U.S. Treasury yield in effect at the time of the grant. The assumptions used to calculate the fair value of stock option awards granted during the years ended December 31, 2015, 2014 and 2013 are noted in the following table:

	2015	2014	2013
Expected volatility	61%-64 %	61%-67 %	60%-71 %
Weighted-average volatility	62 %	65 %	65 %
Expected dividends	—	—	—
Expected term (in years)	5.1-6.3	5.3-7.4	5.0-6.2
Risk-free rate	1.5%-1.9%	1.6%-2.0%	1.0%-1.9%

The portion of the fair value of stock-based awards that is ultimately expected to vest is recognized as compensation expense over either (1) the requisite service period or (2) the estimated performance period. Restricted stock awards are valued based on the closing stock price on the date of grant and amortized ratably over the estimated life of the award. Restricted stock may vest based on the passage of time, or upon occurrence of a specific event or achievement of goals as defined in the grant agreements. In such cases, we record compensation expense related to grants of restricted stock based on management's estimates of the probable dates of the vesting events. Stock-based awards that do not vest because the requisite service period is not met prior to termination result in reversal of previously recognized compensation cost.



**Accounts and Other Receivables:** Accounts and other receivables are recorded net of an allowance for doubtful e.accounts. We estimate an allowance for doubtful accounts based on a review and assessment of specific accounts and other receivables and write off accounts when deemed uncollectible.

**Inventory:** All components of inventory are valued at the lower of cost (first-in, first-out) or market. We adjust inventory to market value when the net realizable value is lower than the carrying cost of the inventory. Market f.value is determined based on estimated sales activity and margins. We estimate a reserve for obsolete inventory based on management's judgment of probable future commercial use, which is based on an analysis of current inventory levels, estimated future sales and production rates, and estimated shelf lives.

**Property and Equipment:** Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the g.depreciable assets. Maintenance and repairs are charged to expense as incurred, while renewals and improvements are capitalized.

**Intangible Assets:** Intangible assets consist primarily of patents and trademarks. Intangible assets are stated at cost, less accumulated amortization. Patent costs are amortized using the straight-line method over the estimated useful lives of the patents of approximately 5 to 15 years. Patent application costs are deferred pending the outcome of patent applications. Costs associated with unsuccessful patent applications and abandoned intellectual property are expensed when determined to have no recoverable value. We evaluate the potential alternative uses of all intangible assets, as well as the recoverability of the carrying values of intangible assets, on a recurring basis.

**Impairment or Disposal of Long-Lived Assets:** Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment was recognized during the years ended December 31, 2015, 2014 or 2013. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**Revenue Recognition:** We generate revenue primarily from sales of the Product. Our standard shipping terms are free on board (FOB) shipping point, and title and risk of loss passes to the customer upon delivery to a carrier for shipment. We generally recognize sales revenue related to sales of our products when the products are shipped. Our customers have no right to return products purchased in the ordinary course of business, however, we may allow returns in certain circumstances based on specific agreements.

We earn additional revenues based on a percentage of the actual net revenues achieved by Cardinal Health 414 on sales to end customers made during each fiscal year. The amount we charge Cardinal Health 414 related to end customer sales of Lymphoseek are subject to a retroactive annual adjustment. To the extent that we can reasonably estimate the end-customer prices received by Cardinal Health 414, we record sales based upon these estimates at the time of sale. If we are unable to reasonably estimate end customer sales prices related to products sold, we record revenue related to these product sales at the minimum (i.e., floor) price provided for under our distribution agreement with Cardinal Health 414.

**Research and Development Costs:** Research and development (R&D) expenses include both internal R&D activities and external contracted services. Internal R&D activity expenses include salaries, benefits, and stock-based compensation, as well as travel, supplies, and other costs to support our R&D staff. External contracted services include manufacturing and control-related activities and regulatory costs. R&D expenses are charged to operations as incurred. We review and accrue R&D expenses based on services performed and rely upon estimates of those costs applicable to the stage of completion of each project.

**Income Taxes:** Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on

deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Due to the uncertainty surrounding the realization of the deferred tax assets in future tax returns, all of the deferred tax assets have been fully offset by a valuation allowance at December 31, 2015 and 2014.

Current accounting standards include guidance on the accounting for uncertainty in income taxes recognized in the financial statements. Such standards also prescribe a recognition threshold and measurement model for the financial statement recognition of a tax position taken, or expected to be taken, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company believes that the ultimate deductibility of all tax positions is highly certain, although there is uncertainty about the timing of such deductibility. As a result, no liability for uncertain tax positions was recorded as of December 31, 2015 or 2014 and we do not expect any significant changes in the next twelve months. Should we need to accrue interest or penalties on uncertain tax positions, we would recognize the interest as interest expense and the penalties as a selling, general and administrative expense. As of December 31, 2015, tax years 2012-2015 remained subject to examination by federal and state tax authorities.

For purposes of the stand-alone Business financial statements, income tax was calculated at statutory rates as if it was a separate taxpayer. All related balance sheet amounts are included as components of Navidea Biopharmaceuticals, Inc. Net Investment in the Business.

**Recent Accounting Standards:** In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*. ASU 2015-11 applies to all inventory that is measured using methods other than last-in, first-out or the retail inventory method, including inventory that is measured using first-in, first-out or average cost. ASU 2015-11 requires entities to measure inventory at the lower of cost and net realizable value, defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for public entities for fiscal years beginning after December 15, 2016, and interim periods with fiscal years beginning after December 15, 2017. The amendments in ASU 2015-11 should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. We do not expect the adoption of ASU 2015-11 to have a material effect on our consolidated financial statements upon adoption.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers*. ASU 2015-14 defers the effective date of ASU No. 2014-09 for all entities by one year. Public business entities should adopt the new revenue recognition standard for annual reporting periods beginning after December 15, 2017, including interim periods within that year. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that year. We are currently evaluating the potential impact that the adoption of ASU 2014-09 may have on our consolidated financial statements.

## 2. Stock-Based Compensation

For years ended December 31, 2015, 2014 and 2013, our total stock-based compensation expense related to employees allocated to the Business was approximately \$661,000, \$384,000 and \$484,000, respectively. The costs associated with these plans have been allocated and included in the corresponding statements of operations of the Business and as a component of Navidea's net investment in the Business. Upon closing of the sale to Cardinal Health 414, these costs will no longer be incurred by Navidea and any related assets or liabilities associated with the stock compensation plans will remain with Navidea.

## 3. Accounts Receivable

At December 31, 2015 and 2014, over 99% of accounts receivable related to the Business were due from Cardinal Health 414, LLC. As of December 31, 2015 and 2014, there was no allowance for doubtful accounts. We do not believe we are exposed to significant credit risk related to Cardinal Health 414, LLC based on the overall financial strength and credit worthiness of the entity. We believe that we have adequately addressed other credit risks in estimating the allowance for doubtful accounts.

**4. Inventory, net**

The components of inventory as of December 31, 2015 and 2014 are as follows:

	2015	2014
Materials	\$330,000	\$—
Work-in-process	378,022	896,344
Finished goods	275,168	436,936
Reserves	(330,284)	(539,027)
Total	\$652,906	\$794,253

During 2015, we wrote off \$120,000 of materials related to production issues. During 2015 and 2014, we recorded obsolescence reserves of \$52,000 and \$539,000 of Lymphoseek inventory related to specific lots that expired or were nearing product expiry and therefore were no longer expected to be sold.

## 5. Property and Equipment

Property and equipment of the Business totaled approximately \$352,000 and \$371,000 as of December 31, 2015 and 2014, respectively. Depreciation of property and equipment related to the Business is generally computed using the straight-line method over an estimated useful life of 5 years, or in certain cases over an estimated total number of uses.

During 2015, 2014 and 2013, we recorded \$111,000, \$77,000 and \$54,000, respectively, of depreciation related to property and equipment of the Business. During 2015, we recorded losses of \$9,000 on the disposal of property and equipment of the Business.

## 6. Accrued Liabilities and Other

Accrued liabilities and other at December 31, 2015 and 2014 consist of the following:

	2015	2014
Contracted services	\$237,675	\$171,158
Compensation	432,847	182,431
Royalties	175,404	72,450
	\$845,926	\$426,039

## 7. Income Taxes

For purposes of the stand-alone Business financial statements, income tax was calculated at statutory rates.

## 8. Agreements

**a. Supply Agreements:** In November 2009, we entered into a manufacture and supply agreement with Reliable Biopharmaceutical Corporation (Reliable) for the manufacture and supply of the Lymphoseek drug substance. The initial ten-year term of the agreement expires in November 2019, with options to extend the agreement for successive three-year terms. Either party has the right to terminate the agreement upon mutual written agreement, or upon material breach by the other party which is not cured within 60 days from the date of written notice of the breach. Total purchases under the manufacture and supply agreement were \$225,000, \$300,000, and \$666,000 for the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, we have issued purchase orders under the manufacture and supply agreement with Reliable for \$1.1 million of Lymphoseek drug substance for

delivery through March 2016.

In September 2013, we entered into a manufacturing services agreement with OSO BioPharmaceuticals Manufacturing, LLC (OsoBio) for contract pharmaceutical development, manufacturing, packaging and analytical services for Lymphoseek. The initial term of the agreement expires in December 2016, and automatically renews for additional two-year periods unless written notice is provided at least 12 months prior to the expiration of the initial term. Either party has the right to terminate the agreement upon mutual written agreement, or upon material breach by the other party which is not cured within 60 days from the date of written notice of the breach. During the term of agreement, OsoBio will be the primary supplier of the manufacturing services for Lymphoseek. In consideration for these services, the Company will pay a unit pricing fee. In addition, the Company will also pay OsoBio a fee for regulatory and other support services. Total purchases under the manufacturing services agreement were \$472,000, \$96,000 and \$1.2 million for the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, we have issued purchase orders under the agreement with OsoBio for \$680,000 of our products for delivery through March 2016.

**Research and Development Agreements:** In January 2002, we completed a license agreement with the University of California, San Diego (UCSD) for the exclusive world-wide rights to Lymphoseek. The license agreement was effective until the later of the expiration date of the longest-lived underlying patent. In July 2014, we amended the license agreement to extend the agreement until the third anniversary of the expiration date of the longest-lived underlying patent. Under the terms of the license agreement, UCSD has granted us the exclusive rights to make, use, sell, offer for sale and import licensed products as defined in the agreement and to practice the defined licensed methods during the term of the agreement. We may also sublicense the patent rights, subject to certain sublicense terms as defined in the agreement. In consideration for the license rights, we agreed to pay UCSD a license issue fee of \$25,000 and license maintenance fees of \$25,000 per year. We also agreed to make payments to UCSD upon successfully reaching certain clinical, regulatory and cumulative sales milestones, and a royalty on net sales of licensed products subject to a \$25,000 minimum annual royalty. In addition, we agreed to reimburse UCSD for all patent-related costs and to meet certain diligence targets. Total costs related to the UCSD license agreement for Lymphoseek were \$777,000, \$353,000 and \$273,000 in 2015, 2014 and 2013, respectively. Royalties on net sales of Lymphoseek were recorded in cost of goods sold, license maintenance fees and patent-related costs were recorded in research and development expenses, and sublicense fees were recorded in selling, general and administrative expenses.

**Employment Agreements:** As of December 31, 2015, we have employment agreements with three senior officers who are directly related to the Business. The employment agreements contain termination and/or change in control provisions that would entitle each of the officers to 1.5 times their annual salaries, vest outstanding restricted stock and options to purchase common stock, and continue certain benefits if there is a termination without cause or change in control of the Company (as defined) and their employment terminates. As of December 31, 2015, our maximum contingent liability under these agreements in such an event is approximately \$1.3 million. The employment agreements also provide for severance, disability and death benefits.

## **9. Employee Benefit Plan**

We maintain an employee benefit plan under Section 401(k) of the Internal Revenue Code. The plan allows employees to make contributions and we may, but are not obligated to, match a portion of the employee's contribution with our common stock, up to a defined maximum. We also pay certain expenses related to maintaining the plan. We recorded expenses of \$51,000, \$42,000 and \$31,000 during 2015, 2014 and 2013, respectively, related to employees allocated to the Business.

## **10. Supplemental Disclosure for Statements of Cash Flows**

During 2015, 2014, and 2013, we issued approximately 23,000, 11,000 and 4,000 shares of our common stock, respectively, as matching contributions to our 401(k) Plan which were valued at \$42,000, \$31,000 and \$12,000, respectively, related to employees allocated to the Business.

## **11. Contingencies**

We are subject to legal proceedings and claims that arise in the ordinary course of business. In accordance with ASC Topic 450 - Contingencies, we make a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Although the outcome of any litigation is uncertain, in our opinion, the amount of ultimate liability, if any, with respect to these actions will not materially affect our financial position.



NAVIDEA BIOPHARMACEUTICALS, INC. AND SUBSIDIARIES

**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

The following unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated statements of operations are derived from the historical consolidated financial statements of Navidea and give effect to the sale of the Business to Cardinal Health 414, the receipt of the net proceeds from the Asset Sale and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma consolidated financial statements.

Pro forma financial information is intended to provide investors with information about the continuing impact of a transaction by showing how a specific transaction might have affected historical financial statements, illustrating the scope of the change in the historical financial position and results of operations. The adjustments made to historical information give effect to events that are directly attributable to the Asset Sale, factually supportable, and expected to have a continuing impact.

The unaudited pro forma consolidated financial statements consist of:

- Unaudited Pro Forma Consolidated Balance Sheet – as of September 30, 2016
- Unaudited Pro Forma Consolidated Statements of Operations – nine months ended September 30, 2016 and 2015
- Unaudited Pro Forma Consolidated Statements of Operations – years ended December 31, 2015, 2014 and 2013

The unaudited pro forma consolidated financial statements have been prepared giving effect to the Asset Sale as if it had occurred as of September 30, 2016 for the unaudited pro forma consolidated balance sheet and as of January 1, 2013, the start date of the first period that is presented pro forma herein, for the unaudited pro forma consolidated statements of operations.

These unaudited pro forma consolidated financial statements should be read in conjunction with the historical audited consolidated financial statements and the notes thereto included in Navidea's Annual Report on Form 10-K for the year ended December 31, 2015 and Quarterly Report on Form 10-Q for the nine months ended September 30, 2016, as filed with the SEC, which are incorporated herein by reference, and with the unaudited annual financial statements of the Business for the years ended December 31, 2015, 2014 and 2013 included herein.

The unaudited pro forma consolidated financial statements are prepared in accordance with Article 11 of Regulation S-X. The pro forma adjustments are described in the accompanying notes and are based upon information and assumptions available at the time of the filing of this proxy statement.

We did not account for the Business as, and it was not operated as, a separate, stand-alone entity, subsidiary or division of Navidea for the periods presented. The unaudited pro forma consolidated financial statements do not purport to represent, and are not necessarily indicative of, what our actual financial position and results of operations would have been had the Asset Sale occurred on the dates indicated. In addition, the unaudited pro forma consolidated financial statements should not be considered to be fully indicative of our future financial performance.

## NAVIDEA BIOPHARMACEUTICALS, INC. AND SUBSIDIARIES

## Unaudited Pro Forma Consolidated BALANCE SHEET

	September 30, Navidea	Pro Forma Adjustments September 30, 2016 Actual Business	Asset Sale	September 30, 2016 Pro Forma
<b>ASSETS</b>				
Current assets:				
Cash	\$810,425	\$—	\$13,788,672 a-d	\$14,599,097
Restricted cash	3,501,247	—	—	3,501,247
Accounts and other receivables, net	3,474,329	2,829,199	—	645,130
Inventory, net	804,882	804,882	—	—
Prepaid expenses and other	839,978	243,031	—	596,947
Total current assets	9,430,861	3,877,112		19,342,421
Property and equipment	3,584,628	352,256	—	3,232,372
Less accumulated depreciation and amortization	2,210,554	248,664	—	1,961,890
	1,374,074	103,592		1,270,482
Patents and trademarks	222,590	55,509	—	167,081
Less accumulated amortization	41,604	21,209	—	20,395
	180,986	34,300		146,686
Other assets	203,679	—	—	203,679
Total assets	\$11,189,600	\$4,015,004		\$20,963,268
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>				
Current liabilities:				
Accounts payable	\$4,894,800	\$688,559	\$—	\$4,206,241
Accrued liabilities and other	7,201,793	1,157,720	(4,665,605 )b	1,378,468
Deferred revenue, current	15,037	—	—	15,037
Notes payable, current	51,652,209	—	(51,652,209)c	—
Total current liabilities	63,763,839	1,846,279		5,599,746
Deferred revenue	26,061	—	—	26,061
Notes payable	10,549,405	—	(10,549,405)d-e	—
Other liabilities	624,896	—	—	624,896
Total liabilities	74,964,201	1,846,279		6,250,703
Stockholders' deficit:				
Preferred stock	—	—	—	—
Common stock	155,751	—	—	155,751
Additional paid-in capital	326,573,833	—	3,947,356 f	330,521,189

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Accumulated deficit	(390,973,227)	74,539,810	e-g	(316,433,417)
Navidea stockholders' deficit	(64,243,643 )			14,243,523
Noncontrolling interest	469,042	—		469,042
Total stockholders' deficit	(63,774,601 )			14,712,565
Total liabilities and stockholders' deficit	\$ 11,189,600			\$ 20,963,268

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

## NAVIDEA BIOPHARMACEUTICALS, INC. AND SUBSIDIARIES

## Unaudited Pro Forma Consolidated STATEMENT OF OPERATIONS

	Pro Forma Adjustments			Nine Months Ended September 30, 2016 Pro Forma
	Nine Months Ended September 30, 2016 Navidea	Business	Asset Sale	
Revenues:				
Lymphoseek sales revenue	\$ 14,704,489	\$ 14,673,689	\$—	\$ 30,800
Lymphoseek license revenue	1,795,625	—	—	1,795,625
Grant and other revenue	2,113,995	575	—	2,113,420
Total revenue	18,614,109	14,674,264	—	3,939,845
Cost of goods sold	2,017,486	2,012,301	—	5,185
Gross profit	16,596,623	12,661,963	—	3,934,660
Operating expenses:				
Research and development	6,461,154	1,447,611	—	5,013,543
Selling, general and administrative	9,925,574	4,092,951	—	5,832,623
Total operating expenses	16,386,728	5,540,562	—	10,846,166
Income (loss) from operations	209,895	7,121,401	—	(6,911,506 )
Other expense, net	(10,636,987 )	(10,530,105 )	—	(106,882 )
(Loss) income from continuing operations before income tax	(10,427,092 )	(3,408,704 )	—	(7,018,388 )
Income tax benefit	—	1,363,482	1,363,482 h	—
Net (loss) income from continuing operations	(10,427,092 )	(2,045,222 )	1,363,482	(7,018,388 )
Less loss attributable to noncontrolling interest	(516 )	—	—	(516 )
Net (loss) income attributable to common stockholders	\$(10,426,576 )	\$(2,045,222 )	\$ 1,363,482	\$(7,017,872 )
Loss per share from continuing operations:				
Basic and diluted	\$(0.07 )			\$(0.05 )
Weighted average shares outstanding:				
Basic and diluted	155,390,911			155,390,911

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

## navidea biopharmaceuticals, inc. AND SUBSIDIARIES

## Unaudited Pro Forma Consolidated STATEMENT OF OPERATIONS

	Pro Forma Adjustments			Nine Months Ended September 30, 2015 Pro Forma
	Nine Months Ended September 30, 2015 Navidea	Business	Asset Sale	
Revenues:				
Lymphoseek sales revenue	\$6,751,492	\$6,737,917	\$—	\$13,575
Lymphoseek license revenue	883,333	—	—	883,333
Grant and other revenue	1,320,816	279	—	1,320,537
Total revenue	8,955,641	6,738,196	—	2,217,445
Cost of goods sold	1,239,377	1,237,061	—	2,316
Gross profit	7,716,264	5,501,135	—	2,215,129
Operating expenses:				
Research and development	10,180,517	1,650,531	—	8,529,986
Selling, general and administrative	13,485,576	4,821,565	—	8,664,011
Total operating expenses	23,666,093	6,472,096	—	17,193,997
Loss from operations	(15,949,829 )	(970,961 )	—	(14,978,868 )
Other expense, net	(9,103,419 )	(5,122,007 )	—	(3,981,412 )
Loss from continuing operations before income tax	(25,053,248 )	(6,092,968 )	—	(18,960,280 )
Income tax benefit	—	2,437,187	2,437,187 h	—
Net (loss) income from continuing operations	(25,053,248 )	(3,655,781 )	2,437,187	(18,960,280 )
Less loss attributable to noncontrolling interest	(681 )	—	—	(681 )
Deemed dividend on beneficial conversion feature	(46,000 )	—	—	(46,000 )
Net (loss) income attributable to common stockholders	\$(25,098,567 )	\$(3,655,781 )	\$2,437,187	\$(19,005,599 )
Loss per share from continuing operations:				
Basic and diluted	\$(0.17 )			\$(0.13 )
Weighted average shares outstanding:				
Basic and diluted	150,030,638			150,030,638

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.



## NAVIDEA BIOPHARMACEUTICALS, INC. AND SUBSIDIARIES

## Unaudited Pro Forma Consolidated STATEMENT OF OPERATIONS

	Pro Forma Adjustments			Year Ended December 31, 2015 Pro Forma
	Year Ended December 31, 2015 Navidea	2015 Actual Business	Asset Sale	
Revenues:				
Lymphoseek sales revenue	\$ 10,254,352	\$ 10,235,277	\$—	\$ 19,075
Lymphoseek license revenue	1,133,333	—	—	1,133,333
Grant and other revenue	1,861,622	669	—	1,860,953
Total revenue	13,249,307	10,235,946	—	3,013,361
Cost of goods sold	1,754,763	1,751,537	—	3,226
Gross profit	11,494,544	8,484,409	—	3,010,135
Operating expenses:				
Research and development	12,787,733	2,225,004	—	10,562,729
Selling, general and administrative	17,257,329	6,369,183	—	10,888,146
Total operating expenses	30,045,062	8,594,187	—	21,450,875
Loss from operations	(18,550,518 )	(109,778 )	—	(18,440,740 )
Other expense, net	(10,207,677 )	(6,218,602 )	—	(3,989,075 )
Loss from continuing operations before income tax	(28,758,195 )	(6,328,380 )	—	(22,429,815 )
Income tax benefit	436,051	2,531,352	2,531,352 h	436,051
Loss from continuing operations	(28,322,144 )	3,797,028 )	—	(21,993,764 )
Income from discontinued operations, net of tax	758,609	—	—	758,609
Net loss operations	(27,563,535 )	(3,797,028 )	2,531,352	(21,235,155 )
Less loss attributable to noncontrolling interest	(855 )	—	—	(855 )
Deemed dividend on beneficial conversion feature	(46,000 )	—	—	(46,000 )
Net (loss) income attributable to common stockholders	\$(27,608,680 )	\$(3,797,028 )	\$2,531,352	\$(21,280,300 )
Loss per share from continuing operations:				
Basic and diluted	\$(0.19 )			\$(0.15 )
Weighted average shares outstanding:				

Basic and diluted

151,180,222

151,180,222

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

## NAVIDEA BIOPHARMACEUTICALS, INC. AND SUBSIDIARIES

## Unaudited Pro Forma Consolidated STATEMENT OF OPERATIONS

	Pro Forma Adjustments			Year Ended
	Year Ended	2014 Actual		December 31,
	Navidea	Business	Asset Sale	2014
				Pro Forma
Revenues:				
Lymphoseek sales revenue	\$4,233,953	\$4,220,753	\$—	\$13,200
Lymphoseek license revenue	300,000	—	—	300,000
Grant and other revenue	1,740,896	—	—	1,740,896
Total revenue	6,274,849	4,220,753	—	2,054,096
Cost of goods sold	1,586,145	1,583,519	—	2,626
Gross profit	4,688,704	2,637,234	—	2,051,470
Operating expenses:				
Research and development	16,779,589	1,662,611	—	15,116,978
Selling, general and administrative	15,542,071	6,016,087	—	9,525,984
Total operating expenses	32,321,660	7,678,698	—	24,642,962
Loss from operations	(27,632,956 )	(5,041,464 )	—	(22,591,492 )
Other expense, net	(8,093,713 )	(1,674,040 )	—	(6,419,673 )
Loss from continuing operations before income tax	(35,726,669 )	(6,715,504 )	—	(29,011,165 )
Income tax benefit	—	2,686,202	2,686,202 h	—
Net (loss) income attributable to common stockholders	\$(35,726,669 )	\$(4,029,302 )	\$2,686,202	\$(29,011,165 )
Loss per share from continuing operations:				
Basic and diluted	\$(0.24 )			\$(0.20 )
Weighted average shares outstanding:				
Basic and diluted	148,748,396			148,748,396

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

## NAVIDEA BIOPHARMACEUTICALS, INC. AND SUBSIDIARIES

## Unaudited Pro Forma Consolidated STATEMENT OF OPERATIONS

	Pro Forma Adjustments			Year Ended
	Year Ended	2013 Actual		December 31,
	December 31,	Business	Asset Sale	2013
	Navidea			Pro Forma
Revenues:				
Lymphoseek sales revenue	\$614,423	\$607,823	\$—	\$6,600
Grant and other revenue	516,207	—	—	516,207
Total revenue	1,130,630	607,823	—	522,807
Cost of goods sold	332,815	331,397	—	1,418
Gross profit	797,815	276,426	—	521,389
Operating expenses:				
Research and development	23,710,183	6,050,984	—	17,659,199
Selling, general and administrative	15,525,946	4,948,406	—	10,577,540
Total operating expenses	39,236,129	10,999,390	—	28,236,739
Loss from operations	(38,438,314 )	(10,722,964 )	—	(27,715,350 )
Other expense, net	(4,261,144 )	(1,517,625 )	—	(2,743,519 )
Loss from continuing operations before income tax	(42,699,458 )	(12,240,589 )	—	(30,458,869 )
Income tax benefit	—	4,896,236	4,896,236 h	—
Net (loss) income attributable to common stockholders	\$(42,699,458 )	\$(7,344,353 )	\$4,896,236	\$(30,458,869 )
Loss per share from continuing operations:				
Basic and diluted	\$(0.35 )			\$(0.25 )
Weighted average shares outstanding:				
Basic and diluted	121,808,986			121,808,986

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements.

NAVIDEA BIOPHARMACEUTICALS, INC. AND SUBSIDIARIES

**NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

**1. Basis of Presentation**

Pro forma information is intended to reflect the impact of the Asset Sale on Navidea's historical financial position and results of operations through adjustments that are directly attributable to the Asset Sale, that are factually supportable and that are expected to have continuing impact. In order to accomplish this, we have eliminated the unaudited financial statements of the Business of Navidea as presented earlier in this proxy statement from the Navidea historical financial statements. We did not account for the Business as, and it was not operated as, a separate, stand-alone entity, subsidiary or division of Navidea for the periods presented. The unaudited pro forma consolidated financial statements do not purport to represent, and are not necessarily indicative of, what our actual financial position and results of operations would have been had the Asset Sale occurred on the dates indicated. In addition, the unaudited pro forma consolidated financial statements should not be considered to be fully indicative of our future financial performance.

These unaudited pro forma consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the pro forma financial position and results of operations.

In the preparation of the pro forma consolidated balance sheet, the assumption was made that the assets were sold and liabilities were assumed by Cardinal Health 414 pursuant to the Asset Purchase Agreement on September 30, 2016. In the preparation of the pro forma consolidated statements of operations, the assumption was made that the Asset Sale took place on January 1, 2013.

**2. Pro Forma Adjustments**

The pro forma adjustments to the balance sheet and statements of operations include:

This amount reflects estimated net cash proceeds to be received related to the sale of the Business to Cardinal (a)Health 414. The sale price is \$80.0 million, and we expect to incur approximately \$600,000 in costs and expenses related to the transaction.

Cash	\$79,400,000
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Accumulated deficit	\$79,400,000
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Of the \$600,000 in costs and expenses, \$510,000 is payable for legal and professional services and \$90,000 is payable for proxy and other special stockholder meeting costs. The cash proceeds amount does not include any of the \$230.0 million in potential future earn-out payments, nor does it include any adjustment for net working capital at closing. Pursuant to the Asset Purchase Agreement, if the inventory balance at the time of closing is less than \$6.0 million, then the purchase price will be adjusted downward in an amount equal to the deficiency.

- (b) This amount represents the interest accrued on the CRG debt of \$4.7 million as of September 30, 2016. Pursuant to the Asset Purchase Agreement, interest due to CRG will be paid from the proceeds of the Asset Sale.

Accrued liabilities and other	\$4,665,605
Cash	\$4,665,605

- (c) This amount represents the principal balance on the CRG debt of \$51.7 million as of September 30, 2016. Pursuant to the Asset Purchase Agreement, principal due to CRG will be paid from the proceeds of the Asset Sale.

Notes payable, current	\$51,652,209
Cash	\$51,652,209

This amount represents the principal balance on the Platinum debt of \$9.3 million as of September 30, 2016.

- Pursuant to the Asset Purchase Agreement, principal due to Platinum will be paid from the proceeds of the Asset Sale; provided, however, approximately \$1.4 million (or 15%) of the principal balance on the Platinum debt is currently intended to be transferred to Dr. Goldberg upon closing of the Asset Sale and, if such transfer occurs, will remain outstanding until the original maturity of September 30, 2021.

Notes payable	\$9,293,514
Cash	\$9,293,514

- This amount represents the value of the conversion option on the Platinum debt of \$1.3 million as of September 30, 2016. Pursuant to the Asset Purchase Agreement, principal due to Platinum will be paid from the proceeds of the Asset Sale. Thus, the related conversion option will be extinguished and will no longer have value.

Notes payable	\$1,255,891
Accumulated deficit	\$1,255,891

- This amount represents the estimated value of the warrants of \$3.9 million as of November 23, 2016 (the date of the Asset Purchase Agreement), to be issued to Cardinal Health 414 and UCSD upon closing of the Asset Sale.

Accumulated deficit	\$3,947,356
Additional paid-in capital	\$3,947,356

- This amount represents the excess of the net cash proceeds of the sale over the net book value of the assets and liabilities of the Business of \$77.2 million. The Asset Sale is expected to be subject to some amount of Federal, state and local income tax. However, this pro forma adjustment assumes that no income taxes are payable on the Asset Sale as the majority of the gain is expected to be offset by net operating loss carryforwards.

- This amount represents the offset of the estimated Business stand-alone tax provision which would have been payable if the Business were a stand-alone company.

The pro forma adjustments to the statements of operations do not include the following revenues and expenses:

Earn-out payments that Navidea would be entitled to receive upon the achievement of Business revenues through June 30, 2026 as outlined in the Asset Purchase Agreement.

Expenses related to (a) the termination of employees of the Business, including the payout of accrued but unused paid time off and the vesting of unvested stock options and restricted stock upon the closing of the Asset Sale, and

(b) the Asset Sale of \$600,000, as such expenses would not be recurring.



PROPOSAL NO. 1 – THE ASSET SALE AND THE ASSET PURCHASE AGREEMENT

As discussed in this proxy statement, the Company and its Board of Directors are asking our stockholders to approve the Asset Sale pursuant to the terms of the Asset Purchase Agreement. You should read carefully this proxy statement in its entirety for more detailed information concerning the Asset Purchase Agreement, which is attached as *Appendix A* to this proxy statement. Please see the section entitled “The Asset Sale” and the “Asset Purchase Agreement” for additional information and a summary of the material terms of the Asset Purchase Agreement. You are urged to read carefully the entire Asset Purchase Agreement included as *Appendix A* before voting on this proposal. Approval of this proposal is a condition to the completion of the Asset Sale.

**The Board of Directors recommends unanimously that stockholders vote “FOR” the proposal to approve the Asset Sale pursuant to the terms of the Asset Purchase Agreement.**

PROPOSAL NO. 2 – ADJOURNMENT

If there are insufficient votes at the time of the Special Meeting to approve and adopt the Asset Sale pursuant to the terms of the Asset Purchase Agreement, we may adjourn our Special Meeting for the purpose of soliciting additional proxies in favor of such proposal. We do not intend to propose adjournment at our Special Meeting if there are sufficient votes to approve and adopt the Asset Sale pursuant to the terms of the Asset Purchase Agreement.

**Vote Required**

If approval of the proposal to adjourn our Special Meeting for the purpose of soliciting additional proxies is submitted to our stockholders for approval, such approval requires the affirmative vote of a majority of the shares of our Common Stock represented, in person or by proxy, and entitled to vote at the Special Meeting.

**The Board of Directors unanimously recommends that our stockholders vote “FOR” approval of the adjournment of the Special Meeting, if necessary, to solicit additional proxies.**

SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of January 12, 2017, certain information with respect to the beneficial ownership of shares of our common stock by: (i) each person known to us to be the beneficial owner of more than 5% of our outstanding shares of common stock, (ii) each director or nominee for director of our Company, (iii) each of the Named Executive Officers (as defined in Item 402(a)(3) of Regulation S-K), and (iv) our directors and executive officers as a group.

Beneficial Owner	Number of Shares Beneficially Owned (*)	Percent of Class (**)
Frederick O. Cope, Ph.D.	821,475	(a) — (n)