NOVOSTE CORP /FL/
Form PRER14A
January 06, 2006

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a)

OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

x Preliminary Proxy Statement
¨ Definitive Proxy Statement
¨ Soliciting Material Pursuant to Rule 14a-12

¨ **Confidential For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

NOVOSTE CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

¨ No Fee required

x 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:

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

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

(4) Proposed maximum aggregate value of transaction:

$2,800,000

(5) Total fee paid:

$330

x 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:

Novoste Corporation

4350 International Boulevard

Norcross, Georgia 30093

(770) 717-0904

January , 2006

THE FUTURE DIRECTION OF YOUR COMPANY

WILL BE DETERMINED AT THIS MEETING

YOUR VOTE IS VERY IMPORTANT

Dear Shareholder:

You are cordially invited to attend a special meeting of shareholders to be held at 10:00 a.m., local time, on , 2006 at the Atlanta Marriott Gwinnett Place, 1775 Pleasant Hill Road, Duluth, Georgia.

At the special meeting, you will be asked to consider and vote upon a number of proposals including a **proposed sale of our vascular brachytherapy (VBT) products business** to Best Vascular, Inc. As previously announced, in February 2005, our board of directors determined that our VBT business is no longer viable and, as a result, authorized a staged wind down of this business. If the sale of the VBT business is approved, we will not complete this wind down, and will instead transfer the business to Best Vascular in exchange for the assumption by Best Vascular of certain liabilities related to the VBT business. The accompanying proxy statement provides a detailed description of the proposed sale of the VBT business to Best Vascular, and a copy of the amended and restated asset purchase agreement is attached to the proxy statement as *Annex A*.

If the sale of the VBT business to Best Vascular is approved by our shareholders, or if the VBT business is otherwise wound down as previously announced, Novoste will have no ongoing business operations. As a result, after careful consideration, **our board of directors has authorized Novoste to dissolve and liquidate**, subject to the approval of our shareholders. Accordingly, in addition to the proposal to sell our VBT business, you will be asked at the special meeting to approve and adopt a plan of dissolution and to approve the transactions contemplated thereby pursuant to which our corporation will be dissolved and liquidated and our remaining cash ultimately will be distributed to our shareholders. The accompanying proxy statement provides a detailed description of the proposed dissolution and liquidation, as well as information with respect to certain other proposals for your consideration.

After careful consideration, our board of directors has unanimously determined that the sale of our VBT business to Best Vascular is advisable, fair to and in the best interests of our shareholders, and has approved the amended and restated asset purchase agreement and the related sale of assets and assumption of liabilities. In addition, our board of directors has unanimously approved the proposal to adopt the plan of dissolution

and dissolve and liquidate Novoste.

I urge you to read the proxy statement materials in their entirety and consider them carefully. Please pay particular attention to the Risk Factors beginning on page 19 for a discussion of the risks related to the proposed sale of the VBT business and the proposed dissolution and liquidation of Novoste.

It is important that your shares be represented at the special meeting, regardless of the size of your holdings. Accordingly, whether or not you expect to attend the special meeting, I urge you to vote promptly by returning the enclosed BLUE proxy card. You may revoke your BLUE proxy at any time before it has been voted.

Sincerely,

Alfred J. Novak
President and Chief Executive Officer

The accompanying proxy statement is first being mailed or

delivered to shareholders on or about , 2006.

NOVOSTE CORPORATION

4350 International Boulevard

Norcross, Georgia 30093

(770) 717-0904

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON , 2006

NOTICE IS HEREBY GIVEN that on , 2006, Novoste Corporation will hold a special meeting of shareholders at the Atlanta Marriott Gwinnett Place, 1775 Pleasant Hill Road, Duluth, Georgia. The meeting will begin at 10:00 a.m., local time.

At the special meeting, we will consider:

1. A proposal to approve the proposed asset sale transaction set forth in the amended and restated asset purchase agreement, dated as of October 12, 2005, as amended pursuant to amendment no. 1 to amended and restated asset purchase agreement, dated as of November 30, 2005, among Novoste, Best Vascular, Inc., a Delaware corporation, and Best Medical International, Inc., a Virginia corporation, pursuant to which Novoste will sell substantially all of the assets related to its vascular brachytherapy (VBT) business to Best Vascular in exchange for the assumption of certain liabilities related to the VBT business by Best Vascular;

2. A proposal to amend our amended and restated articles of incorporation to change the name of our corporation from Novoste Corporation to NOVT Corporation (or, if that name is not available in Florida, to NVTE Corporation);

3. A proposal to approve and adopt a plan of dissolution and to approve the transactions contemplated thereby pursuant to which our corporation will be dissolved and liquidated and our remaining cash ultimately will be distributed to our shareholders;

4. A proposal to amend our amended and restated articles of incorporation and fourth amended and restated bylaws to reduce the minimum size of our board of directors from six to three (which would permit us to reduce the size of our board from seven directors to a lesser number in the future if we choose to do so);

5. A proposal to adjourn the special meeting to permit further solicitation of proxies with respect to the proposal to approve the asset sale transaction;

6. A proposal to adjourn the special meeting to permit further solicitation of proxies with respect to the proposal to approve and adopt the plan of dissolution and to approve the transactions contemplated thereby; and

7. Any other business properly presented at the special meeting or any postponements or adjournments thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

Pursuant to our by-laws, our board of directors has fixed December 15, 2005 as the record date for the determination of shareholders entitled to notice of and to vote at the special meeting and at all postponements or adjournments thereof. Only shareholders of record at the close of business on that date and eligible to vote will be entitled to vote at the special meeting and any postponements or adjournments thereof. A list of all shareholders entitled to vote at the special meeting will be open for examination by shareholders for any purpose related to the special meeting during ordinary business hours for a period of ten days before the special meeting at our offices, located at 4350 International Boulevard, Norcross, Georgia 30093.

By Order of the Board of Directors,

Daniel G. Hall

Corporate Secretary

Norcross, Georgia

, 2006

Whether or not you plan to attend the special meeting, please complete and return the enclosed BLUE proxy card. If you sign and return your BLUE proxy card without specifying a choice, your shares will be voted in accordance with the recommendations of our board of directors. You may, if you wish, revoke your BLUE proxy at any time before it is voted by filing with the Corporate Secretary of Novoste a written revocation or a duly executed proxy bearing a later date, or by attending the special meeting and voting in person.

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Annex B Amendment to Amended and Restated Articles of Incorporation to Change Name from Novoste Corporation to NOVT Corporation (or NVTE Corporation)
Annex C Plan of Dissolution of Novoste Corporation and Selected Florida Statutory Provisions Regarding Dissolution
Annex D Amendments to Amended and Restated Articles of Incorporation and Fourth Amended and Restated Bylaws to Reduce Minimum Size of Board of Directors From Six to Three
Annex E Unaudited Financial Statements of the VBT Business

The following are some of the questions that you, as a shareholder of Novoste, may have and answers to those questions. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this proxy statement, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this proxy statement. We urge you to read this proxy statement in its entirety before making any voting decision.

QUESTIONS AND ANSWERS ABOUT

THE SPECIAL MEETING AND THE PROPOSALS

Q: Why am I receiving this proxy statement?

A: You are receiving this proxy statement because we have scheduled a special meeting of shareholders to vote on several matters. First, shareholders will be voting on the proposed sale of substantially all of the assets related to our vascular brachytherapy, or VBT, business to Best Vascular, Inc., or Best Vascular, pursuant an amended and restated asset purchase agreement that we have entered into with Best Vascular and Best Medical International, Inc., an affiliate of Best Vascular, or BMI. Second, because we intend that the rights to use the Novoste name will be transferred with our VBT business if the sale of assets to Best Vascular is completed, you will be voting on a proposal to change our name from Novoste Corporation to NOVT Corporation upon completion of the asset sale transaction (or, if that name is not available in Florida, to NVTE Corporation). Third, you will be voting on a proposal to approve and adopt a plan of dissolution and to approve the transactions contemplated thereby pursuant to which our corporation will be dissolved and liquidated and our remaining cash ultimately will be distributed to our shareholders. Fourth, you will be voting on a proposal to amend our amended and restated articles of incorporation and fourth amended and restated bylaws to reduce the minimum size of our board of directors from six to three (which would permit us to reduce the size of our board from seven directors to a lesser number in the future if we choose to do so). Finally, you will be voting on two proposals to permit us to adjourn the special meeting to allow us to continue to solicit proxies with respect to the asset sale transaction and with respect to the plan of dissolution.

This proxy statement contains important information about each of the proposals that will be voted on at the special meeting. You should read it carefully.

Your vote is important. The future direction of your company will be determined at this meeting. We encourage you to vote as soon as possible.

Q: Has the Novoste board of directors made any recommendation regarding how to vote?

A: Yes. Our board of directors has unanimously determined that the sale of our VBT business to Best Vascular and the related amended and restated asset purchase agreement are advisable, fair to and in the best interests of our shareholders, and has recommended that you vote in favor of the proposal to approve the asset sale transaction set forth in the amended and restated asset purchase agreement, and that you vote in favor of the related proposal to amend our amended and restated articles of incorporation to change our name from Novoste Corporation to NOVT Corporation (or, if that name is not available in Florida, to NVTE Corporation). The reasons why our board recommends these proposals are discussed in greater detail in the section entitled Approval of Asset Sale Transaction Pursuant to Amended and Restated Asset Purchase Agreement Recommendation of our Board of Directors and Reasons for the Asset Sale Transaction.

Our board of directors has further unanimously approved, and recommended to you, that shareholders vote to approve a plan of dissolution to dissolve and liquidate our corporation and amend our amended and restated articles of incorporation and fourth amended and restated bylaws to reduce the minimum size of our board from six to three directors.

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Q: Why is Novoste proposing the sale of the VBT business to Best Vascular?

A: In February 2005, we announced that our board of directors had determined that our VBT business, our only business line, was no longer viable and, as a result, the board had authorized a staged wind down of the business. Subsequent to the implementation of the wind down, we began discussions with Best Vascular and BMI regarding a sale of our VBT business, and on August 25, 2005, we entered into an agreement to sell our VBT business to Best Vascular. However, completion of our proposed merger with ONI Medical Systems, Inc., which was abandoned on September 26, 2005, was a condition to completion of the sale. Accordingly, we were unable to complete the sale of the VBT business pursuant to our original agreement with Best Vascular and BMI, and promptly following the abandonment of our proposed merger with ONI, we initiated discussions with Best Vascular and BMI to enter into a modified asset purchase agreement that would condition the consummation of the asset sale transaction on the receipt of the approval of our shareholders. In the absence of the ONI merger and the assets that would have been acquired by Novoste as a result of such merger, the sale of the VBT business represents a sale of substantially all of our assets and, as such, requires the approval of our shareholders under Florida law.

On October 12, 2005, we entered into an amended and restated asset purchase agreement with Best Vascular and BMI, which agreement was amended on November 30, 2005. Under the amended and restated agreement, Best Vascular will acquire substantially all of our VBT business assets in exchange for the assumption of certain liabilities related to the VBT business by Best Vascular. Such assets include the patents and other intellectual property, the inventory and equipment, furniture, records, sales materials, and various agreements and contracts in each case associated with our VBT business. The assets to be transferred and conveyed to Best Vascular do not include cash and cash equivalents and certain other assets not related to our VBT business. Pursuant to the agreement, BMI has agreed to guarantee the full and faithful performance by Best Vascular of all agreements of Best Vascular set forth in the agreement.

The consideration for the sale of the assets by us to Best Vascular is the assumption by Best Vascular of our liabilities described below. In addition, if at the time of the closing, we have not resolved those certain patent infringement lawsuits filed against us by Calmedica, LLC pending in the United States District Court for the Northern District of Georgia and the United States District Court for the Northern District of Illinois, we are required at closing to make a cash payment of $350,000 to Best Vascular and Best Vascular will assume all liabilities arising after the closing from this litigation, including the obligations to pay ongoing legal fees and expenses associated with the litigation.

At the closing, Best Vascular also will assume, among others, the following of our liabilities:

- liabilities incurred or arising before or after closing under our supply agreement, dated October 14, 1999, with AEA Technology-QSA, GmbH, or AEA, such as penalties under the minimum purchase requirements and obligations to decontaminate and decommission equipment (excluding certain payments previously made by us to AEA prior to September 30, 2005 and payments by us to AEA after September 30, 2005 in an aggregate amount estimated to equal approximately $438,000 depending on when the closing occurs);

- liabilities incurred or arising after the closing under certain royalty agreements between us and various third parties;

- liabilities arising after the closing for utility payment obligations with respect to our leased facilities at 4350 International Boulevard, Norcross, Georgia; and

- liabilities arising after the closing from the use or ownership of the VBT business assets.

In addition, Best Vascular will acquire our accounts receivable and assume our trade accounts payable related to our VBT business at the closing, subject to a reconciliation and true-up procedure requiring either a payment by Best Vascular to us if the accounts receivable are greater than the trade accounts payable or a payment by us to Best Vascular if the accounts receivable are less than the trade accounts payable. BMI has

agreed to guarantee the full and faithful performance by Best Vascular to assume the liabilities being transferred pursuant to the agreement.

Completion of the sale contemplated by the amended and restated asset purchase agreement is conditioned, among other things, upon the approval by our shareholders of the sale, which is required by Florida law, and as a result, you are being asked to approve the sale at the special meeting.

If our sale of the VBT business to Best Vascular is not approved, or not otherwise completed, we expect that the VBT business will be wound down and that Novoste will recoup no significant value for it. We also expect that we would incur additional operating expenses up until the completion of the wind down that will be avoided if the VBT business is sold to Best Vascular. Furthermore, if such a wind down were to be completed without a sale of the business, Novoste would retain the liabilities that Best Vascular is assuming.

Although we are not able to precisely quantify how much these liabilities would cost Novoste in the future, we believe that the sale of our VBT business to Best Vascular and assumption of liabilities by Best Vascular is likely to have a future net economic benefit to Novoste when compared to the alternative wind down of the VBT business. Based on our current estimates regarding the assets to be sold and the liabilities to be assumed, we believe that the aggregate amount of this net economic benefit to us will be approximately $1.7 million to $3.2 million, although there can be no assurance that the actual amount of these liabilities will not ultimately be more or less than our current estimates.

Q: What will be our business following the asset sale transaction?

A: Substantially all of our operating assets will be transferred to Best Vascular in the asset sale transaction. Following the asset sale transaction, we expect that we will no longer be engaged in any business activities. If the proposed plan of dissolution is approved by our shareholders and implemented by our board, we will pursue those steps necessary to wind down and liquidate any remaining operations in accordance with the plan of dissolution. If the plan of dissolution is not approved or implemented, we expect that we will become a shell corporation with cash assets and no operating business while other potential alternatives are evaluated.

Q: Will my shares of common stock continue to be listed on the Nasdaq National Market after completion of the sale or wind down of the VBT business?

A: No. Our common stock is currently listed on the Nasdaq National Market. However, we expect that upon the completion of either the sale of our VBT business or its wind down, we will be promptly delisted from the Nasdaq National Market because we will cease to have any operating business and we will be a shell corporation. Upon delisting, we could attempt to list our securities on the OTC Bulletin Board; however, there can be no assurance that we would be successful in doing so. As a result, you should expect that there may be no public trading market of our common stock either upon the completion of the sale of our VBT business to Best Vascular or, if that sale is not approved by our shareholders and completed, upon the wind down of our VBT business. In addition, we may consider deregistering our securities under the Securities Exchange Act of 1934, as amended, at that time.

Q: What are the tax consequences of the asset sale transaction to U.S. shareholders?

A: The asset sale transaction will not be taxable to our U.S. shareholders. See Approval of Asset Sale Transaction Pursuant to Amended and Restated Asset Purchase Agreement Material U.S. Federal Income Tax Consequences of the Asset Sale Transaction. However, the dissolution, if implemented, will have tax consequences to our U.S. shareholders. See Approval of Proposal to Adopt Plan of Dissolution and Dissolve and Liquidate the Corporation Material U.S. Federal Income Tax Consequences of the Dissolution.

Q: When does Novoste expect to complete the sale of assets to Best Vascular pursuant to the Amended and Restated Asset Purchase Agreement?

A: We currently expect to complete the asset sale transaction in February 2006.

Q: Will I have appraisal rights?

A: No. Our shareholders do not have appraisal rights under Florida law in connection with the asset sale transaction.

Q: What will happen if the asset sale transaction is not approved?

A: If the asset sale transaction is not approved, we expect to continue the previously announced wind down of our VBT business. However, we expect that we will retain several contingent liabilities related to this business for a substantial period of time in the future, and as a result, our ability to successfully dissolve and liquidate, or otherwise fully satisfy or transfer these liabilities, may be substantially delayed and impaired.

Q: Why am I being asked to approve an amendment to Novoste s amended and restated articles of incorporation to change the name of the corporation?

A: The amended and restated asset purchase agreement with Best Vascular and BMI contemplates that at the closing of the transaction, Best Vascular will acquire substantially all of Novoste s assets related to the VBT business, including the rights to use the name Novoste . As a result, a proposal is being submitted to our shareholders as required by the amended and restated asset purchase agreement to approve an amendment to our amended and restated articles of incorporation to change our name. Our board of directors has proposed that the corporation s name be changed from Novoste Corporation to NOVT Corporation , and at the special meeting, you will be asked to approve an amendment to our amended and restated articles of incorporation to implement this change. The proposed amendment provides that if the name NOVT Corporation is not available in Florida, we will be authorized to change the name to NVTE Corporation .

In the event the proposal to change our name is not approved by our shareholders at the special meeting and therefore Novoste is unable to assign ownership of the Novoste trademark and Novoste.com domain name to Best Vascular, we will enter into a rights agreement with Best Vascular at the closing of the asset sale transaction, licensing the Novoste trademark and Novoste.com domain name to Best Vascular for use with respect to the goods and services related to the VBT business. In the rights agreement, we would further agree to seek shareholder approval to change our name from Novoste Corporation to another name at any annual meeting of Novoste s shareholders held in 2006 to facilitate the assignment of the Novoste trademark and Novoste.com domain name to Best Vascular at such time. In the event the shareholders of Novoste do not approve the name change proposal either at the special meeting or at any annual meeting in 2006, Best Vascular s license to the Novoste trademark and the Novoste.com domain name will become perpetual.

Q: Why has the board of directors authorized, and asked shareholders to approve, a plan to dissolve and liquidate the corporation?

A: As discussed above, in February 2005, our board of directors determined that our VBT business, which is our only business line, is no longer viable, and authorized its staged wind down. Subsequently, we have reached agreement with Best Vascular and BMI to sell our VBT business to Best Vascular, subject to approval by our shareholders. Upon completion of the sale or wind down of our VBT business, we expect to have no ongoing business operations.

The board has authorized the dissolution and liquidation of Novoste to enable shareholders, after the satisfaction of Novoste s remaining liabilities, to recoup any and all cash that remains in the corporation. If

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the proposal to adopt a plan of dissolution and to dissolve and liquidate the corporation is approved and implemented, we will take legal action to dissolve the corporation and provide for the satisfaction of our creditors. Upon the completion of this process, which may take several years to fully complete, any remaining cash assets would be distributed pro rata to our shareholders.

The amount that would ultimately be distributed to our shareholders upon the full completion of this process is uncertain. The board currently expects that an initial distribution to shareholders could be made within twelve months of the approval of our dissolution and liquidation, with one or more supplemental distributions possibly following several years later after the expiration of certain required statutory periods.

Q: What will I receive as a result of the plan of dissolution?

A: You will receive your pro rata share, based on the number of shares you own, of the cash remaining after provision has been made for the payment, satisfaction and discharge of all known, unknown or contingent debts or liabilities, including costs and expenses incurred in connection with the dissolution.

Uncertainties as to the precise net value of our assets and the ultimate amount of our liabilities make it impossible to predict the aggregate net amounts that will ultimately be available for distribution to shareholders or the timing of any such distribution. At this time, we estimate that after the completion of our dissolution and liquidation, which may take several years, we would have cash and financial instruments remaining of approximately $10.8 million if the asset sale transaction is completed and approximately $9.1 million if the asset sale transaction is not completed (in each case, after provision for the satisfaction of any remaining creditors). However, the actual amount of cash available for distribution following dissolution will depend on a number of factors, several of which are outside our control, including:

- The ultimate amount of our known, unknown and contingent debts and liabilities;
- The fees and expenses incurred by us in the dissolution of our corporation and the liquidation of our assets;
- Whether our $3 million loan to ONI is repaid in full;
- If the asset sale transaction is completed, whether Best Vascular and BMI default on their obligations to perform and discharge the Novoste liabilities assumed by them; and
- If the asset sale transaction is not completed, the amount of our continued losses from operating the VBT business until its wind down is completed.

As a result, the amount of cash remaining following completion of our dissolution and liquidation could vary significantly from our current estimates. See Approval of Proposal to Adopt Plan of Dissolution and Dissolve and Liquidate the Corporation Dissolution and Liquidation Analysis and Estimates.

Q: What will happen if the proposal to approve and adopt a plan of dissolution and to approve the dissolution and liquidation of the corporation is not approved?

A: If the proposal to approve and adopt a plan of dissolution and to approve the dissolution and liquidation of the corporation is not approved, we will either complete the sale of the VBT business to Best Vascular or wind down the VBT business (depending on whether the asset

sale transaction proposal is approved). At such time, we expect to have no operating business and we would likely become a shell corporation consisting solely of cash and other financial assets (and, if the asset sale transaction is not approved and completed, several contingent liabilities related to the VBT business).

Our future would become highly uncertain. We expect that our common stock would be promptly delisted from the Nasdaq National Market upon either the completion of the sale or wind down of the VBT business, and we might consider deregistering our securities under the Securities Exchange Act. We also expect that any remaining senior executives would depart the company at that time, since we may be unable to provide

them adequate incentives to remain in any employment capacity. Since we would likely have no operating business, or imminent prospects for obtaining one, we may have difficulty retaining members of our board of directors, who may wish to resign their positions, and we may have serious difficulty finding qualified persons to replace them.

The board of directors previously proposed a strategic transaction with ONI Medical Systems, Inc. that would have provided us with a new operating business, but this transaction was rejected by our shareholders, and has now been abandoned. It is possible that another strategic transaction involving a merger of Novoste with another corporation could be proposed to us in the future, but there can be no assurance that such a transaction would be approved by both our board of directors and shareholders, as would be required under Florida law. In addition, there can be no assurance that all of our current executives or directors would agree to continue serving through this period to assist us with transitional matters, or that we would be able to find suitable replacements for them. As a result, if dissolution and liquidation is not approved, there can be no assurance that we will have any future business activities or that you will ever be able to recoup any value for your shares.

Q: What are the U.S. federal income tax consequences of dissolution and liquidation to me?

A: Each shareholder will recognize a capital gain or loss equal to the difference between the aggregate amount of the distribution made to the shareholder in connection with our liquidation and the adjusted tax basis of such shareholder s shares. See Approval of Proposal to Adopt Plan of Dissolution and Dissolve and Liquidate the Corporation Material U.S. Federal Income Tax Consequences of the Dissolution.

Q: Why has the board of directors authorized, and asked shareholders to approve, amendments to reduce the minimum size of the board of directors?

A: Our board of directors currently consists of seven members. In light of the fact that we expect to have no ongoing business operations following the completion of the sale or wind down of our VBT business, the board has determined that it may be more cost-effective to reduce the size of the board of directors to reduce our future operating costs, thereby preserving more resources for shareholders. These cost-efficiencies include reductions in the payments of directors retainer and meeting fees and travel cost reimbursements. To enable the board to reduce the size of the board in the future and preserve maximum flexibility, we are proposing amendments to our amended and restated articles of incorporation and fourth amended and restated bylaws to decrease the minimum size of the board from six to three directors. The maximum number of directors set forth in the amended and restated articles of incorporation and fourth amended and restated bylaws, which is 12, will remain the same.

The board believes that these amendments will enhance our flexibility to decrease the size of the board in the future if such an action is deemed desirable to reduce future operating costs or for any other reasons. The board currently expects that J. Stephen Holmes, Judy Lindstrom, Stephen I. Shapiro and Thomas D. Weldon will resign from the board soon after the special meeting of our shareholders, with Charles E. Larsen, Alfred J. Novak and William E. Whitmer remaining as directors. In addition, assuming approval of the amendments to reduce the minimum size of the board of directors and if the proposal to approve and adopt a plan of dissolution and to dissolve and liquidate the corporation is approved by shareholders, the board expects to reduce the size of the board from seven to three directors. Assuming approval of the amendments to reduce the minimum size of the board of directors and if the proposal to approve and adopt a plan of dissolution and to dissolve and liquidate the corporation is not approved by shareholders, the board expects to reduce the size of the board from seven to five directors and to solicit nominations, including from our shareholders, for consideration by the board to fill the two vacancies on the board resulting from such resignations.

Q: When and where is the special meeting of shareholders and who is entitled to vote?

A: The special meeting of shareholders will take place at 10:00 a.m., local time, on , 2006, at the Atlanta Marriott Gwinnett Place, 1775 Pleasant Hill Road, Duluth, Georgia. Holders of record of our common stock as of the close of business on December 15, 2005 are entitled to vote at the special meeting.

Q: What shareholder approvals are required to approve the sale of our assets to Best Vascular, the change of our name, our dissolution and liquidation, and the reduction in the size of our board of directors?

A: All holders of our common stock are entitled to vote on the proposals being submitted to shareholders. The affirmative vote of a majority of the votes entitled to be cast is required to approve the sale of our VBT business to Best Vascular pursuant to the amended and restated asset purchase agreement. The affirmative vote of a majority of the votes entitled to be cast is also required to approve the proposal to adopt a plan of dissolution and dissolve and liquidate our corporation. The approval of each of the two amendments to our amended and restated articles of incorporation and the amendment to our bylaws and each of the adjournment proposals requires that the number of votes cast by shareholders at the special meeting in favor of the proposal exceeds the number of votes cast against the proposal.

Q: Are there risks I should consider in deciding whether to vote to approve the sale of the VBT business to Best Vascular, and in deciding whether to approve the proposed dissolution and liquidation of Novoste following the sale or wind down of the VBT business?

A: Yes. In evaluating each of these proposals, you should carefully consider the factors discussed in Risk Factors beginning on page 19 and the other matters discussed in this proxy statement.

Q: How do I cast my vote if I am a holder of record?

A: After carefully reading and considering the information contained in this proxy statement, if you are a holder of record, you may vote in person at the special meeting or by submitting a proxy for the meeting. You can submit your proxy by completing, signing, dating and returning the enclosed BLUE proxy card in the accompanying pre-addressed, postage-paid envelope.

IF YOU SIGN, DATE AND SEND YOUR BLUE PROXY CARD AND DO NOT INDICATE HOW YOU WANT TO VOTE, YOUR PROXY WILL BE VOTED FOR EACH PROPOSAL DESCRIBED IN THIS PROXY STATEMENT, INCLUDING THE ASSET SALE TRANSACTION, THE PLAN OF DISSOLUTION AND THE AMENDMENTS TO OUR AMENDED AND RESTATED ARTICLES OF INCORPORATION AND FOURTH AMENDED AND RESTATED BYLAWS.

Q: If my shares are held in street name, will someone else vote my shares for me?

A: If you hold your shares in street name, which means your shares are held of record by a broker, bank or nominee, you must provide the record holder of your shares with instructions on how to vote your shares. If you do not provide your broker, bank or nominee with instructions on how to vote your shares, such person or entity may not be permitted to vote your shares.

Q: Can I change my vote after I have delivered my BLUE proxy card?

A: Yes. If you are a record holder, you can change your vote at any time before the BLUE proxy is voted at the special meeting by delivering a later-dated, signed proxy card to our corporate secretary before the meeting, delivering a later-dated, signed proxy card to another party soliciting proxies or by attending the meeting and voting in person. You also may revoke your BLUE proxy by delivering, before the date of the meeting,

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a notice of revocation to our corporate secretary at 4350 International Boulevard, Norcross, Georgia 30093 (attn: Daniel G. Hall, Esq.).

Q: What should I do if I receive more than one set of Novoste voting materials?

A: You may receive more than one set of Novoste voting materials, including multiple copies of this proxy statement and multiple BLUE proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one BLUE proxy card. Please complete, sign, date and return each BLUE proxy card and voting instruction card that you receive.

Q: Who can help answer my questions?

A: If you have any questions about any of the proposals, or about how to submit your BLUE proxy, or if you need additional copies of this proxy statement or the enclosed BLUE proxy card, you should contact either:

Novoste Corporation 4350 International Boulevard Norcross, Georgia 30093 Attention: Daniel G. Hall, Esq., General Counsel Phone: (770) 717-0904	or	Morrow & Co., Inc. 445 Park Avenue New York, New York 10022 Phone: (800) 607-0088

Q: How may Novoste solicit proxies and who is bearing the cost of this Novoste proxy solicitation?

A: BLUE proxies may be solicited on behalf of our board of directors by mail, telephone, facsimile or electronic communication or in person and we will pay the solicitation costs, which include the cost of printing and distributing proxy materials and soliciting of votes. Our directors, officers and employees may solicit proxies by such methods without additional compensation. In addition, we have retained Morrow & Co., Inc. to assist us in the solicitation of proxies at a cost initially estimated to be $9,500, plus expenses. Additional fees may be incurred by Novoste with respect to Morrow & Co., Inc. as a result of the proxy solicitation efforts by the Steel Partners Entities, as described below. We also will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

Q: What should I do if I receive a set of proxy soliciting materials from Steel Partners II, L.P.?

A: On November 28, 2005, Steel Partners II, L.P., Steel Partners LLC and Warren G. Lichtenstein, or collectively, the Steel Partners Entities, filed preliminary proxy soliciting materials with the Securities and Exchange Commission, which materials were revised pursuant to a filing made by the Steel Partners Entities with the SEC on December 20, 2005, in connection with their solicitation of proxies for use at the special meeting in opposition to our proposal to dissolve and liquidate Novoste. According to the preliminary proxy materials filed with the SEC, the Steel Partners Entities are asking shareholders to execute a GREEN proxy card to vote against the dissolution and liquidation proposal (proposal 3). With respect to Novoste s recommendation to approve the asset sale transaction proposal (proposal 1), the name change proposal (proposal 2) and the proposal to reduce the minimum size of our board of directors (proposal 4), the Steel Partners Entities preliminary proxy soliciting materials indicate that they do not object to these proposals.

Your board urges you not to sign any GREEN proxy card sent to you by the Steel Partners Entities, but instead, to sign and return the BLUE proxy card included with these materials.

If you have previously signed and returned a GREEN proxy card, you have every right to change your mind and revoke that proxy. You may do so by signing and returning a later dated BLUE proxy card. Regardless of the number of shares you own, your signing, dating and mailing of the enclosed BLUE proxy card is important. Please act today.

* * * * *

SUMMARY TERM SHEET

Special Meeting Time and Date	10:00 a.m., local time, on , 2006
Special Meeting Location	The Atlanta Marriott Gwinnett Place, 1775 Pleasant Hill Road, Duluth, Georgia
Record Date	December 15, 2005
Proposal 1 Approval of Asset Sale Transaction Pursuant to Amended and Restated Asset Purchase Agreement	
The Transaction	We are asking our shareholders to approve the sale of our VBT business to Best Vascular pursuant to the amended and restated asset purchase agreement. If our shareholders approve the asset sale transaction, we will transfer and convey to Best Vascular substantially all of the assets of our VBT business and Best Vascular will assume certain specified liabilities of our VBT business. Such assets include the patents and other intellectual property, the inventory and equipment, furniture, records, sales materials, and various agreements and contracts in each case associated with our VBT business. The assets to be transferred and conveyed to Best Vascular do not include cash and cash equivalents and certain other assets not related to our VBT business. BMI, an affiliate of Best Vascular, has agreed to guarantee the full and faithful performance by Best Vascular of all agreements of Best Vascular set forth in the amended and restated asset purchase agreement. The consideration for the sale of the assets by us to Best Vascular is the assumption by Best Vascular of our liabilities described below. In addition, if at the time of the closing, we have not resolved those certain patent infringement lawsuits filed against us by Calmedica, LLC pending in the United States District Court for the Northern District of Georgia and the United States District Court for the Northern District of Illinois, we are required at closing to make a cash payment of $350,000 to Best Vascular and Best Vascular will assume all liabilities arising after the closing from this litigation, including the obligations to pay ongoing legal fees and expenses associated with the litigation. At the closing, Best Vascular also will assume, among others, the following of our liabilities: liabilities incurred or arising before or after closing under our supply agreement, dated October 14, 1999, with AEA, such as penalties under the minimum purchase requirements and obligations to decontaminate and decommission equipment (excluding certain payments previously made by us to AEA prior to September 30, 2005 and payments by us

to AEA after September 30, 2005 in an aggregate amount estimated to equal approximately $438,000 depending on when the closing occurs);

liabilities incurred or arising after the closing under certain royalty agreements between us and various third parties;

liabilities arising after the closing for utility payment obligations with respect to our leased facilities at 4350 International Boulevard, Norcross, Georgia; and

liabilities arising after the closing from the use or ownership of the VBT business assets.

In addition, Best Vascular will acquire our accounts receivable and assume our trade accounts payable related to our VBT business at the closing, subject to a reconciliation and true-up procedure requiring either a payment by Best Vascular to us if the accounts receivable are greater than the trade accounts payable or a payment by us to Best Vascular if the accounts receivable are less than the trade accounts payable.

BMI has agreed to guarantee the full and faithful performance by Best Vascular to assume the liabilities being transferred pursuant to the agreement.

If our sale of the VBT business to Best Vascular is not approved, or not otherwise completed, we expect that the VBT business will be wound down and Novoste will recoup no significant value for it. We also expect that we would incur additional operating expenses up until the completion of the wind down that will be avoided if the VBT business is sold to Best Vascular. Furthermore, if such a wind down were to be completed without a sale of the business, Novoste would retain the liabilities that Best Vascular is assuming. Although we are not able to precisely quantify how much these liabilities would cost Novoste in the future, we believe that the sale of our VBT business to Best Vascular and assumption of liabilities by Best Vascular is likely to have a future net economic benefit to Novoste when compared to the alternative wind down scenario. Based on our current estimates regarding the assets to be sold and the liabilities to be assumed, we believe that the aggregate amount of this net economic benefit to us will be approximately $1.7 million to $3.2 million, although there can be no assurance that the actual amount of these liabilities will not ultimately be more or less than our current estimates. See Approval of Asset Sale Transaction Pursuant to Amended and Restated Asset Purchase Agreement Recommendation of our Board of Directors and Reasons for the Asset Sale Transaction.

Required Vote

All holders of Novoste s common stock are entitled to vote on the proposals being submitted to shareholders. The affirmative vote of a majority of the votes entitled to be cast is required to approve the asset sale transaction.

Conditions to Closing	The conditions to the asset sale transaction include the approval by our shareholders of the transaction, the accuracy of the respective parties representations and warranties and the performance by them of their covenants and agreements, approval of the State of Georgia for Best Vascular to assume the radioactive materials licenses and the sealed source and device registration certificates issued to Novoste, and other conditions described in Approval of Asset Sale Transaction Pursuant to Amended and Restated Asset Purchase Agreement Terms of the Amended and Restated Asset Purchase Agreement.
U.S. Federal Income Tax Consequences	The asset sale transaction will not be taxable to our U.S. shareholders. See Approval of Asset Sale Transaction Pursuant to Amended and Restated Asset Purchase Agreement Material U.S. Federal Income Tax Consequences of the Asset Sale Transaction. However, the dissolution, if implemented, will have tax consequences to our U.S. shareholders. See Approval of Proposal to Adopt Plan of Dissolution and Dissolve and Liquidate the Corporation Material U.S. Federal Income Tax Consequences of the Dissolution.
Business of Novoste After the Asset Sale Transaction	Upon completion of the asset sale transaction, we expect to have no ongoing business operations.
Proposal 2 Approval of Amendment to Amended and Restated Articles of Incorporation to Change Name from Novoste Corporation to NOVT Corporation	The amended and restated asset purchase agreement with Best Vascular and BMI contemplates that at the closing of the transaction, Best Vascular will acquire substantially all of Novoste s assets related to the VBT business, including the rights to use the name Novoste . As a result, a proposal is being submitted to our shareholders as required by the amended and restated asset purchase agreement to approve an amendment to our amended and restated articles of incorporation to change our name. Our board of directors has proposed that the corporation s name be changed from Novoste Corporation to NOVT Corporation , and at the special meeting, you will be asked to approve an amendment to our amended and restated articles of incorporation to implement this change. The proposed amendment provides that if the name NOVT Corporation is not available in Florida, we will be authorized to change the name to NVTE Corporation instead. In the event the proposal to change our name is not approved by our shareholders at the special meeting and therefore Novoste is unable to assign ownership of the Novoste trademark and Novoste.com domain name to Best Vascular, we will enter into a rights agreement with Best Vascular at the closing of the asset sale transaction, licensing the Novoste trademark and Novoste.com domain name to Best Vascular

	for use with respect to the goods and services related to the VBT business. In the rights agreement, we would further agree to seek shareholder approval to change our name from Novoste Corporation to another name at any annual meeting of Novoste s shareholders held in 2006 to facilitate the assignment of the Novoste trademark and Novoste.com domain name to Best Vascular at such time. In the event the shareholders of Novoste do not approve the name change proposal either at the special meeting or at any annual meeting in 2006, Best Vascular s license to the Novoste trademark and the Novoste.com domain name will become perpetual.
Required Vote	All holders of Novoste s common stock are entitled to vote on the proposals being submitted to shareholders. The proposal to approve this amendment to our amended and restated articles of incorporation requires that the number of votes cast by shareholders at the special meeting in favor of the proposal exceeds the number of votes cast against the proposal.
Proposal 3 The Dissolution and Liquidation Proposal	We are seeking approval of our shareholders of a plan of dissolution and the dissolution and liquidation of Novoste pursuant thereto, to be implemented either after the asset sale transaction is completed or after the completion of the wind down of our VBT business. Such a plan of dissolution would provide for the voluntary liquidation, winding up and dissolution of our corporation. Our current intention is that the dissolution would take place following the completion of the asset sale transaction or the completion of the wind down of our VBT business. If the plan of dissolution is approved by our shareholders and implemented by us, we will liquidate our remaining assets, satisfy or make reasonable provisions for the satisfaction of our remaining obligations, and make distributions to shareholders of any available liquidation proceeds, as well as remaining cash. If our board of directors determines that dissolution and liquidation are not in the best interests of our shareholders, our board of directors may direct that the plan of dissolution be abandoned, either before or after shareholder approval, or may amend or modify the plan of dissolution to the extent permitted by Florida law, without the necessity of further shareholder approval. For more information regarding the proposed dissolution and liquidation of Novoste, see Approval of Proposal to Adopt Plan of Dissolution and Dissolve and Liquidate the Corporation.
	Uncertainties as to the precise net value of our assets and the ultimate amount of our liabilities make it impossible to predict the aggregate net amounts that will ultimately be available for distribution to shareholders or the timing of any such distribution. At this time, we estimate that after the completion of our dissolution and liquidation, which may take several years, we would have cash and financial instruments remaining of approximately $10.8 million if the asset sale transaction is completed and approximately $9.1 million if the asset

sale transaction is not completed (in each case, after provision for the satisfaction of any remaining creditors). However, the actual amount of cash available for distribution following dissolution will depend on a number of factors, several of which are outside our control, including:

- The ultimate amount of our known, unknown and contingent debts and liabilities;
- The fees and expenses incurred by us in the dissolution of our corporation and the liquidation of our assets;
- Whether our $3 million loan to ONI is repaid in full;
- If the asset sale transaction is completed, whether Best Vascular and BMI default on their obligations to perform and discharge the Novoste liabilities assumed by them; and
- If the asset sale transaction is not completed, the amount of our continued losses from operating the VBT business until its wind down is completed.

As a result, the amount of cash remaining following completion of our dissolution and liquidation could vary significantly from our current estimates. See Approval of Proposal to Adopt Plan of Dissolution and Dissolve and Liquidate the Corporation Dissolution and Liquidation Analysis and Estimates.

Post-Dissolution Conduct of the Corporation

Under Florida law, after we file our articles of dissolution, we will continue to exist solely for the purpose of winding up our affairs. During this time, our board of directors and officers will oversee the liquidation of our assets but will not continue our business. They will:

- settle and close our business;
- convert to cash as many of our non-cash assets as possible;
- withdraw from any jurisdiction where we are qualified to do business;
- pay or make provision to pay our expenses and other liabilities;
- prosecute and defend any lawsuits;
- distribute our remaining assets to the shareholders; and
- engage in any other acts necessary to wind up and liquidate our business and affairs.

	See Approval of Proposal to Adopt Plan of Dissolution and Dissolve and Liquidate the Corporation Conduct of our Corporation Following the Dissolution.
Liquidating Distribution to Shareholders	Before distributing any assets to our shareholders, we will pay and discharge, or make provisions reasonably likely to provide sufficient

	compensation for, all of our claims and obligations, including pending, contingent, conditional, or unmatured claims as well as claims that have not arisen but that are likely to arise after our dissolution. See Approval of Proposal to Adopt Plan of Dissolution and Dissolve and Liquidate the Corporation Distributions to Shareholders.
Liquidating Trust	Although no decision has been made, our board of directors may, in its absolute discretion, transfer our assets to a liquidating trust after dissolution. See Approval of Proposal to Adopt Plan of Dissolution and Dissolve and Liquidate the Corporation Liquidating Trust.
Continuing Liability of Shareholders	Under Florida law, a shareholder may be liable for any claim against our corporation that has not been paid or otherwise provided for in an amount up to that shareholder s pro rata share of the claim or the amount distributed to the shareholder, whichever amount is less. See Approval of Proposal to Adopt Plan of Dissolution and Dissolve and Liquidate the Corporation Continuing Liability of Shareholders After Dissolution.
U.S. Federal Income Tax Consequences	Each shareholder will recognize a capital gain or loss equal to the difference between the aggregate amount of the distribution made to the shareholder in connection with our liquidation and the adjusted tax basis of such shareholder s shares. See Approval of Proposal to Adopt Plan of Dissolution and Dissolve and Liquidate the Corporation Material U.S. Federal Income Tax Consequences of the Dissolution.
Required Vote	All holders of Novoste s common stock are entitled to vote on the proposals being submitted to shareholders. The affirmative vote of a majority of the votes entitled to be cast is required to approve and adopt the plan of dissolution and approve the dissolution and liquidation of our corporation.
Proposal 4 Amendments to Amended and Restated Articles of Incorporation and Fourth Amended and Restated Bylaws to Reduce Minimum Size of Board of Directors From Six to Three Directors	Our amended and restated articles of incorporation and fourth amended and restated bylaws provide that the number of directors on our board of directors shall be at least six and not more than twelve. Currently, our board consists of seven directors. We are seeking approval by our shareholders of amendments to our amended and restated articles of incorporation and fourth amended and restated bylaws to provide that our board of directors may consist of as few as three directors. The board believes that these amendments will enhance our flexibility to decrease the size of the board in the future if such an action is

deemed desirable to reduce future operating costs or for any other reasons. The board currently expects that J. Stephen Holmes, Judy Lindstrom, Stephen I. Shapiro and Thomas D. Weldon will resign from the board soon after the special meeting of our shareholders, with Charles E. Larsen, Alfred J. Novak and William E. Whitmer remaining as directors. In addition, assuming approval of the amendments to reduce the minimum size of the board of directors and if the proposal to approve and adopt a plan of dissolution and to dissolve and liquidate the corporation is approved by shareholders, the board expects to reduce the size of the board from seven to three directors. Assuming approval of the amendments to reduce the minimum size of the board of directors and if the proposal to approve and adopt a plan of dissolution and to dissolve and liquidate the corporation is not approved by shareholders, the board expects to reduce the size of the board from seven to five directors and to solicit nominations, including from our shareholders, for consideration by the board to fill the two vacancies on the board resulting from such resignations.

Required Vote

All holders of Novoste s common stock are entitled to vote on the proposals being submitted to shareholders. The proposal to approve these amendments to our amended and restated articles of incorporation and fourth amended and restated bylaws requires that the number of votes cast by shareholders at the special meeting in favor of the proposal exceeds the number of votes cast against the proposal.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The summary consolidated financial data shown below for the fiscal years ended December 31, 2004, 2003 and 2002, and as of December 31, 2004 and 2003, have been taken or derived from our audited financial statements included in this proxy statement. The summary consolidated financial data shown below for the nine months ended September 30, 2005 and 2004, and as of September 30, 2005, have been taken or derived from our unaudited financial statements included in this proxy statement. In the opinion of management, the unaudited financial statements contain all adjustments (all of which were considered normal and recurring) necessary to present fairly the results of the interim periods. Operating results for the nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the entire year ended December 31, 2005. The summary consolidated financial data shown below for the fiscal years ended December 31, 2001 and 2000, and as of December 31, 2002, 2001 and 2000, have been derived from our financial statements for those years, which are not included in this proxy statement. The summary consolidated financial data shown below should be read in conjunction with the consolidated financial statements and related notes and with Management s Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this proxy statement.

	Nine Months Ended September 30,		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(In thousands, except per share amounts)						
Consolidated Statement of Operations Data:							
Net sales	$ 7,098	$ 18,730	$ 23,268	$ 62,901	$ 69,030	$ 69,908	$ 6,530
Costs and expenses:							
Cost of sales	5,489	11,842	16,111	24,315	27,313	19,164	4,258
Impairment and related charges		938	9,349		6,900		
Research and development	604	4,103	4,633	11,986	13,300	12,756	17,119
Sales and marketing	3,799	9,758	12,558	19,485	26,875	35,868	15,651
General and administrative	8,167	6,107	8,036	8,237	8,335	9,324	6,321
Loss from operations	(10,961)	(14,018)	(27,419)	(1,122)	(13,693)	(7,204)	(36,819)
Other income	694	360	498	254	642	2,095	3,746
Net loss	$ (10,267)	$ (13,658)	$ (26,921)	$ (868)	$ (13,051)	$ (5,109)	$ (33,073)
Basic and diluted net loss per share	$ (2.51)	$ (3.35)	$ (6.59)	$ (0.21)	$ (3.21)	$ (1.27)	$ (8.53)
Weighted average shares outstanding	4,084	4,083	4,083	4,078	4,067	4,038	3,879

	At September 30,	At December 31,				
	2005	2004	2003	2002	2001	2000
	(In thousands)					
Consolidated Balance Sheet Data:						
Working capital	$ 12,855	$ 25,753	$ 39,364	$ 30,496	$ 40,482	$ 53,742
Total assets	21,373	33,702	61,407	67,520	82,911	77,073
Long-term liabilities				5	203	401
Accumulated deficit	(172,491)	(162,223)	(135,302)	(134,434)	(121,384)	(116,275)
Total shareholders equity	16,057	26,454	53,244	52,765	64,728	67,042

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SUMMARY UNAUDITED PRO FORMA FINANCIAL DATA

The following summary unaudited pro forma financial data have been derived from and should be read together with the unaudited pro forma consolidated financial data and related notes on pages 92 through 97, which have been prepared solely for purposes of developing the pro forma information.

The unaudited pro forma financial data is presented for informational purposes only, is based upon estimates by Novoste s management and is not intended to be indicative of actual consolidated results of operations or consolidated financial position that would have been achieved had the transactions or adjustments been consummated as of the date indicated above nor does it purport to indicate results which may be attained in the future.

The following unaudited pro forma consolidated balance sheet of Novoste and its subsidiaries as of September 30, 2005 and unaudited pro forma income statements of Novoste and its subsidiaries for the year ended December 31, 2004 and the nine months ended September 30, 2005 are derived from the historical financial statements of Novoste and its subsidiaries for the year ended December 31, 2004, and the historical financial statements for the nine months ended September 30, 2005, adjusted to illustrate the effect of the sale of our VBT business to Best Vascular as if this sale occurred on September 30, 2005 with respect to the pro forma consolidated balance sheet, and January 1, 2004 with respect to the pro forma consolidated statement of operations. These adjustments are labeled as VBT Adjustments in the unaudited proforma consolidated financial statements.

	Nine Months Ended September 30, 2005	Year Ended December 31, 2004
	(In thousands, except per share amounts)	
Statement of Continuing Operations		
Net Sales	$	$
Net Loss	$ (278)	$ (657)
Net lost per share basic and diluted	(0.07)	(0.16)

	As of September 30, 2005
Balance Sheet Data	
Working capital	$ 13,160
Total assets	17,874
Accumulated deficit	(172,299)
Total shareholders equity	16,249

RISK FACTORS

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, set forth below are cautionary statements identifying important factors that could cause actual events or results to differ materially from any forward-looking statements made by us or on our behalf, whether oral or written. We wish to ensure that any forward-looking statements are accompanied by meaningful cautionary statements in order to maximize to the fullest extent possible the protections of the safe harbor established in the Private Securities Litigation Reform Act of 1995. Accordingly, any such statements are qualified in their entirety by reference to, and are accompanied by, the following important factors that could cause actual events or results to differ materially from our forward-looking statements.

In addition to the other information included in this proxy statement (including the matters addressed in Cautionary Note Regarding Forward-Looking Statements), you should consider carefully the matters described below in evaluating the proposed asset sale transaction and the proposed dissolution and liquidation, as well as our business. Additional risks and uncertainties that are not presently known to us or that we do not currently believe to be important to you also may adversely affect our business, the asset sale transaction or the dissolution and liquidation.

Risks Related to the Asset Sale Transaction

We cannot be sure if or when the asset sale transaction will be completed.

The consummation of the asset sale transaction is subject to the satisfaction of various conditions, including the approval of the asset sale transaction by our shareholders and the receipt of various regulatory approvals. We cannot guarantee that we have satisfied or will be able to satisfy the closing conditions set forth in the amended and restated asset purchase agreement. If we are unable to satisfy the closing conditions, Best Vascular and BMI will not be obligated to complete the transaction.

If the asset sale transaction does not close, our board of directors, in discharging its fiduciary obligations to our shareholders and creditors, will be compelled to evaluate other alternatives which may be less favorable to our shareholders than the asset sale transaction.

A delay in the closing of the asset sale transaction will decrease the cash available for distribution to shareholders.

We continue to experience negative cash flows from our operations. If the closing is delayed, we will continue to experience losses related to our continued operation of the VBT business until closing. This would decrease the cash remaining in the corporation for eventual distribution to shareholders or for use in connection with any future strategic deployment.

Best Vascular and BMI could default on their obligations to perform and discharge the assumed liabilities.

The amended and restated asset purchase agreement requires that Best Vascular assume specified liabilities related to the VBT business, such as liabilities incurred or arising before or after the closing under our supply agreement, dated October 14, 1999, with AEA, and if not previously

resolved, liabilities incurred or arising after the closing under those certain patent infringement lawsuits filed against us by Calmedica, LLC pending in the United States District Court for the Northern District of Georgia and the United States District Court for the Northern District of Illinois. BMI has agreed to guarantee the full and faithful performance by Best Vascular of all of the obligations of Best Vascular under the amended and restated asset purchase agreement. If Best Vascular and BMI fail to perform and discharge the assumed liabilities, including circumstances in which Best Vascular and BMI do not have the financial resources to perform and discharge the assumed liabilities, then we may remain liable for the assumed liabilities which would decrease the remaining cash available for eventual distribution to shareholders or for use in connection with any future strategic deployment.

We will incur significant costs in connection with the asset sale transaction, whether or not we complete it.

We expect to incur significant costs related to the asset sale transaction. These expenses include financial advisory, legal and accounting fees and expenses, employee expenses, filing fees, printing expenses, proxy solicitation and other related charges. We may also incur additional unanticipated expenses in connection with the asset sale transaction. A portion of the costs related to the asset sale transaction, such as legal, financial advisory and accounting fees, will be incurred regardless of whether it is completed. These expenses will decrease the remaining cash available for eventual distribution to shareholders or for use in connection with any future strategic deployment.

We expect to be promptly delisted from the Nasdaq National Market upon completion of either the asset sale transaction or the wind down of our VBT business.

Our common stock is currently listed on the Nasdaq National Market. However, we expect that upon the completion of either the sale of our VBT business or its wind down, we will be promptly delisted from the Nasdaq National Market because we will cease to have any operating business and we will be a shell corporation. Upon delisting, we could attempt to list our securities on the OTC Bulletin Board; however, there can be no assurance that we would be successful in doing so. As a result, you should expect that there may be no public trading market of our common stock either upon the completion of the sale of our VBT business to Best Vascular or, if that sale is not completed, upon the wind down of our VBT business.

Recent studies have suggested that long-term health risks may result from drug-eluting stents; if future studies confirm the existence of serious health risks with drug-eluting stents, it could renew physician interest in vascular brachytherapy.

Recently several studies have indicated that there may be negative long-term health effects associated with drug-eluting stents. Such studies have shown a higher thrombosis rate, or risk of a blood clot forming, within the stent associated with drug-eluting stents when compared to bare metal stents, or BMS. The increased risk was small, approximately 0.5% higher for drug eluting stents than BMS after eighteen months of stent implantation. Based upon the number of patients reviewed, the difference shown in the studies was not statistically significant, but is nevertheless an issue that some physicians may be concerned about. However, other studies have found drug-eluting stents more favorable than BMS when all measured parameters are compared. In addition, some recent studies have also compared the effectiveness of using drug-eluting stents for instent restenosis compared to VBT and found that drug-eluting stents are more effective. Furthermore, notwithstanding the issues surrounding the possible higher risk of thrombosis with drug eluting stents, we believe that several technologies are being developed to reduce or eliminate this risk. Some of these technologies may be introduced to the market within a relatively short period of time.

As a result of our assessment of all data presently known, our board of directors continues to believe that our VBT business is no longer viable. However, if future studies find health risks associated with drug-eluting stents, or otherwise find VBT to be a safer and more effective treatment than treatments using drug-eluting stents, it might increase demand for VBT products.

Risks Related to the Dissolution and Liquidation

If we dissolve and liquidate and have assets available to distribute to shareholders, our board will need to make provision for the satisfaction of all of our known and unknown liabilities, which could substantially delay or limit our ability to make any distribution to shareholders.

If we dissolve and liquidate, our board of directors will be required to make adequate provision to satisfy our liabilities, including known and unknown claims against us, before authorizing any distributions to shareholders after dissolution. The process of accounting for our liabilities, including those that are presently unknown, may involve difficult valuation decisions, which could adversely impact the board s ability to make

any such distribution after dissolution in a timely manner. Substantial time may be required for us to determine the extent of our liabilities to known third party creditors and claimants and for us to settle or judicially resolve any claims that are contested. Furthermore, pursuant to the Florida Business Corporation Act, we may be subject to claims being commenced against us for liabilities unknown to us for a period of four years after we satisfy certain general notice requirements under that Act. As a result, there can be no assurance that we would have sufficient cash available to make any distributions to shareholders after our dissolution and liquidation. If we were to have sufficient remaining cash, a substantial period may elapse after dissolution before we would be able to make any such distribution to shareholders, and such distribution would likely be made in more than one installment over an extended period of time.

If we make one or more distributions after dissolution, our shareholders could be liable to the extent of distributions received if contingent reserves are insufficient to satisfy our liabilities.

In the event of our dissolution and liquidation, if we fail to create an adequate contingency reserve for payment of our expenses and liabilities, each shareholder receiving a distribution after dissolution could be held liable for the payment to creditors of such shareholder s *pro rata* portion of any shortfall, limited to the amounts previously received by the shareholder in distributions from Novoste.

If a court holds at any time that we have failed to make adequate provision for our expenses and liabilities or if the amount ultimately required to be paid in respect of such liabilities exceeds the amount available from the contingency reserve, our creditors could seek an injunction against the making of distributions after dissolution on the grounds that the amounts to be distributed are needed to provide for the payment of our expenses and liabilities. Any such action could delay or substantially diminish the amount of any cash distributions to shareholders after dissolution.

Risks Related to Our Business and Common Stock

Upon completion of either the sale or wind down of our VBT business, we expect to have no continuing business operations.

Substantially all of our operating assets relate to our VBT business. Following the completion of either the asset sale transaction or the wind down of our VBT business, we expect to have no continuing business operations. If the proposed plan of dissolution is approved by our shareholders and implemented by our board, we will pursue those steps necessary to wind down and liquidate any remaining operations in accordance with the plan of dissolution. If the plan of dissolution is not approved or implemented, we expect that we will become a shell corporation with cash assets while other potential alternatives are evaluated.

Difficulties efficiently implementing our staged wind down of business operations could reduce the amount of our remaining corporate assets.

If the sale of our VBT business to Best Vascular is not approved by our shareholders and completed, we expect that we will continue the staged wind down of our VBT business to preserve our cash resources. During the wind down of our business, we will need to negotiate the orderly extinguishment of our obligations to creditors. Effectively implementing the wind down of our business will depend on our ability to maximize the consideration we receive for our assets, minimize the amount we must expend to settle our debts and other liabilities, minimize our contingent liabilities, minimize our operating expenses during the wind down process and expedite the wind down process. If we are unable to efficiently implement the wind down of our business, our corporate assets will likely be further depleted.

Product liability suits against us could result in expensive and time-consuming litigation and the payment of substantial damages.

The past and future sale by Novoste and use of our products could lead to the filing of product liability claims if someone were to allege that one of our products contained a design or manufacturing defect. A product

liability claim could result in substantial damages and be costly and time-consuming to defend, either of which could materially harm our business or financial condition. We cannot assure that our product liability insurance would protect our assets from the financial impact of defending a product liability claim.

We have substantially reduced our workforce as part of our wind down of operations.

We currently have extremely limited personnel resources. During 2004, we engaged in a restructuring of our management organization and significantly reduced our work force. In February 2005, we announced that we were reducing our remaining United States workforce in the first quarter of 2005 by 52 employees, from 81 employees, and terminating the 16 employees we had outside the U.S. in accordance with their contracts and the relevant country s employment regulations. We currently have 20 employees. If the asset sale transaction is not completed, it may be difficult for us to efficiently implement the staged, wind down of the VBT business.

The loss of staff could adversely impact any staged, wind down.

As a result of our plans to either sell or wind down our VBT business, it may be difficult for us to provide adequate incentives for our employees to remain employed with us. The loss of any of our employees could have an adverse effect on our ability to expeditiously implement the staged, wind down of our VBT business and continue to operate the corporation.

We hold an unsecured promissory note of ONI Medical Systems, Inc. that may not be repaid in full or at all.

In May 2005, as an inducement to ONI to enter into a merger agreement with us, we extended a $3 million unsecured 18-month loan to ONI. Principal and interest on the loan will be due in November 2006 (unless an event of default occurs in the interim period). We terminated the merger agreement with ONI on September 26, 2005. We believe that the promissory note is collectable in full as of the date of this proxy statement based on a non-default confirmation certificate dated November 7, 2005 that we received from the chief financial officer of ONI, the fact that we are currently not aware of any event of default in the promissory note agreement with ONI subsequent to the date of such certificate, and the announcement in November 2005 by ONI that it had received $7 million in financing from a group of investors. However, there can be no assurance that ONI will be able to repay the note in November 2006 in full or at all. As a result, we could recoup little or no value for the note.

We may continue to incur the expense of complying with public company reporting requirements.

We have an obligation to continue to comply with the applicable reporting requirements of the Securities Exchange Act even though compliance with such reporting requirements is economically burdensome. In the future, in order to curtail such expenses, we might seek relief from the SEC for a substantial portion of the periodic reporting requirements under that Act. There can be no assurance that we would be able to obtain such relief.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The forward-looking statements in this proxy statement are made under the safe harbor provisions of Section 21E of the Securities Exchange Act. Our operating results and financial condition have varied and may in the future vary significantly depending on a number of factors. Statements in this proxy statement which are not strictly historical statements, including, without limitation, statements regarding management s expectations regarding the staged wind-down of our VBT products business, the proposed sale of substantially all of the assets of our VBT business to Best Vascular, matters related to the listing and potential delisting of our common stock, future strategic alternatives, if any, possible dissolution and liquidation and future revenues from the sale of our VBT products, as well as statements regarding our strategy and plans, constitute forward-looking statements that involve risks and uncertainties. In some cases these forward-looking statements can be identified by the use of words such as may, will, should, expect, project, predict, potential or the negative of these words or comparable words. The listed under Risk Factors beginning on page 19, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this proxy statement and presented elsewhere by management from time to time. These factors, among others, may have a material adverse effect upon our business, financial condition and results of operations. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made.

SPECIAL MEETING OF SHAREHOLDERS

This proxy statement and the accompanying form of BLUE proxy are being furnished to holders of record of our common stock on or about , 2006 in connection with the solicitation of proxies by our board of directors for use at a special meeting of shareholders, to be held on , 2006, at the Atlanta Marriott Gwinnett Place, 1775 Pleasant Hill Road, Duluth, Georgia, commencing at 10:00 a.m., local time, and at any adjournment or postponement of that meeting.

Purposes of the Special Meeting

At the special meeting, we are asking holders of record of our common stock to consider and vote on the following proposals:

1. A proposal to approve the proposed asset sale transaction set forth in an amended and restated asset purchase agreement, dated as of October 12, 2005, as amended pursuant to amendment no. 1 to amended and restated asset purchase agreement, dated as of November 30, 2005, among Novoste, Best Vascular and BMI, pursuant to which Novoste will sell substantially all of the assets related to its VBT business to Best Vascular in exchange for the assumption of certain liabilities related to the VBT business by Best Vascular;

2. A proposal to amend our amended and restated articles of incorporation to change the name of our corporation from Novoste Corporation to NOVT Corporation (or, if that name is not available in Florida, to NVTE Corporation);

3. A proposal to approve and adopt a plan of dissolution and to approve the transactions contemplated thereby pursuant to which our corporation will be dissolved and liquidated and our remaining cash ultimately will be distributed to our shareholders;

4. A proposal to amend our amended and restated articles of incorporation and fourth amended and restated bylaws to reduce the minimum size of our board of directors from six to three (which would permit us to reduce the size of our board from seven directors to a lesser number in the future if we choose to do so);

5. A proposal to adjourn the special meeting to permit further solicitation of proxies with respect to the proposal to approve the asset sale transaction;

6. A proposal to adjourn the special meeting to permit further solicitation of proxies with respect to the proposal to approve and adopt the plan of dissolution and to approve the transactions contemplated thereby; and

7. Any other business properly presented at the special meeting or any postponements or adjournments thereof.

Approval of proposal 2 is conditioned on the approval of proposal 1. As a result, if the asset sale transaction described in proposal 1 is not consummated, then the amendment to change our name will not be effected.

Recommendation of our Board of Directors

After careful consideration, our board of directors has unanimously determined that the sale of our VBT business to Best Vascular is advisable, fair to and in the best interests of our shareholders, and has approved the amended and restated asset purchase agreement and the related sale of assets and assumption of liabilities. In addition, our board of directors has unanimously approved the proposed amendment to our amended and restated articles of incorporation to change our name to NOVT Corporation (or, if that name is not available in Florida, to NVTE Corporation), the proposal to adopt the plan of dissolution and dissolve and liquidate Novoste, and the proposal to amend our amended and restated articles of incorporation and fourth amended and restated

bylaws to reduce the minimum size of our board of directors from six to three. Our board of directors has further unanimously approved and recommended that you vote FOR the other proposals described in this proxy statement. No director or executive officer of Novoste has a substantial interest, direct or indirect, by security holding or otherwise, in any matter to be acted upon at the special meeting.

Record Date; Shares Entitled to Vote; Quorum Requirement

Our board of directors has fixed the close of business on December 15, 2005 as the record date for the determination of shareholders entitled to notice of and to vote at the special meeting. Accordingly, only holders of record of shares of our common stock at the close of business on the record date will be entitled to notice of, and to vote at, the special meeting. At the close of business on the record date, there were [ ] shares of our common stock outstanding and entitled to vote, held by approximately [ ] record holders.

Each record holder of shares of our common stock on the record date is entitled to cast one vote per share on each proposal properly submitted for the vote of shareholders at the special meeting. Votes may be cast either in person or by properly executed proxy.

The presence in person or by properly executed proxy of the holders of a majority of the outstanding shares of common stock on the record date is necessary to constitute a quorum for the transaction of business at the special meeting. If a quorum is not present at the meeting, the shareholders present may adjourn the meeting from time to time, without notice, other than by announcement at the meeting, until a quorum is present or represented. Shares represented by proxies that are marked ABSTAIN and broker non-votes will be counted as present for the purpose of determining the presence or absence of a quorum at the meeting. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote those shares on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Required Vote; Broker Voting Procedures

All holders of Novoste s common stock are entitled to vote on the proposals being submitted to shareholders. The affirmative vote of a majority of the votes entitled to be cast is required to approve the sale of our VBT business to Best Vascular pursuant to the amended and restated asset purchase agreement (proposal 1) and to approve the plan of dissolution (proposal 3). As a result, shares represented at the meeting that are marked ABSTAIN, broker non-votes, if any, and shares not represented at the meeting, will have the same effect as votes *against* these proposals.

The approval of each of the proposals to amend our amended and restated articles of incorporation and fourth amended and restated bylaws (proposals 2 and 4) and the two adjournment proposals (proposals 5 and 6) requires that the number of votes cast by the shareholders at the special meeting in favor of the applicable proposal exceeds the number of votes cast against the proposal. As a result, only shares that are voted FOR or AGAINST the proposal will be counted towards the vote requirement. Thus, shares represented at the meeting that are marked ABSTAIN, and broker non-votes, if any, will not be counted towards the vote requirement. Additionally, if you do not complete and return a proxy card and do not vote in person, there will be no effect on the outcome of the vote on either proposal.

Voting by Directors and Executive Officers

At the close of business on the record date, our current directors and executive officers beneficially owned and were entitled to vote approximately [ ]% of our common stock outstanding on that date.

Voting

You may vote by proxy or in person at the special meeting.

Voting in Person

If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the meeting. Please note, however, that if your shares are held in street name, which means your shares are held of record by a broker, bank or other nominee, and you wish to vote at the meeting, you must bring to the meeting a proxy from the record holder of the shares authorizing you to vote at the meeting.

Voting by BLUE Proxy

Shares of our stock represented by properly executed BLUE proxies received by us at or before the meeting and not revoked will be voted in the manner specified on such proxies. The enclosed BLUE proxy provides that you may vote your shares of common stock FOR, AGAINST or ABSTAIN from voting with respect to each of the proposals. Properly executed BLUE proxies that do not contain voting instructions will be voted FOR each of the proposals. If any other matters are properly brought before the special meeting, it is the intention of the persons named in the enclosed BLUE proxy card to vote the proxy in accordance with their best judgment. The proxies named in the enclosed BLUE proxy card may only use discretionary authority to vote on matters not known to Novoste a reasonable time before Novoste commenced this solicitation. Properly executed BLUE proxies marked ABSTAIN, although counted for purposes of determining whether there is a quorum at the meeting, will not be voted.

Revocation of BLUE Proxies

A shareholder giving a BLUE proxy has the power to revoke it at any time before the vote is taken at the special meeting by:

- submitting to our secretary a written instrument revoking the BLUE proxy;
- submitting a duly executed proxy bearing a later date; or
- voting in person at the meeting.

Any written notice of revocation of a BLUE proxy or subsequent BLUE proxy should be sent so that it is delivered to us at 4350 International Boulevard, Norcross, Georgia 30093, Attention: Daniel G. Hall, Vice President, General Counsel and Secretary, or hand-delivered to Mr. Hall at that address, before the taking of the vote at the special meeting.

Solicitation of BLUE Proxies

BLUE proxies are being solicited on behalf of our board of directors. We will pay the costs and expenses incurred in connection with the printing and mailing of this proxy statement and the solicitation of the enclosed BLUE proxy. In addition to solicitation by mail, our directors, officers and employees may solicit BLUE proxies in person or by other means of communication. Our directors, officers and employees will receive no additional compensation for such services, but we may reimburse them for reasonable out-of-pocket expenses in connection with such solicitation. Brokers, custodians, nominees and fiduciaries will be requested to forward our proxy solicitation materials to the beneficial owners

of shares held of record by them, and we will reimburse them for the reasonable, out-of-pocket expenses they incur in doing so. We have also retained Morrow & Co., Inc., to aid in our proxy solicitation at a cost initially estimated to be $9,500, plus expenses. Additional fees may be incurred by Novoste with respect to Morrow & Co., Inc. as a result of the proxy solicitation efforts by the Steel Partners Entities.

Assistance

If you need assistance in completing your BLUE proxy card or have questions regarding the special meeting, please contact:

Novoste Corporation 4350 International Boulevard Norcross, Georgia 30093 Attention: Daniel G. Hall, Esq., General Counsel Phone: (770) 717-0904	or	Morrow & Co., Inc. 445 Park Avenue New York, New York 10022 Phone: (800) 607-0088

APPROVAL OF ASSET SALE TRANSACTION PURSUANT TO

AMENDED AND RESTATED ASSET PURCHASE AGREEMENT

(Proposal 1)

We are asking our shareholders to approve the sale of our VBT business to Best Vascular pursuant to the amended and restated asset purchase agreement between us, Best Vascular and BMI. We refer to this transaction as the asset sale transaction. If our shareholders approve the asset sale transaction, we will transfer and convey to Best Vascular substantially all of the assets of our VBT business and Best Vascular will assume, and BMI will guarantee Best Vascular s assumption of, certain specified liabilities of our VBT business.

The following is a description of the asset sale transaction and the amended and restated asset purchase agreement. Although we believe that this description covers the material terms of the transaction, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire proxy statement, including the amended and restated asset purchase agreement attached to this proxy statement as *Annex A*, for a more complete understanding of the transaction. The following description is subject to, and is qualified in its entirety by reference to, the amended and restated asset purchase agreement.

General

In February 2005, we announced that our board of directors had determined that our VBT business, our only business line, was no longer viable and, as a result, the board had authorized a staged wind down of the business. Subsequent to the implementation of the wind down, we began discussions with Best Vascular and BMI regarding a sale of our VBT business, and on August 25, 2005, we entered into an agreement to sell our VBT business to Best Vascular. However, completion of our proposed merger with ONI Medical Systems, Inc., which was abandoned on September 26, 2005, was a condition to the sale. Accordingly, we were unable to complete the sale of the VBT business pursuant to our original agreement with Best Vascular and BMI, and promptly following the abandonment of our proposed merger with ONI, we initiated discussions with Best Vascular and BMI to enter into a modified asset purchase agreement that would condition the consummation of the asset sale transaction on the receipt of the approval of our shareholders. In the absence of the ONI merger and the assets that would have been acquired by Novoste as a result of such merger, the sale of the VBT business represents a sale of substantially all of our assets and, as such, requires the approval of our shareholders under Florida law.

On October 12, 2005, we entered into an amended and restated asset purchase agreement with Best Vascular and BMI, which agreement was amended on November 30, 2005. Under the amended and restated agreement, Best Vascular will acquire substantially all of our VBT business assets in exchange for the assumption of certain liabilities related to the VBT business. Such assets include the patents and other intellectual property, the inventory and equipment, furniture, records, sales materials, and various agreements and contracts in each case associated with our VBT business. The assets to be transferred and conveyed to Best Vascular do not include cash and cash equivalents and certain other assets not related to our VBT business. Pursuant to the amended and restated asset purchase agreement, BMI has agreed to guarantee the full and faithful performance by Best Vascular of all agreements of Best Vascular set forth in the agreement.

The consideration for the sale of the assets by us to Best Vascular is the assumption by Best Vascular of our liabilities described below. In addition, if at the time of the closing, we have not resolved those certain patent infringement lawsuits filed against us by Calmedica, LLC pending in the United States District Court for the Northern District of Georgia and the United States District Court for the Northern District of Illinois, we are required at closing to make a cash payment of $350,000 to Best Vascular and Best Vascular will assume all liabilities arising after the closing from this litigation, including the obligations to pay ongoing legal fees and expenses associated with the litigation.

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At the closing, Best Vascular also will assume, among others, the following of our liabilities:

- liabilities incurred or arising before or after closing under our supply agreement, dated October 14, 1999, with AEA, such as penalties under the minimum purchase requirements and obligations to decontaminate and decommission equipment (excluding certain payments previously made by us to AEA prior to September 30, 2005 and payments by us to AEA after September 30, 2005 in an aggregate amount estimated to equal approximately $438,000 depending on when the closing occurs),

- liabilities incurred or arising after the closing under certain royalty agreements between us and various third parties,

- liabilities arising after the closing for utility payment obligations with respect to our leased facilities at 4350 International Boulevard, Norcross, Georgia, and

- liabilities arising after the closing from the use or ownership of the VBT business assets.

In addition, Best Vascular will acquire our accounts receivable and assume our trade accounts payable related to our VBT business at the closing, subject to a reconciliation and true-up procedure requiring either a payment by Best Vascular to us if the accounts receivable are greater than the trade accounts payable or a payment by Novoste to Best Vascular if the accounts receivable are less than the trade accounts payable.

BMI has agreed to guarantee the full and faithful performance by Best Vascular to assume the liabilities being transferred pursuant to the agreement. Completion of the sale contemplated by the amended and restated asset purchase agreement is conditioned, among other things, upon the approval by our shareholders of the sale, which is required by Florida law, and as a result, you are being asked to approve the sale at the special meeting.

If our sale of the VBT business to Best Vascular is not approved, or not otherwise completed, we expect that the VBT business will be wound down and that Novoste will recoup no significant value for it. However, if such a wind down were to be completed without a sale of the business, Novoste would retain the liabilities that Best Vascular is assuming. Although we are not able to precisely quantify how much these liabilities would cost Novoste in the future, we believe that the sale of our VBT business to Best Vascular and the assumption of liabilities by Best Vascular is likely to have a net future economic benefit to Novoste when compared to the alternative wind down of our VBT business. Based on our current estimates regarding the assets to be sold and the liabilities to be assumed, we believe that the aggregate amount of this net economic benefit to us will be approximately $1.7 million to $3.2 million, although there can be no assurance that the actual amount of these liabilities will not ultimately be more or less than our current estimates.

Delisting of our Common Stock from Nasdaq National Market

Our common stock is currently listed on the Nasdaq National Market. However, upon completion of the asset sale transaction or, if that transaction is not approved by our shareholders, upon the completion of the wind down of the VBT business, we will cease to have any operating business. At such time, we expect to be promptly delisted from the Nasdaq National Market as a result of Nasdaq s requirement that listed companies have ongoing business operations. Upon such a delisting, we expect that there will be no active public trading market for our common stock, and our board may consider deregistering our securities under the Securities Exchange Act. See Risk Factors Risks Related to the Asset Sale Transaction.

Required Vote

All holders of Novoste s common stock are entitled to vote on the proposals being submitted to shareholders at the special meeting. The affirmative vote of the holders of a majority of the votes entitled to be cast is required to approve the asset sale transaction pursuant to the amended and restated asset purchase agreement (proposal 1).

Background of the Asset Sale Transaction

For several years, our board of directors had been considering various strategic alternatives in anticipation of the potential impact should drug-eluting stents come to market. In the latter part of 2000, the board considered various opportunities to sell Novoste to strategic buyers, merge with potential partners or acquire other technologies which could leverage our distribution and organizational strengths. Throughout 2001 and 2002, the board considered more than 70 companies after organizing a team composed of several board members and senior managers to screen opportunities. During this period, the board also considered various development projects within Novoste and the likelihood of successful introduction of new products derived from such projects into the market.

Our business and revenues began a steady and rapid decline during 2003 due to, we believe, the approval by the FDA in April 2003 of the market release of drug-eluting stents. In anticipation of this new product technology, our management and board of directors accelerated our exploration and review of various strategic opportunities and alliances available to us, as well as restructuring activities, shortly after the appointment in October 2002 of Mr. Alfred J. Novak as our President and Chief Executive Officer. In April 2003, we engaged a financial advisor to assist us in our review of the strategic alternatives that were available to us and to assist us in our bid for a medical device company that was offered for sale. We were unsuccessful in our bid and we allowed our engagement with this financial advisor to expire. In addition, in anticipation of the impact of drug-eluting stents upon our business, we engaged during 2003 in a restructuring of our organization and significantly reduced our workforce over the course of three separate staff reductions. As a result, by the end of 2003, nearly 30% of our workforce had been terminated. Our cost reduction program continued into the first and second quarters of 2004 and included, among other things, the consolidation of all our U.S. operations into a single building. Specifically, at the end of the first quarter of 2004, we implemented a reduction in force, eliminating 84 positions across all functions. These steps lowered annual operating costs by approximately $6,000,000. During the first quarter of 2004, approximately 59 of the individuals left Novoste, with the remaining individuals leaving during the second and third quarters. In February 2005, we announced that we were reducing our remaining U.S. workforce in the first quarter of 2005 by 52 employees, from 81 employees, and terminating the 16 employees we had at that time outside the U.S. in accordance with their contracts and the relevant country s employment regulations. We currently have 20 employees.

In April 2004, our board of directors, upon the recommendation of management, approved the engagement of Asanté Partners as our investment banking and strategic financial advisor to assist us with our efforts to identify and implement strategic and financial alternatives.

Between April 2004 and May 2005, we and Asanté Partners have identified over 75 businesses as potential candidates for a business combination transaction with us and preliminarily evaluated the merits and likelihood of entering a transaction with each such entity. Novoste and Asanté Partners contacted 67 of those entities to determine their interest in a strategic transaction and held substantial discussions with 10 of those companies.

In February 2005, we announced that our board of directors had determined that our vascular brachytherapy, or VBT, business, our only business line, was no longer viable and, as a result, the board had authorized a staged wind down of the business. The board of directors also authorized the sale of the VBT business. The board determined that this decision was necessary in order to preserve the company s cash resources. While the sale process continued, Novoste continued to actively sell its VBT products to its physician customers and accept new contracts. The board also announced in February 2005 that it was seeking new product opportunities, as well as a merger, business combination or other disposition of our business or assets.

The result of our search efforts culminated in our entering into the merger agreement, dated as of May 18, 2005, with ONI Medical Systems, Inc., or ONI, a company engaged in the development, manufacturing and marketing of dedicated-purpose magnetic resonance imaging systems, which, if the merger were completed, would become the business of Novoste. On September 26, 2005, following Novoste s reconvened special

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meeting of shareholders in lieu of an annual meeting, we terminated the merger agreement with ONI as a result of the failure of our shareholders to approve the issuance of shares of Novoste common stock necessary to complete the merger with ONI.

While negotiations regarding the potential merger between us and ONI were ongoing from January through May 2005, we also were engaged in negotiations to sell the assets of our VBT business since ONI had no interest in the acquisition of such assets which were unrelated to the proposed business of ONI and Novoste following the consummation of the proposed merger. Following the authorization of the sale of the VBT business by our board of directors in February 2005, management contacted BMI, a privately held company based in Fairfax, Virginia engaged in the design, distribution and manufacture of radiation products for the oncology, urology, neurology and gynecology markets, and two European companies to determine their respective interest in acquiring our VBT business. Each such company indicated a preliminary interest in acquiring our VBT business and due diligence was performed at our Norcross, Georgia facility by each such company.

One of the European companies contacted by us had previously expressed an interest in September 2004 in acquiring our VBT business to complement its other businesses in the United States. At such time in 2004, such European company had submitted a proposal for it to make a tender offer for all of our outstanding common stock. Prior to the commencement of its due diligence efforts on Novoste, the European company had proposed a preliminary per share tender offer price of $1.05 per share. Following subsequent due diligence efforts of our operations at our facility in Norcross, Georgia in January 2005, the European company presented a revised proposal to us which provided for a tender offer cash price of $0.60 per share of our common stock, which offer following additional discussions was increased to a price of $0.75 per share of our common stock. During the period of negotiations with ONI, our board of directors determined that such a transaction with the European company was not as favorable to the shareholders of Novoste as the proposed transaction with ONI and that there were also significant concerns regarding the European company s ability and commitment to complete a transaction on terms acceptable to us and in a timely manner.

On March 28, 2005, we entered into a mutual confidential disclosure agreement with BMI. In April 2005, BMI provided a draft non-binding letter of intent to us setting forth proposed terms for their acquisition of the assets of our VBT business, their assumption of various liabilities related to our VBT business, and the operation of the business pursuant to a management services agreement during the period between the signing of a definitive acquisition agreement and the closing. In April and early May 2005, various discussions occurred between senior management of Novoste and BMI and comments were exchanged on the non-binding letter of intent.

In addition, on May 10, 2005, BMI submitted a separate proposal to acquire all of our outstanding common stock by tender offer. Among other things, the proposal required a 30-day due diligence period, a minimum tender condition of 80% of our outstanding common stock in the tender offer and a 90-day exclusivity period. The proposal stated a tender offer price of $0.90 cash per share. After discussing this development, the board authorized Mr. Novak to respond to the proposal and seek agreement on certain terms more favorable to our shareholders, including an increase in the per share purchase price to $1.00, a reduction in the minimum tender condition to 50.1%, a break-up fee provision, reduced due diligence and exclusivity periods, and an agreement to commence the tender offer within nine days. On May 12, 2005, BMI responded to Mr. Novak s request and indicated that it would only commence the tender offer after completion of its due diligence review and the negotiation of a definitive merger agreement. At a meeting of our board of directors on May 13, 2005, Mr. Novak updated the board on the BMI tender offer proposal. After discussion and due consideration, the board determined that the tender offer proposal contained too many contingencies and uncertainties to warrant further consideration and that the proposed merger with ONI provided more certainty of completion of a transaction. The ONI merger agreement and related transactions were approved by our board at a meeting held on May 16, 2005.

Senior management of Novoste and BMI, along with their respective legal advisors, met on May 20, 2005 in Washington, D.C. at the offices of our legal advisors, Hogan & Hartson L.L.P. During the course of the

discussions, various issues were considered regarding the nature of the assets to be acquired and the liabilities to be assumed by BMI, the consideration for the transaction, the conditions to closing and the nature of the interim operating arrangement between Novoste and BMI. At such meeting, the parties determined to cease efforts to further negotiate and revise the non-binding letter of intent, and in lieu thereof, to circulate draft definitive agreements to reflect the terms generally set forth in the non-binding letter of intent, as modified based on the parties discussions and positions.

During the last two weeks of May and the first week of June 2005, the parties exchanged drafts of an asset purchase agreement and a management services agreement. Extensive negotiations between us and BMI occurred during the month of June 2005, with the parties exchanging numerous drafts of the asset purchase agreement and the management services agreement and preparing the ancillary documents to the asset purchase agreement. In the latter part of June 2005, negotiations between Novoste and BMI ceased over various differences in the proposed terms of the asset sale transaction, including our insistence that the obligations of Best Vascular, an affiliate of BMI recently formed for the purpose of acquiring and operating the VBT business, be guaranteed by BMI with respect to the various proposed transaction agreements, and also over differences with respect to the operational and financial terms of the management services agreement.

During June 2005, we also circulated drafts of an asset purchase agreement, term sheet for sales representative agreement, and various financial information to the two European companies that had previously indicated an interest in acquiring our VBT business. In response to such distribution, one of the European companies indicated that it remained interested but that any further discussions would require it to obtain various internal approvals which would take several weeks or months. Such European company indicated that it would follow-up with Novoste on the results of such discussions. While we received periodic updates from the interested party, such European company never commented on the draft documents and never presented Novoste with a counter-proposal.

The other European company to whom Novoste sent draft agreements conducted additional due diligence on Novoste and provided comments to Novoste on the draft agreements. From time to time during June, July and August 2005, Novoste engaged in discussions with such European company with respect to the acquisition of our VBT business, but we and such European company were never able to resolve certain fundamental issues related to the amount of consideration to be paid in connection with the transaction and the scope of the liabilities to be assumed by the European company with respect to our VBT business. Such European company also wanted us to resume production of various of our products, which in light of our reduced workforce and potential costs and uncertainties associated with resuming production, also was problematic for Novoste.

During the first week of July 2005, Mr. Novak contacted senior management of BMI to determine if BMI would be interested in resuming negotiations regarding the sale of our VBT business to Best Vascular. BMI indicated that it would be willing to recommence discussions and several days later provided Novoste with a list of principal issues that needed to be resolved between the parties. We also provided BMI with a draft set of our disclosure schedules. BMI also indicated that it would be willing to guarantee the obligations of Best Vascular, subject to various terms and conditions in the event the parties were able to agree on the other terms of the proposed asset sale transaction. While the proposed terms of such guarantee were still unacceptable to Novoste, such terms had improved from prior discussions and our senior management believed that there was room for the parties to reach an accommodation on the issue.

On July 11, 2005, senior management of Novoste and BMI, and their respective counsel, had a conference call in which both parties determined to proceed with further discussions and to circulate revised drafts of the asset sale transaction agreements. Later that week, we provided BMI with a revised draft of the asset purchase agreement, disclosure schedules and of the various ancillary agreements related to the asset purchase agreement. In addition, over the next couple weeks, we discussed with BMI our proposal to replace the proposed management services agreement pursuant to which Best Vascular would be providing extensive managerial and operational services to Novoste, with a marketing representation agreement pursuant to which Best Vascular

would be engaged in a more limited role to solicit product orders for the VBT business on behalf of Novoste. As a result of such discussions, various drafts of a marketing representation agreement were exchanged between the parties.

Our board of directors met on August 2, 2005 to receive an update from our management. Mr. Novak discussed the status of negotiations with BMI, including the resumption of negotiations and the principal open business issues, and also updated the board on the status of negotiations with the two European companies, including terms proposed by one of the European companies and the relative obstacles of completing any transaction with either of the two European companies.

Between July 11 and August 22, 2005, we and BMI engaged in extensive negotiations with respect to the asset purchase agreement and the marketing representation agreement. On August 10, 2005, BMI provided us the disclosure schedules of BMI and Best Vascular under the asset purchase agreement.

On August 25, 2005, our board of directors met to review and consider the asset purchase agreement and the marketing representation agreement. The board had previously received a presentation from Hogan & Hartson L.L.P. regarding the fiduciary duties and responsibilities of the board in connection with such a transaction. At the August 25th meeting, Hogan & Hartson L.L.P. provided the board with a detailed review of the material terms and conditions of the asset purchase agreement and the marketing representation agreement. The board received a presentation and review of the asset sale transaction by our senior management, including a summary of the due diligence performed by us on BMI. The board discussed the information presented by our management and legal advisors. After discussion and due consideration, the board unanimously concluded that the transaction with BMI and Best Vascular was in the best interests of Novoste and its shareholders and approved the asset purchase agreement and marketing representation agreement. As previously reported in a Current Report on Form 8-K filed with the SEC on August 26, 2005, we, BMI and Best Vascular executed the asset purchase agreement and marketing representation agreement effective as of August 25, 2005.

Consummation of the transactions contemplated by the asset purchase agreement expressly required that our merger agreement with ONI be consummated. As a result of the termination of the merger agreement on September 26, 2005 after our shareholders failed to approve the issuance of shares of Novoste common stock necessary to consummate the merger agreement, we resumed discussions with BMI as to the terms upon which both parties would be willing to proceed with the proposed asset sale transaction, including the need to obtain shareholder approval of the proposed asset sale transaction in the absence of the consummation of the merger with ONI. In addition, we raised with BMI whether the transaction should be structured as a tender offer proposal by BMI to acquire all of the outstanding shares of our common stock, but senior management of BMI indicated that such an approach would be too difficult to structure and implement and that BMI was not interested in pursuing a transaction on such a basis. During the pendency of our discussions, neither we nor BMI terminated the asset purchase agreement or marketing representation agreement which either party was entitled to do as a result of the termination of the merger agreement. Between September 27 and October 7, 2005, we and BMI exchanged drafts of the amended and restated asset purchase agreement and amendment no. 1 to marketing representation agreement and negotiated the terms upon which the proposed asset sale transaction would be consummated. In addition, during such period, the parties updated their due diligence of one another and their disclosures schedules.

On October 11, 2005, our board of directors met to review and consider the amended and restated asset purchase agreement and the amendment no. 1 to marketing representation agreement. At the October 11th meeting, Hogan & Hartson L.L.P. provided the board with a detailed review of the material changes in the terms and conditions of the proposed asset sale transaction and related transactions. The board received a presentation and review of the asset sale transaction by our senior management, including a summary of the updated due diligence performed by us on BMI. The board discussed the information presented by our management and legal advisors. After discussion and due consideration, the board unanimously concluded that the amended and restated asset purchase agreement with BMI and Best Vascular was in the best interests of Novoste and its shareholders, approved the amended and restated asset purchase agreement and amendment no. 1 to marketing

representation agreement, and recommended that the proposed asset sale transaction be submitted to and approved by our shareholders. On October 12, 2005, we, BMI and Best Vascular executed the amended and restated asset purchase agreement and amendment no. 1 to marketing representation agreement.

As previously reported in a Current Report on Form 8-K filed with the SEC on October 13, 2005, the terms of the amended and restated asset purchase agreement are substantially similar to those of the August 25th asset purchase agreement, except for the following principal changes:

- consummation of the amended and restated asset purchase agreement is conditioned on the approval of our shareholders of the proposed asset sale transaction;
- conditions to closing relating to the consummation of the merger agreement with ONI have been removed;
- we have agreed to pay rent on our leased facilities at 4350 International Boulevard, Norcross, Georgia through March 31, 2006;
- the date that the parties may terminate the amended and restated asset purchase agreement if it has not closed has been extended from October 14, 2005 to December 31, 2005; and
- we have agreed to pay Best Vascular $200,000 if our shareholders do not approve the asset sale transaction at the special meeting.

In addition, the amendment no. 1 to marketing representation agreement extended the termination date of the marketing representation agreement from October 14, 2005 to December 31, 2005, consistent with the extended termination date set forth in the amended and restated asset purchase agreement.

On November 30, 2005, we, BMI and Best Vascular executed amendment no. 1 to amended and restated asset purchase agreement and amendment no. 2 to marketing representation agreement that, among other things, had the effect of extending the termination date set forth in the amended and restated asset purchase agreement and the marketing representation agreement from December 31, 2005 to February 15, 2006.

Recommendation of our Board of Directors and Reasons for the Asset Sale Transaction

At a meeting of our board of directors on October 11, 2005, the board determined that the terms of the proposed amended and restated asset purchase agreement and the transactions contemplated thereby are fair to and in the best interests of the company and its shareholders, and has unanimously approved the proposed asset sale transaction pursuant to the amended and restated asset purchase agreement. Accordingly, our board of directors unanimously recommends that the shareholders vote to approve the proposed asset sale transaction pursuant to the amended and restated asset purchase agreement.

Our board consulted with our management, as well as Asanté Partners, our financial advisor, and legal counsel in reaching its decision to approve the asset sale transaction pursuant to the amended and restated asset purchase agreement and the transactions contemplated thereby. In the course of reaching its decision, our board considered a number of factors, including, but not limited to, the following:

the February 2005 determination of our board that our VBT business was no longer viable and the authorization at that time of a staged wind down of our VBT business;

our board s belief that the terms of the amended and restated asset purchase agreement are fair and reasonable;

the terms and conditions of the amended and restated asset purchase agreement, including our ability to consider alternative proposals and to terminate the amended and restated asset purchase agreement if our board of directors determines in good faith, after having taken into account the advice of counsel, that termination is required in order for our board of directors to comply with its fiduciary obligations to our shareholders under applicable law;

the assumption by Best Vascular of various potential liabilities of the corporation;

the guarantee by BMI of Best Vascular s obligations under the amended and restated asset purchase agreement;

the sale of assets transaction is the first step in the winding down or liquidation of the corporation; and

as a result of the assumption of liabilities by Best Vascular under the amended and restated asset purchase agreement and the avoidance of certain VBT business wind down expenses, the potential net economic benefit of approximately $1.7 million to $3.2 million in any subsequent dissolution or wind down of the corporation.

Our management and board of directors conducted an analysis comparing the net cash proceeds remaining following a wind down or dissolution of the corporation assuming, on the one hand, the sale of the VBT business to Best Vascular and assuming, on the other hand, no sale of the VBT business to Best Vascular and the retention by Novoste of the liabilities that would otherwise have been assumed by Best Vascular.

The $1.7 million estimated net economic benefit was determined by quantifying the value of the assets to be sold to Best Vascular and the liabilities to be assumed by Best Vascular pursuant to the amended and restated asset purchase agreement, which are described in more detail on page 37. Set forth below is an explanation of the estimated $1.7 million net economic benefit (in thousands):

Assumption of the AEA minimum purchase payment obligations	$ 497
Assumption of the AEA production decontamination and decommissioning costs	584
Customer advances of payments made for radiation service agreements	253
Termination fee to Best Vascular if the asset sale transaction is not approved by Novoste s shareholders	200
Avoidance of VBT wind down costs	387
Total estimated economic benefit	**$ 1,921**
Net realizable value of VBT plant, equipment and inventory	(260)
Estimated net economic benefit	**$ 1,661**

AEA disputes our estimates of both of the minimum purchase payments and the decontamination and decommissioning costs, which estimates are consistent with what we have recorded in our financial statements as of September 30, 2005. In this connection, AEA has notified Novoste that it believes an additional $1.5 million is owed by Novoste to AEA under our supply agreement. Novoste disagrees with AEA s request for such additional payments and vigorously opposes any assertions of liability. Including the disputed $1.5 million with AEA provides the upper range of the net economic benefit of $3.2 million, and excluding this disputed amount provides the lower range of the net economic benefit of $1.7 million.

Any future settlement of these liabilities, particularly the AEA supply agreement with respect to the disputed amount, and the Calmedica, LLC lawsuits (should such lawsuits involve protracted litigation or otherwise result in unfavorable judgments or settlements in excess of our estimates), will ultimately determine the actual economic benefit to Novoste of the asset sale transaction with Best Vascular.

The board of directors also identified and considered a number of potentially negative factors in their deliberations concerning the amended and restated asset purchase agreement and the proposed asset sale transaction, including:

our obligation, pursuant to the terms of the amended and restated asset purchase agreement, to indemnify Best Vascular and BMI under certain circumstances;

that the assumptions utilized by the board and management to calculate the net economic benefit of the asset sale transaction could prove to be overly aggressive or incorrect; and

that Best Vascular and BMI could in the future default on their obligations to perform and discharge the assumed liabilities.

After due consideration, our board concluded that the potential benefits of the asset sale transaction to our shareholders outweighed the potential disadvantages associated with the asset sale transaction.

Subsequent to the October 11, 2005 meeting of the board of directors, the board considered several studies that have indicated that there may be negative long-term health effects associated with drug-eluting stents. Such studies have shown a higher thrombosis rate, or risk of a blood clot forming, within the stent associated with drug-eluting stents when compared to bare metal stents, or BMS. The increased risk was small, approximately 0.5% higher for drug eluting stents than BMS after eighteen months of stent implantation. Based upon the number of patients reviewed, the difference shown in the studies was not statistically significant, but is nevertheless an issue that some physicians may be concerned about. The board also considered other studies that have found drug-eluting stents more favorable than BMS when all measured parameters are compared, as well as some recent studies that have also compared the effectiveness of using drug-eluting stents for instent restenosis compared to VBT and found that drug-eluting stents are more effective. The board is aware that, notwithstanding the issues surrounding the possible higher risk of thrombosis with drug eluting stents, several technologies are being developed to reduce or eliminate this risk. Some of these technologies may be introduced to the market within a relatively short period of time.

As a result of its assessment of all data presently known to it, including these recent studies, our board of directors continues to believe that our VBT business is no longer viable, and that the asset sale transaction is in the best interest of our shareholders.

Although not exhaustive, the above discussion of the information and factors considered by our board comprises the material factors considered. In view of the wide variety of factors considered in connection with the board s evaluation of the proposed asset sale transaction, our board did not quantify or otherwise assign relative weights to the factors described. Rather, our board made its determination based on the total information it considered. Our board cannot assure you that any of the expected results, opportunities or other benefits described in this section will be achieved as a result of the proposed asset sale transaction.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* PROPOSAL 1.

Terms of the Amended and Restated Asset Purchase Agreement

The following is a summary of selected provisions of the amended and restated asset purchase agreement. While we believe this description covers the material terms of the amended and restated asset purchase agreement, it may not contain all of the information that is important to you and it is qualified in its entirety by reference to the amended and restated asset purchase agreement. The amended and restated asset purchase agreement (including amendment no. 1 to amended and restated asset purchase agreement) is attached as *Annex A* to this proxy statement and is considered part of this document. We urge you to carefully read the amended and restated asset purchase agreement in its entirety for a more complete understanding of the asset sale transaction.

The Parties

Novoste Corporation.

Best Vascular, Inc. is a privately held Delaware corporation formed for the purpose of acquiring and operating the VBT business.

Best Medical International, Inc. is a privately held Virginia corporation which is an affiliate of Best Vascular. BMI is headquartered in Fairfax, Virginia and is engaged in the design, distribution and manufacture of radiation products for the oncology, urology, neurology and gynecology markets.

Form of the Transaction

We will transfer and convey to Best Vascular substantially all of the assets of our VBT business and Best Vascular will assume certain specified liabilities of our VBT business. Such assets include the patents and other intellectual property, the inventory and equipment, furniture, records, sales materials, and various agreements and contracts in each case associated with our VBT business. The assets to be transferred and conveyed to Best Vascular do not include cash and cash equivalents and certain other assets not related to our VBT business. BMI has agreed to guarantee the full and faithful performance by Best Vascular of all agreements of Best Vascular set forth in the amended and restated asset purchase agreement.

Consideration

The consideration for the sale of the assets by us to Best Vascular is the assumption by Best Vascular of our liabilities described below. In addition, if at the time of the closing of the amended and restated asset purchase agreement, we have not fully resolved those certain patent infringement lawsuits filed against us by Calmedica, LLC pending in the United States District Court for the Northern District of Georgia and the United States District Court for the Northern District of Illinois, we are required at closing to make a payment in the amount of $350,000 to Best Vascular and Best Vascular will assume all liabilities arising after the closing from this litigation, including the obligation to pay ongoing legal fees and expenses associated with the litigation. At the closing, Best Vascular also will assume, among others, the following of our liabilities:

- liabilities incurred or arising before or after the closing under the supply agreement, dated October 14, 1999, between us and AEA, such as penalties under the minimum purchase requirements and obligations to decontaminate and decommission equipment (excluding certain payments previously made by us to AEA prior to September 30, 2005 and payments by us to AEA after September 30, 2005 in an aggregate amount estimated to equal approximately $438,000 depending on when the closing occurs);

- liabilities incurred or arising after the closing under certain royalty agreements between us and various third parties;

- liabilities arising after the closing for utility payment obligations with respect to our leased facilities at 4350 International Boulevard, Norcross, Georgia; and

- liabilities arising after the closing from the use or ownership of the VBT business assets.

In addition, at closing, Best Vascular will acquire our VBT business-related accounts receivable and assume our VBT business-related trade accounts payable, subject to a reconciliation and true-up procedure requiring either a payment by Best Vascular to us if the accounts receivable are greater than the trade accounts payable or a payment by us to Best Vascular if the accounts receivable are less than the trade accounts payable. We have agreed to retain liability under our lease agreement with respect to our leased facilities at 4350 International Boulevard, Norcross, Georgia through March 2006 and will permit Best Vascular use of such facilities for purposes of operating the VBT business after the closing.

Although we are not able to precisely quantify how much the liabilities being assumed by Best Vascular would cost Novoste in the future, we believe that the sale of our VBT business to Best Vascular and assumption of liabilities by Best Vascular is likely to have a future net economic benefit to Novoste when compared to the alternative wind down scenario. Based on our current estimates regarding the assets to be sold and the liabilities to be assumed, we believe that the aggregate amount of this net economic benefit to us will be approximately $1.7 million to $3.2 million, although there can be no assurance that the actual amount of these liabilities will not ultimately be more or less than our current estimates. For a discussion of the board s analysis with respect to the

estimated aggregate amount of the net economic benefit, see Recommendation of our Board of Directors and Reasons for the Asset Sale Transaction.

No Appraisal Rights

Our shareholders do not have appraisal rights under Florida law in connection with the asset sale transaction.

Closing Date

If the asset sale transaction is approved and adopted by our shareholders, the closing will take place shortly after the special meeting.

Representations and Warranties

The amended and restated asset purchase agreement contains various representations and warranties of Novoste, Best Vascular and BMI.

In the case of Novoste, we have made representations and warranties relating to, among other things,

- corporate organization, authorization of the transaction and absence of conflicts between proposed asset sale transaction and Novoste s governing instruments and contractual obligations;
- title to the assets being sold;
- VBT business intellectual property and technology, including licenses and patents;
- third party contracts and property lease;
- employees and employee benefits;
- solvency of Novoste;
- absence of litigation;
- insurance;

taxes;

legal compliance;

governmental permits and licenses;

environmental and Food and Drug Administration, or FDA, regulatory matters;

product warranties;

maintenance of company records;

absence of product liabilities;

adequacy of the assets to be acquired to operate the VBT business; and

accuracy of disclosure.

In the case of Best Vascular and BMI, they have made representations and warranties relating to, among other things,

corporate organization, authorization of the transaction and absence of conflicts between proposed asset sale transaction and Best Vascular s and BMI s governing instruments and contractual obligations;

solvency of Best Vascular and BMI and financial ability to perform obligations, including the discharge of the liabilities to be assumed in the transaction;

absence of litigation;

insurance;

legal compliance;

absence of reliance on representations or statements that are not expressly set forth in the amended and restated asset purchase agreement; and

accuracy of disclosure.

These representations and warranties have been made solely for the benefit of the parties to the amended and restated asset purchase agreement and are not intended to be relied on by any other person. You should rely on the disclosure in this proxy statement rather than the representations and warranties in the amended and restated asset purchase agreement.

In addition, these representations and warranties are qualified by specific disclosures made to the other parties in connection with the amended and restated asset purchase agreement, are subject to the materiality standards contained in the amended and restated asset purchase agreement which may differ from what may be viewed as material by investors and were made only as of the date of the amended and restated asset purchase agreement or such other date as is specified in the amended and restated asset purchase agreement.

Conduct of Business Before the Closing of the Asset Sale Transaction

During the period between the signing of the amended and restated asset purchase agreement and the closing, we agreed that we would not transfer or lease any of the assets to be sold, except in the ordinary course of business, enter into any agreement related to our VBT business outside the ordinary course of business, modify or cancel any third party agreement to be assigned to Best Vascular, or impose any liens on any of the assets to be sold without the prior approval of Best Vascular. In addition, the parties agreed to inform and consult with one another in connection with any actions taken with respect to the supply agreement, dated October 14, 1999, between us and AEA, our leased facilities at 4350 International Boulevard, Norcross, Georgia, and affirmative actions taken with respect to the patent infringement lawsuits filed against us by Calmedica, LLC pending in the United States District Court for the Northern District of Georgia and the United States District Court for the Northern District of Illinois. Under certain circumstances, we also may be required to obtain Best Vascular s consent in connection with affirmative actions taken in the Calmedica litigation that increase the liabilities to be assumed by Best Vascular.

Indemnification; Limitations on Liability

Best Vascular, BMI and Novoste have agreed to indemnify each other against breaches of their respective representations, warranties and covenants and for the liabilities which the parties have either assumed or retained, as the case may be, under the amended and restated asset purchase agreement. For breaches of representations, warranties and covenants, the aggregate liability of either us or Best Vascular and BMI shall not exceed $3,000,000, with neither party being liable until claims exceed $50,000 and then only for the excess over such amount. Indemnification with respect to the liabilities retained by us or the liabilities assumed by Best Vascular (including liabilities associated with the patent infringement lawsuits filed against us by Calmedica, LLC and the supply agreement, dated October 14, 1999, between us and AEA as described above) are not subject to any limitations on amount or deductibles. Claims for breaches of representations and warranties must be brought against the other party within two years from the closing.

Solicitation of Alternative Proposals

The amended and restated asset purchase agreement prohibits Novoste from negotiating with any other potential purchaser of the assets to be sold to Best Vascular, except to the extent our board of directors

determinates in good faith, after having taken into account the advice of counsel, that such negotiations are required in order for our board of directors to comply with its fiduciary obligations to our shareholders under applicable law.

Conditions to Complete the Asset Sale Transaction

The obligations of each party to complete the asset sale transaction are subject to certain conditions, including:

- the approval by our shareholders of the proposed asset sale transaction;
- the accuracy of the other party s representations and warranties and the performance by the other party of its covenants and agreements;
- no orders or restraints prohibiting the transfer of the assets to be sold and no suit or action pending or threatened which questions the validity of the asset sale transaction or seeks damages with respect to the asset sale transaction; and
- approval of the State of Georgia for Best Vascular to assume the radioactive materials licenses and the sealed source and device registration certificates issued to Novoste.

The obligations of Best Vascular and BMI to complete the asset sale transaction are subject to certain additional conditions, including:

- Novoste not exercising the right to extend the lease term for our facilities at 4350 International Boulevard, Norcross, Georgia beyond March 31, 2006; and
- the Marketing Representation Agreement as described below under Marketing Representation Agreement shall not have been terminated by us other than on account of a breach by Best Vascular or BMI.

If the law permits, conditions to the completion of the asset sale transaction may be waived by either Best Vascular and BMI or us, as applicable.

In addition, at the closing the parties will enter into various agreements documenting the assignment of the assets to Best Vascular, the assumption of the assumed liabilities by Best Vascular and a bill of sale with respect to the transaction. Mr. Novak also will enter into an unfair competition and non-solicitation agreement that precludes him from engaging in activities that would be competitive with the VBT business or soliciting various customers of the VBT business for a period of one year after the closing. In the event the proposal to amend our amended and restated articles of incorporation to change our name from Novoste Corporation to NOVT Corporation is not approved by our shareholders at the special meeting and therefore Novoste is unable to assign ownership of the Novoste trademark and Novoste.com domain name to Best Vascular, we will enter into a rights agreement with Best Vascular at the closing of the asset sale transaction, licensing the Novoste trademark and Novoste.com domain name to Best Vascular for use with respect to the goods and services related to the VBT business. In the rights agreement, we would further agree to seek shareholder approval to change our name from Novoste Corporation to another name at any annual meeting of Novoste shareholders held in 2006 to facilitate the assignment of the Novoste trademark and Novoste.com domain name to Best Vascular at such time. In the event the shareholders of Novoste do not approve the name change proposal either at the special meeting or at any annual meeting in 2006, Best Vascular s license to the Novoste trademark and the Novoste.com domain name will become perpetual.

Government Approvals

Approval of the State of Georgia for Best Vascular to assume the radioactive materials licenses and the sealed source and device registration certificates issued to Novoste is required to consummate the asset sale transaction. In addition, at the closing, we will file with the FDA a letter notifying the FDA that all rights with

respect to the FDA s approval of our premarket approval application relating to the sale by us of various products for the VBT business have been transferred to Best Vascular. Lastly, the parties have agreed to cooperate in connection with Best Vascular obtaining various approvals or licenses for the sale of the inventory acquired by Best Vascular in Canada and Europe.

Termination

The amended and restated asset purchase agreement may be terminated at any time before the closing of the transaction, either before or after the requisite approval by our shareholders, by mutual written agreement of the parties and as set forth below.

In addition, either we or Best Vascular and BMI may terminate the amended and restated asset purchase agreement if:

- the asset sale transaction is not consummated on or before February 15, 2006, but this termination right is not available to a party whose action or failure to act breaches any representation, warranty or covenant in the amended and restated asset purchase agreement and is primarily the cause of the transaction not being completed by such date; or

- the asset sale transaction proposal is not approved by our shareholders.

Best Vascular may terminate the amended and restated asset purchase agreement if we breach any material representation, warranty or covenant in any material respect and fail to cure such breach within 30 days after notice of the breach.

We may terminate the amended and restated asset purchase agreement if:

- Best Vascular or BMI breach any material representation, warranty or covenant in any material respect and fail to cure such breach within 30 days after notice of the breach; or

- our board of directors determines in good faith, after having taken into account the advice of counsel, that termination is required in order for our board of directors to comply with its fiduciary obligations to our shareholders under applicable law.

Effect of Termination

Novoste is required to pay a fee to Best Vascular of $200,000 if:

- we terminate the amended and restated asset purchase agreement in order for our board of directors to comply with its fiduciary obligations to our shareholders as described above; or

we or Best Vascular and BMI terminate the amended and restated asset purchase agreement because the asset sale transaction proposal is not approved by our shareholders.

Fees and Expenses; Miscellaneous Provisions

Each party will pay its own fees and expenses incurred in connection with the amended and restated asset purchase agreement.

The amended and restated asset purchase agreement requires that for a period of five years after the closing, we will not:

engage in any business that is competitive with the VBT business;

solicit anyone who was a customer of Novoste during the five year period prior to the closing to the extent it would compete with the VBT business; or

solicit or encourage the departure of various former employees of Novoste who become employees of Best Vascular after the closing.

The parties have agreed to maintain, after the closing, liability insurance relating to their business and operations.

Pursuant to the amended and restated asset purchase agreement and Florida law, the parties may amend the terms of the amended and restated asset purchase agreement at any time prior to the consummation of the asset sale transaction. Amendments made subsequent to the approval of the asset sale transaction by our shareholders may not:

change the consideration to be received in exchange for our VBT business; or

change any other terms and conditions if such change would materially and adversely affect our shareholders.

Marketing Representation Agreement

Concurrent with the execution of the original asset purchase agreement on August 25, 2005, we, Best Vascular and BMI entered into a marketing representation agreement, that provides that Best Vascular will market and solicit orders for our existing inventory of products, including the Beta-Cath System, in consideration of the payment to Best Vascular of $25,000 on a weekly basis. The marketing representation agreement as previously entered into by the parties terminated upon the earliest to occur of:

the closing of the asset purchase agreement;

the termination of the asset purchase agreement; and

October 14, 2005.

On October 12, 2005, concurrent with the amendment and restatement of the asset purchase agreement, we, Best Vascular and BMI entered into amendment no. 1 to marketing representation agreement that extended the termination date from October 14, 2005 to December 31, 2005, consistent with the extension of the corresponding termination date in the amended and restated asset purchase agreement. On November 30, 2005, we, Best Vascular and BMI entered into amendment no. 2 to marketing representation agreement that extended the termination date from December 31, 2005 to February 15, 2006, consistent with the extension of the corresponding termination date in amendment no. 1 to amended and restated asset purchase agreement.

Material U.S. Federal Income Tax Consequences of the Asset Sale Transaction

The following is a summary of the material United States Federal income tax consequences of the asset sale transaction. It is based upon laws, regulations (whether final, temporary or proposed), rulings and judicial decisions now in effect, all of which are subject to change, possibly with retroactive effect. The summary does not purport to be a complete analysis of all Federal income tax consequences of the asset sale transaction, nor does it address any aspect of state, local, foreign or other tax laws.

The asset sale transaction will be a taxable transaction, and we will recognize gain or loss based on the difference between the consideration provided by Best Vascular (i.e., the amount of liabilities assumed by Best Vascular) and our adjusted tax basis for the assets. It is anticipated that such sale will produce a loss for tax purposes at the corporate level.

The asset sale transaction by Novoste is entirely a corporate action. Therefore, the asset sale transaction will not be taxable to the shareholders of Novoste.

The plan of dissolution and the dissolution and liquidation of Novoste, if approved and effected, will have tax consequences to shareholders of Novoste. See Approval of Proposal to Adopt Plan of Dissolution and Liquidate the Corporation Material U.S. Federal Income Tax Consequences of the Dissolution.

APPROVAL OF AMENDMENT TO AMENDED AND RESTATED ARTICLES OF INCORPORATION TO CHANGE NAME FROM NOVOSTE CORPORATION TO NOVT CORPORATION

(Proposal 2)

The amended and restated asset purchase agreement with Best Vascular and BMI contemplates that at the closing of the transaction, Best Vascular will acquire substantially all of Novoste s assets related to the VBT business, including the rights to use the name Novoste . As a result, a proposal is being submitted to our shareholders as required by the amended and restated asset purchase agreement to approve an amendment to our amended and restated articles of incorporation to change our name. Our board of directors has proposed that the corporation s name be changed from Novoste Corporation to NOVT Corporation , and at the special meeting, you will be asked to approve an amendment to our amended and restated articles of incorporation to implement this change. The proposed amendment provides that if the name NOVT Corporation is not available in Florida, we will be authorized to change the name to NVTE Corporation instead.

In the event the proposal to amend our amended and restated articles of incorporation to change our name is not approved by our shareholders at the special meeting and therefore Novoste is unable to assign ownership of the Novoste trademark and Novoste.com domain name to Best Vascular, we will enter into a rights agreement with Best Vascular at the closing of the asset sale transaction, licensing the Novoste trademark and Novoste.com domain name to Best Vascular for use with respect to the goods and services related to the VBT business. In the rights agreement, we would further agree to seek shareholder approval to change our name from Novoste Corporation to another name at any annual meeting of Novoste shareholders held in 2006 to facilitate the assignment of the Novoste trademark and Novoste.com domain name to Best Vascular at such time. In the event the shareholders of Novoste do not approve the name change proposal either at the special meeting or at any annual meeting in 2006, Best Vascular s license to the Novoste trademark and the Novoste.com domain name will become perpetual.

A copy of the proposed amendment is attached as *Annex B* to this proxy statement. You are urged to read the amendment carefully as it is the legal document that governs this amendment to our amended and restated articles of incorporation. Although we are asking for shareholder approval of this proposal, if for any reason the asset sale transaction is not completed, this proposal will not be implemented.

Required Vote

The approval of the amendment to our amended and restated articles of incorporation to change our name from Novoste Corporation to NOVT Corporation (or, if that name is unavailable, to NVTE Corporation) requires that the number of votes cast by the shareholders at the special meeting in favor of the proposal exceeds the number of votes cast against the proposal. Only shares that are voted FOR or AGAINST the proposal will be counted towards the vote requirement. Thus, shares represented at the meeting that are marked ABSTAIN, and broker non-votes, if any, will not be counted towards the vote requirement. Additionally, if you do not complete and return a proxy card and do not vote in person, there will be no effect on the outcome of the vote.

Recommendation of our Board of Directors

On November 14, 2005, our board of directors concluded unanimously that the amendment to our amended and restated articles of incorporation to change our name from Novoste Corporation to NOVT Corporation (or, if that name is unavailable, to NVTE Corporation) upon completion of the asset sale transaction is in the best interests of our shareholders, and recommended that our shareholders approve this proposal.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* PROPOSAL 2.

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APPROVAL OF PROPOSAL TO ADOPT PLAN OF DISSOLUTION AND

DISSOLVE AND LIQUIDATE THE CORPORATION

(Proposal 3)

Our board of directors unanimously approved the proposed plan of dissolution and liquidation on November 14, 2005, subject to the approval of our shareholders at the special meeting. The plan of dissolution provides that upon its approval by our shareholders, the board of directors, without further action by the shareholders, may:

dissolve our corporation;

liquidate our assets;

pay, or provide for the payment of, any remaining, legally enforceable obligations of our corporation; and

distribute any remaining assets to the shareholders.

A copy of the proposed plan of dissolution is attached as *Annex C* to this proxy statement.

Background

In February 2005, our board of directors determined that our VBT business, which is our only business line, is no longer viable, and authorized its staged wind down. Subsequently, we have reached agreement with Best Vascular and BMI to sell our VBT business to Best Vascular, subject to approval by our shareholders. Upon completion of the sale or wind down of our VBT business, we expect to have no ongoing business operations.

The board has authorized the dissolution and liquidation of Novoste to enable shareholders, after the satisfaction of Novoste s remaining liabilities, to recoup any and all cash that Novoste has retained. If the proposal to adopt the plan of dissolution and to dissolve and liquidate the corporation is approved and completed, we will take legal action to dissolve the corporation and provide for the satisfaction of our creditors. Upon the completion of this process, which may take several years to complete, any remaining cash assets would be distributed pro rata to our shareholders.

The amount that ultimately would be distributed to our shareholders upon the completion of this process is uncertain. The board currently expects that an initial distribution to shareholders could be made within twelve months of the approval of our dissolution and liquidation, with one or more supplemental distributions possibly following several years later following the expiration of certain statutory periods.

If the dissolution is implemented and completed, you will receive your pro rata share, based on the number of shares you own, of the net assets remaining after provision has been made for the payment, satisfaction and discharge of all known, unknown or contingent debts or liabilities, including costs and expenses incurred in connection with the dissolution.

Uncertainties as to the precise net value of our assets and the ultimate amount of our liabilities make it impossible to predict the aggregate net amounts that will ultimately be available for distribution to shareholders or the timing of any such distribution. At this time, we estimate that after the completion of our dissolution and liquidation, which may take several years, we would have cash and financial instruments remaining of approximately $10.8 million if the asset sale transaction is completed and approximately $9.1 million if the asset sale transaction is not completed (in each case, after provision for the satisfaction of any remaining creditors). However, the actual amount of cash available for distribution following dissolution and liquidation will depend on a number of factors, several of which are outside our control, including:

The ultimate amount of our known, unknown and contingent debts and liabilities;

The fees and expenses incurred by us in the dissolution of our corporation and the liquidation of our assets;

Whether our $3 million loan to ONI is repaid in full;

If the asset sale transaction is completed, whether Best Vascular and BMI default on their obligations to perform and discharge the Novoste liabilities assumed by them; and

If the asset sale transaction is not completed, the amount of our continued losses from operating the VBT business until its wind down is completed.

As a result, the amount of cash remaining following completion of our dissolution and liquidation could vary significantly from our current estimates. See Dissolution and Liquidation Analysis and Estimates.

Required Vote

All holders of Novoste s common stock are entitled to vote on the proposals being submitted to shareholders at the special meeting. The affirmative vote of the holders of a majority of the votes entitled to be cast is required to approve and adopt the plan of dissolution and to approve the dissolution and liquidation of our corporation (proposal 3).

Dissolution and Liquidation Analysis and Estimates

The following dissolution and liquidation analysis and estimates are based on two scenarios.

The first set of analysis and estimates assumes the implementation of our dissolution and liquidation following the completion of the asset sale transaction. These analysis and estimates are based on the updated unaudited pro forma balance sheet of Novoste and its subsidiaries as of September 30, 2005, derived as set forth in the section Unaudited Pro Forma Consolidated Financial Data, adjusted to illustrate the effect of our operations prior to the closing of the asset sale transaction and our dissolution and liquidation following completion of the asset sale transaction (including the effect of ongoing operations during the winding up of our corporation following the filing of articles of dissolution).

The second set of analysis and estimates assumes the implementation of our dissolution and liquidation without completion of the asset sale transaction. These analysis and estimates are based on the unaudited balance sheet of Novoste and its subsidiaries as of September 30, 2005, adjusted to illustrate the effect of our dissolution and liquidation (including the effect of ongoing operations during the winding up of our corporation following the filing of articles of dissolution) without completion of the asset sale transaction.

Prior to the closing of the asset sale transaction (assumed for this purpose as occurring on January 31, 2006), we will expend significant funds to sustain our corporate operations and cover operating losses. An estimate of these expenditures is set forth below. The actual amounts expended could be significantly greater or less than the amount estimated.

If the asset sale transaction is completed, we plan to continue taking steps to reduce our operating costs by reducing the number of employees to the bare minimum needed to continue our affairs through the dissolution and liquidation process, terminating contracts that are terminable,

negotiating releases from remaining contractual arrangements, satisfying remaining creditors and taking other actions to wind up our affairs in connection with the plan of dissolution. The information regarding the dissolution of the Company includes the estimated effect of the resolution of these matters. The actual amounts expended in resolving these matters could be significantly greater or less than the amount estimated. The amount also includes certain administrative and professional expenses we expect to incur related to resolving outstanding business affairs associated with dissolving and liquidating the corporation. This amount could be affected by negotiations to resolve any outstanding contractual arrangements as well as the regulatory and legal requirements to dissolve and liquidate the corporation. At this time, we estimate that after the completion of our dissolution, which may take several years, we would have cash and financial instruments remaining of approximately $10.8 million if the asset sale transaction is completed. However, the actual amount that would ultimately be distributed may differ materially

from this estimate based on many factors, including those described above, and the distribution might be made in stages over a period of several years.

If the asset sale transaction is not completed, we expect to incur many of the same costs as described above. However, in addition to these costs, we expect to incur liabilities that would otherwise be assumed by Best Vascular as a result of the asset sale transaction. The second set of analysis and estimates, which assumes that the asset sale transaction is not completed, includes the estimated future cost of these liabilities. However, the actual amount that we would expect to incur in connection with these liabilities could be greater than the amounts currently set forth on our balance sheet, in part because of ongoing expenses and potential liabilities that could be incurred. At this time, we estimate that after completion of our dissolution, which may take several years, we would have cash and financial instruments remaining of approximately $9.1 million if the asset sale transaction is not completed. However, the actual amount that would ultimately be distributed may differ materially from this estimate based on many factors, including those described above, and the distribution might be made in stages over a period of several years.

Unaudited Pro Forma Consolidated Balance Sheet

As of September 30, 2005

Dissolution and Liquidation Estimates and Analysis

With Completion of Asset Sale Transaction

(in thousands)

	Post Asset Sale Transaction Pro Forma Balances	Dissolution Plan Adjustments	Note	Pro Forma After Dissolution of Novoste
Cash and cash equivalents	$ 12,922	$ (2,166)	(1)	$ 10,756
Short-term investments	375	(375)	(2)	
Restricted cash	1,480	(1,480)	(3)	
Prepaid and other current assets	8	(8)	(6)	
Total current assets	14,785	(4,029)		10,756
Long term note receivable	3,089	(3,089)	(4)	
Total Assets	**$ 17,874**	**$ (7,118)**		**$ 10,756**
Accounts payable	$	$		$
Accrued expenses	1,625	(1,625)	(5)	
Total current liabilities	1,625	(1,625)		
Long term liabilities				
Total Liabilities	1,625	(1,625)		
Shareholders equity (deficit):				
Common stock	41			$ 41
Additional paid-in capital	187,971			187,971
Other comprehensive income	708			708
Retained earnings (deficit)	(172,299)	(5,493)		(177,792)
Treasury stock	(172)			(172)
Total Equity	16,249	(5,493)		10,756
Total Liabilities & Equity	**$ 17,874**	**$ (7,118)**		**$ 10,756**

Notes related to the Dissolution and Liquidation Estimates and Analysis With Completion of Asset Sale Transaction

Note 1 Changes in cash and cash equivalents are as follows:

Description	Amount Received (Disbursed)
	(in thousands)
Liquidation of short-term investments as they mature (note 2).	$ 375
Represents principal of $3,000,000 and accrued simple interest of $361,000 at 8% interest per annum on loan to ONI Medical Systems, Inc., dated May 18, 2005 and payable to Novoste on November 18, 2006.	3,361
Represents the liabilities for royalties.	(62)
Represents the liabilities for payroll costs.	(185)
Represents the liabilities for post-clinical trials follow-up.	(65)
Represents state franchise tax and sales tax liabilities reflected on Novoste s balance sheet as of September 30, 2005.	(51)
Represents accrued liabilities.	(874)
Net operating costs is based on Novoste s projected revenue and operating expenses through dissolution.	(1,601)
Payment of bankers fees.	(300)
Payment of proxy costs and annual meeting expenses.	(100)
Payment of trust administration and advisory services.	(50)
Payment of additional transaction costs incurred after September 30, 2005.	(528)
Represents the estimated out of pocket costs of liquidating the foreign subsidiaries.	(40)
Represents an estimate of Novoste s cost for tail D&O insurance.	(545)
Represents an estimate of Novoste s liability for insurance premiums for tail liability insurance coverage after January 31, 2006.	(182)
Novoste s minimum payment obligation to AEA through January 31, 2006. The obligation after the closing will be assumed by Best Vascular pursuant to the amended and restated asset purchase agreement.	(581)
Represents Novoste s aggregate liability for payments to be made to Best Vascular under the marketing representation agreement scheduled to terminate on the date of the closing of the asset sale transaction.	(415)
Represents an estimate of dissolution and liquidation costs.	(1,300)
Transfer from remaining restricted cash when the Novoste Corporation Executive Rabbi Trust (the Executive Trust) and the Novoste Corporation Employee Rabbi Trust (the Employee Trust, and together with the Executive Trust, the Trusts) expire on July 15, 2006.	977
Total net outflow of cash and cash equivalents	$ (2,166)

Note 2 Short-term investments

Short-term investments are liquidated as they mature and deposited with other operating cash.

Note 3 Restricted cash

Includes an estimated $503,000 for Novoste s severance and retention incentive payment obligations, as well as administrative fees, to be paid from the Trusts after September 30, 2005. The amount remaining, estimated at $977,000, will revert to unrestricted cash when the Trusts terminate on July 15, 2006.

Note 4 Long term note receivable

Principal of $3,000,000 plus accrued interest is expected to be collected when the note becomes due on November 18, 2006.

Note 5 Accrued expenses

These liabilities, which relate to the VBT business but are not assumed by Best Vascular, will be paid as they become due. Examples of these expenses include taxes and payroll prior to September 30, 2005.

Note 6 Prepaid and other current assets

These prepayments are expensed in support of wind down activities.

Unaudited Pro Forma Consolidated Balance Sheet

As of September 30, 2005

Dissolution and Liquidation Estimates and Analysis

Without Completion of Asset Sale Transaction

(in thousands)

	Historical Novoste	Dissolution And Wind Down Adjustments	Note	Pro Forma After Adjustments Novoste
Cash and cash equivalents	$ 12,565	$ (3,480)	(1)	$ 9,085
Short-term investments	375	(375)	(2)	
Restricted cash	3,988	(3,988)	(3)	
Accounts receivable, net	415	(415)	(4)	
Inventory, net of reserves	40	(40)	(5)	
Assets held for sale	418	(418)	(6)	
Prepaid and other current assets	370	(370)	(7)	
Total current assets	18,171	(9,086)		9,085
Property and equipment, net	113	(113)	(6)	
Long term note receivable	3,089	(3,089)	(8)	
Total Assets	**$ 21,373**	**$ (12,288)**		**$ 9,085**
Accounts payable	$ 446	$ (446)	(9)	$
Accrued expenses	4,639	(4,639)	(10)	
Unearned revenue	231	(231)	(11)	
Total current liabilities	5,316	(5,316)		
Long term liabilities				
Total Liabilities	5,316	(5,316)		
Shareholders equity (deficit):				
Common stock	41			41
Additional paid-in capital	187,971			187,971
Other comprehensive income	708			708
Retained earnings (deficit)	(172,491)	(6,972)		(179,463)
Treasury stock	(172)			(172)
Total Equity	16,057	(6,972)		9,085
Total Liabilities & Equity	**$ 21,373**	**$ (12,288)**		**$ 9,085**

Notes related to the Dissolution and Liquidation Estimates and Analysis Without Completion of Asset Sale Transaction

Note 1 Changes in cash and cash equivalents are as follows:

Description	Amount Received (Disbursed)
	(in thousands)
Collection of accounts receivable.	$ 415
Miscellaneous accounts receivable on Novoste s balance sheet as of September 30, 2005 represents the accrued interest income on investments.	46
Represents deposit amounts reimbursable.	75
Liquidation of short-term investments as they mature (note 2)	375
Proceeds from sale of assets (note 6).	260
Estimated amount of $617,000 transferred to non-restricted cash from restricted cash, following renegotiated employment arrangements with senior officers.	617
Represents principal of $3,000,000 and accrued simple interest of $361,000 at 8% interest per annum on loan to ONI Medical Systems, Inc., dated May 18, 2005 and payable to Novoste on November 18, 2006.	3,361
Represents the trade accounts payable.	(446)
Represents the liabilities for royalties.	(62)
Represents the liabilities for payroll costs.	(185)
Represents the liabilities for post-clinical trials follow-up.	(65)
Represents state franchise tax and sales tax liabilities reflected on Novoste s balance sheet as of September 30, 2005.	(51)
Represents accrued liabilities for legal, accounting and proxy fees as of September 30, 2005.	(874)
Net operating costs is based on Novoste s projected revenue and operating expenses through dissolution.	(2,210)
Represents Novoste s estimated liability for transaction expenses, including but not limited to counsel and financial advisory fees, from October 1, 2005 through January 31, 2006 (the assumed date of the special meeting).	(978)
Represents the estimated out-of-pocket costs of liquidating the foreign subsidiaries.	(50)
Represents an estimate of Novoste s cost for tail D&O insurance.	(545)
Represents an estimate of Novoste s liability for insurance premiums for tail liability insurance coverage.	(213)
Novoste s minimum payment obligation to AEA.	(1,078)
Estimate of decommissioning cost associated with production equipment located at AEA.	(584)
Represents Novoste s aggregate liability for payments to be made to Best Vascular under the marketing representation agreement scheduled to terminate on January 31, 2006 (the assumed date of the special meeting).	(415)
Contingency for litigation and settlement of Calmedica lawsuit.	(350)
Represents an estimate of dissolution and liquidation costs.	(1,300)
Payment to Best Vascular if Novoste s shareholders do not approve asset sale transaction and the amended and restated asset purchase agreement is terminated.	(200)
Transfer from remaining restricted cash when the Trusts expire on July 15, 2006.	977
Total net outflow of cash and cash equivalents	$ (3,480)

Note 2 Short-term investments

Short-term investments are liquidated as they mature and deposited with other operating cash.

Note 3 Restricted cash

Represents an estimate of Novoste s severance and retention bonus payment obligations to be paid from the Trusts after September 30, 2005. The amount remaining after July 15, 2006 will revert to unrestricted cash.

Note 4 Accounts receivable

Represents the recoverable balance of Novoste s accounts receivable outside the U.S. as reflected on Novoste s balance sheet as of September 30, 2005. Customer accounts determined to be non-recoverable are reserved at 100% of their value.

Note 5 Inventories

Inventories will be disposed of in an environmentally responsible manner. Because the inventory is specialized to the VBT business, no net proceeds are expected.

Note 6 Property and equipment

Substantially all property and equipment will be liquidated in a bulk sale to produce an estimated $260,000 in proceeds. The amount expected to be realized is less than carrying value because some of the items only have value to the VBT business.

Note 7 Prepaid and other current assets

Approximately $121,000 will be converted to cash. The balance is prepayments that will be expensed during the dissolution process.

Note 8 Long term note receivable

The principal of $3,000,000 plus accrued interest is expected to be collected when the note becomes due on November 18, 2006.

Note 9 Accounts payable

These liabilities for trade payables will be paid as they become due.

Note 10 Accrued expenses

These liabilities will be paid as they become due.

Note 11 Unearned revenue

Unearned revenue will be recognized as income over the passage of time in accordance with the terms of the service contacts unless they are terminated by Novoste, in which case the respective amounts will be reimbursed to customers.

Recommendation of our Board of Directors and Reasons for the Dissolution

On November 14, 2005, our board of directors concluded unanimously that the plan of dissolution is in the best interests of our shareholders, authorized and approved the plan of dissolution, and recommended that our shareholders approve it.

The board s recommendation to dissolve and liquidate Novoste is based on:

- our determination in February 2005 that our VBT business, which is currently our only business line, was no longer viable, resulting in the authorization at that time for a staged wind down of the VBT business;
- the unsuccessful solicitation of shareholders to approve the issuance of shares to permit Novoste to acquire, by merger, ONI and the resulting termination of the merger agreement with ONI;
- the absence of any other definitive or clear alternative that would provide the opportunity for the shareholders to receive value for their shares of common stock; and
- the desire of the board of directors to provide shareholders with an opportunity to liquidate their investment in the company.

The board of directors also identified and considered a number of potentially negative factors in their deliberations concerning the proposed dissolution and liquidation of the company, including that such course of action forecloses Novoste from entering into any future strategic business transaction that could enhance shareholder value should any such transaction arise and be successfully consummated, the potential loss of benefits to shareholders of remaining investors in a publicly traded shell company, and that a dissolution necessarily has the effect of liquidating each shareholder s investment in the company. After due consideration, our board concluded that no reasonable business alternatives currently exist for Novoste and that the potential benefits of the proposed dissolution to our shareholders outweigh the potential disadvantages associated with the proposed dissolution. If Novoste were to continue in existence, it would continue to incur accounting, legal and other expenses in connection with its required filings with the SEC, and its day-to-day operations. The board has determined that the benefit to our shareholders of receiving cash pursuant to an orderly liquidation of Novoste over time outweighs any potential for future development of a profitable business opportunity by Novoste, particularly in view of the board s extensive efforts to identify and implement strategic and financial alternatives for the company during the past few years. In addition, any potential future transaction would give rise to additional accounting, legal and financial advisory expenses for the company with no assurance that such transaction could be completed on terms favorable to our shareholders.

On November 28, 2005, Steel Partners II, L.P., Steel Partners LLC and Warren G. Lichtenstein or collectively, the Steel Partners Entities, filed preliminary proxy soliciting materials with the SEC, which materials were revised pursuant to a filing made by the Steel Partners Entities with the SEC on December 20, 2005, in connection with the solicitation of proxies by Steel Partners II, L.P. for use at the special meeting in opposition to our proposal to dissolve and liquidate Novoste. The Steel Partners Entities beneficially own approximately 14.9% of the outstanding shares of Novoste s common stock. Among the reasons raised by the Steel Partners Entities for their opposition to the dissolution and liquidation proposal is their belief that the dissolution and liquidation proposal is not in the best interest of our shareholders because it would extinguish Novoste s net operating loss carryforwards, or NOLs. While Novoste has significant NOLs, the board believes that the possibility of consummating any transaction that would be in the shareholders best interests and that would enable Novoste to realize significant economic value from such NOLs is remote. During the past few years, the board engaged in extensive efforts to identify strategic and financial alternatives for Novoste, and no viable transaction surfaced that would have enabled Novoste to make meaningful use of its NOLs. Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, imposes substantial limitations upon a company s ability to use NOLs to shelter future income whenever there is an ownership change of the company, defined generally as a cumulative shift in the ownership of more than fifty percent of the company s outstanding stock as a result of transactions or trades (involving 5%-or-greater owners) over any three-year period. Trading in Novoste s common stock already caused an ownership change on September 17, 2003, triggering limitations on the NOLs of Novoste existing as of that date. As a practical matter, Section 382 severely constrains the ability of

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Novoste to enter into any new transaction utilizing Novoste s common stock because, even if such transaction were to bring profitable operations into Novoste, any resulting shift in the ownership of Novoste s common stock might well lead to renewed application of Section 382, greatly reducing or effectively eliminating the utility of the NOLs to shelter such profits. Similar limitations apply with respect to Novoste s research tax credits under Section 383 of the Code. In addition, there are significant restrictions imposed by foreign laws on Novoste s ability to use its foreign NOLs related to its European subsidiaries, each of which has been or is in the process of being dissolved as part of our cost saving efforts and the wind down. As described above, the board engaged in extensive efforts to identify strategic and financial alternatives for Novoste, including those that might not have the effect of limiting its NOLs (e.g., because they involved the acquisition of profitable operations for cash and/or debt without the use of Novoste s shares), but no viable transaction surfaced that would have enabled Novoste to make meaningful use of its NOLs. Based on such efforts and experience, the board concluded that the possibility of identifying and successfully consummating such a transaction that would be in the shareholders best interests is remote.

Assuming the approval by shareholders of Proposals 1 and 3, it is the current intention of the board of directors that the dissolution will be commenced following completion of the asset sale transaction. However, following the vote, if the board of directors determines that liquidation and dissolution are not in the best interests of Novoste and its shareholders, the board of directors may direct that the plan of dissolution be abandoned. In the event that the plan of dissolution is approved, but (i) the proposal relating to the asset sale transaction is not approved by our shareholders, or (ii) the asset sale transaction is not consummated, then our board of directors, in accordance with its fiduciary obligations to our shareholders, may proceed with the dissolution of Novoste and take such actions as it deems advisable and in the best interests of our shareholders to dispose of the company s assets in a manner designed to maximize shareholder value. If the proposal relating to the asset sale transaction is approved and adopted, but the plan of dissolution is not approved and adopted, then there will be no dissolution and liquidation of Novoste and we will not distribute any cash or other assets to our shareholders in accordance with the plan of dissolution. Rather, we will wind down our operations and become a shell company with cash assets and no operating business while other potential alternatives are evaluated. While under such circumstances, we would seek to reduce our costs and operate the corporation, as close as possible, on a break even basis, there can be no assurance that shareholders would receive any value for their shares of common stock.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* PROPOSAL 3.

Description of the Plan of Dissolution

Certain material features of the plan of dissolution are summarized below. This summary is qualified in its entirety by reference to the complete text of the plan of dissolution and the relevant portions of the Florida Business Corporation Act. A complete copy of the plan of dissolution and relevant portions of the Florida Business Corporation Act are attached to this proxy statement as *Annex C*. Shareholders should carefully read the plan of dissolution and the accompanying statutory provisions in their entirety.

Dissolution and Liquidation Procedure

Following approval of the plan of dissolution by our shareholders, we expect to file articles of dissolution with the Department of State of the State of Florida. The dissolution will be effective on the effective date of such articles.

Once the articles of dissolution are filed and the plan of dissolution is effective, the steps taken to wind up our affairs as described below will be completed at such times as the board of directors, in its absolute discretion, deems necessary, appropriate or advisable to maximize the value of our assets upon liquidation, but such steps may not be delayed longer than is permitted by applicable law.

Revocation of the Plan of Dissolution

The plan of dissolution provides that it may be revoked by our board of directors. Under the Florida Business Corporation Act, any revocation must occur within 120 days following the effective date of the articles

of dissolution. By approving the plan of dissolution, shareholders will also be granting the board of directors the authority, notwithstanding the shareholder approval of the plan of dissolution, to abandon the plan of dissolution without further shareholder action, if our board of directors determines that dissolution and liquidation are not in the best interests of our corporation and our shareholders.

Conduct of our Corporation Following the Dissolution

Once our articles of dissolution are filed and effective, we will cease to exist for the purpose of continuing our business, but will nevertheless continue our corporate existence for a period of several years for the purpose of winding up our affairs. During this time, we will undertake the following tasks:

- settle and close our business;
- convert to cash, by sales, as much of our remaining non-cash assets as possible;
- withdraw from any jurisdiction where we are qualified to do business;
- pay or make provision for the payment of all of our expenses and liabilities;
- prosecute and defend lawsuits, if any;
- distribute our remaining assets, which should be primarily cash, but which may consist of other financial assets, to the shareholders; and
- do any other act necessary to wind up and liquidate our business and affairs.

Our board of directors and our remaining officers will oversee our dissolution and liquidation. As compensation for the foregoing, our remaining officers will continue to receive salary and benefits as determined by our board of directors. We also anticipate that members of our board of directors will receive compensation during this period, although the form and amount of such compensation has not been finally determined.

Sale of any Remaining Assets

The plan of dissolution gives the board of directors, to the fullest extent permitted by law, the authority to sell all of our assets. Accordingly, shareholder approval of the plan of dissolution will constitute, to the fullest extent permitted by law, approval of our sale of any and all of our remaining assets, on such terms and conditions as our board of directors, in its absolute discretion and without further shareholder approval, may determine. Notwithstanding the separate approval our board of directors is seeking at the special meeting for the asset sale, our board of directors will have the authority to sell all of our assets in alternate transactions pursuant to shareholder approval of the plan of dissolution, without further shareholder action or approval, even if the shareholders fail to approve the asset sale transaction or the asset sale transaction is not consummated as contemplated.

Payment of Claims and Obligations

In accordance with Section 607.1406 of the Florida Business Corporation Act, before distributing any assets to shareholders, we will pay and discharge, or make provisions as will be reasonably likely to provide sufficient compensation for, the following:

all claims and obligations, including all contingent, conditional or unmatured contractual claims known to us;

any claim against our corporation which is the subject of a pending action, suit or proceeding to which we are a party; and

claims that have not been made known to us or that have not arisen, but that, based on facts known to us, are likely to arise or become known to us after the articles of dissolution become effective.

Substantial time may be required for us to determine the extent of our liabilities to known third party creditors and claimants and for us to settle or judicially resolve any claims that are contested. Furthermore, pursuant to the Florida Business Corporations Act, we may be subject to claims being commenced against us for liabilities unknown to us for a period of four years after we satisfy certain general notice requirements under that Act.

Distributions to Shareholders

Claims, liabilities and expenses from operations, including operating costs, salaries, income taxes, payroll and local taxes, and miscellaneous office expenses, will continue to be incurred following approval of the plan of dissolution. We anticipate that expenses for professional fees and other expenses of liquidation may be significant. These expenses will reduce the amount of assets available for ultimate distribution to shareholders.

Before making any distribution to shareholders, the board of directors must first make adequate provision for the payment, satisfaction and discharge of all known, unknown, or contingent debts and liabilities, including costs and expenses incurred and anticipated to be incurred in connection with the sale of any assets remaining after the articles of dissolution are filed.

Our board of directors will determine, in its sole discretion and in accordance with applicable law, the timing, the amount and kind of, and the record date for, any distribution made to shareholders. Liquidating distributions will be made to shareholders on a pro rata basis. We will reserve assets in a contingency reserve deemed by management and our board of directors to be adequate to provide for such liabilities and obligations. Although our board of directors has not established a firm timetable for any distribution to shareholders, after the dissolution has become effective, the board of directors will, subject to exigencies inherent in winding up our business, make distributions as promptly as practicable.

No assurances can be given, however, as to the ultimate amounts to be distributed, or the timing of any distributions.

Shareholders should not send their stock certificates with the enclosed BLUE proxy. Following our dissolution, shareholders will be sent additional instructions for receiving distributions.

Liquidating Trust

Although no decision has been made, if deemed advisable by our board of directors for any reason, we may, following dissolution, transfer any of our assets to a trust established for the benefit of shareholders, subject to the claims of creditors. Thereafter, these assets will be sold or distributed on terms approved by the trustees. Our board of directors is authorized to appoint one or more trustees of the liquidating trust and to cause our corporation to enter into a liquidating trust agreement with the trustee(s) on such terms and conditions as may be approved by our board of directors. Shareholder approval of the plan of dissolution will also constitute approval of any such appointment and any liquidating trust agreement.

Continuing Liability of Shareholders After Dissolution

Following our dissolution and liquidation, it is possible that some claims may still exist that could be asserted against us. Florida law provides that, if the assets of a corporation are distributed in connection with the dissolution of a corporation, a shareholder may be liable for claim(s) against the corporation. In such event, a shareholder s potential liability for any such claim against us would be limited to the lesser of (i) the shareholder s pro rata share of such claim or (ii) the actual amount distributed to the shareholder in connection with the dissolution.

An individual shareholder s total liability for any claims against us after it is dissolved will not exceed the amount actually distributed to that shareholder in the dissolution.

Accounting Treatment

Upon our dissolution, we will change our basis of accounting from the going-concern basis to the liquidation basis. Under the liquidation basis of accounting, assets are stated at their estimated net realizable values and liabilities are stated at their anticipated settlement amounts. Recorded liabilities will include the estimated costs associated with carrying out the plan of dissolution. For periodic reporting, a statement of net assets in liquidation will summarize the liquidation value per outstanding share of common stock. Valuations presented in the statement will represent management s estimates, based on present facts and circumstances, of the net realizable values of assets and costs required to carry out the plan of dissolution.

The valuation of assets and liabilities will necessarily require many estimates and assumptions, and there will be substantial uncertainties in carrying out the provisions of the plan of dissolution. Ultimate values of assets and settlement amounts for liabilities are expected to differ from estimates recorded in interim statements.

Regulatory Matters

Except for our filing of the articles of dissolution with the Department of State of the State of Florida, we are not subject to any federal or state regulatory requirements, nor are we required to obtain any federal or state approval in order to consummate the dissolution.

Material U.S. Federal Income Tax Consequences of the Dissolution

The following discussion is a general summary of the material U.S. Federal income tax consequences of the dissolution and liquidation of the corporation pursuant to the plan of dissolution to Novoste and its shareholders, but does not purport to be a complete analysis of all the potential tax effects. The discussion addresses neither the tax consequences that may be relevant to particular categories of investors subject to special treatment under certain U.S. Federal income tax laws (such as dealers in securities, banks, insurance companies, tax-exempt organizations, and foreign individuals and entities) nor any tax consequences arising under the laws of any state, local or foreign jurisdiction.

The discussion is based upon the Code, Treasury Regulations, administrative rulings and judicial decisions now in effect, all of which are subject to change at any time, either prospectively or retrospectively, by legislative, administrative or judicial action. The following discussion has no binding effect on the Internal Revenue Service, or IRS, or the courts. No ruling has been requested from the IRS with respect to the anticipated tax treatment of the dissolution and liquidation of the corporation pursuant to the plan of dissolution, and we will not seek an opinion of counsel with respect to the anticipated tax treatment summarized herein. There is no assurance that the liquidating trust, if created, will be treated as a liquidating trust for Federal income tax purposes or that the distributions made pursuant to the plan of dissolution, if any, will be treated as liquidating distributions. If any of the conclusions stated herein proves to be incorrect, the result could be increased taxation to Novoste and/or its shareholders, thus reducing the benefit to Novoste and its shareholders from the dissolution and liquidation.

U.S. Federal Income Tax Consequences to Novoste

Even if we liquidate, we will continue to be subject to tax on our taxable income until the dissolution and liquidation is complete (i.e., until all of our remaining assets have been distributed to our shareholders or the liquidating trust). We will recognize gain or loss upon any liquidating distribution of property to shareholders or to the liquidating trust as if such property were sold to our shareholders or the liquidating trust.

Ordinarily, corporate gain or loss (unless certain exceptions to loss recognition apply) is recognized in an amount equal to the amount of such gain or loss, which will equal the difference between our adjusted tax basis for each asset and the asset s fair market value on the date of distribution. It is anticipated that Novoste will not incur any material tax liability from either the asset sale transaction or any asset distribution.

U.S. Federal Income Tax Consequences to our Shareholders

Our shareholders will not recognize any gain or loss for tax purposes as a result of a sale by us of our assets, including the asset sale transaction pursuant to the amended and restated asset purchase agreement. If we effect the dissolution and liquidate, a shareholder will recognize gain or loss equal to the difference between (i) the sum of the amount of money and the fair market value of property (other than money) distributed to such shareholder directly or to the liquidating trust on the shareholder s behalf, and (ii) such shareholder s tax basis for his or her shares of common stock. A shareholder s tax basis in his or her shares will generally equal the shareholder s cost for his or her shares of common stock. The gain or loss will be a capital gain or loss, assuming the common stock is held as a capital asset. Long-term capital gain realized by a shareholder that is an individual, estate or trust is generally taxed at a maximum rate of 15%. A capital gain or loss will be long term with respect to stock that has been held by a shareholder for more than one year. Capital losses can generally be used to offset capital gains and, for individuals, estates or trusts, up to $3,000 of ordinary income. The tax basis of any property other than cash received by each shareholder upon our complete liquidation will be the fair market value of the property at the time of the distribution.

If we effect the dissolution and liquidate, shareholders may receive one or more liquidating distributions, including a deemed distribution of cash and property transferred to the liquidating trust. A shareholder s gain or loss will be computed on a per share basis so that gain or loss is calculated separately for blocks of stock acquired at different dates and different prices. Each liquidating distribution will be allocated proportionately to each share of stock owned by a shareholder. Gain will be recognized in connection with a liquidating distribution only to the extent that the aggregate value of all liquidating distributions received by a shareholder with respect to a share exceeds such shareholder s tax basis for that share. If the amount of the distributions is less than the shareholder s basis in his or her shares of common stock, the shareholder will generally recognize a loss in the year the final distribution is received by the shareholder or by the liquidating trust on behalf of the shareholder.

If we effect the dissolution and liquidate, we will, at the close of the taxable year, provide shareholders and the IRS with a statement of the amount of cash and our best estimates of the fair market value of any property distributed to the shareholders (or transferred to the liquidating trust) during that year as determined by us, at such time and in such manner as required by the Treasury Regulations.

U.S. Income Tax Consequences of a Liquidating Trust

If we transfer assets to the liquidating trust in connection with the dissolution, we intend to structure such trust so that shareholders will be treated for tax purposes as having received a distribution at the time of transfer of their pro rata share of money and the fair market value of property other than money transferred to the liquidating trust, reduced by the amount of known liabilities assumed by the liquidating trust or to which the property transferred is subject, and then having contributed such property to the trust. The distribution will be treated as a distribution in liquidation of the shareholder s common stock. The effect of the distribution on a shareholder s tax basis in his or her shares of common stock is discussed above in U.S. Federal Income Tax Consequences to our Shareholders.

Upon formation of a liquidating trust, shareholders, as owners of the trust, must take into account for U.S. Federal income tax purposes their pro rata portion of any income, expense, gain or loss recognized by the liquidating trust. The income, expense, gain or loss recognized by the liquidating trust will not affect the shareholder s basis in his or her common stock.

As a result of the transfer of property to a liquidating trust and the ongoing activities of the liquidating trust, shareholders should be aware that they may be subject to tax whether or not they have received any actual distributions from the liquidating trust with which to pay such tax. We intend to structure the liquidating trust, if any, so that it will not be treated as an association taxable as a corporation based upon the anticipated activities of the liquidating trust. Accordingly, the liquidating trust itself should not be subject to income tax.

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We have not obtained any IRS ruling as to the tax status of the liquidating trust, if any, and there is no assurance that the IRS will agree with our conclusion that the liquidating trust should be treated as a liquidating trust for Federal income tax purposes. If, contrary to our expectation, it were determined that the liquidating trust should be classified for Federal income tax purposes as an association taxable as a corporation, income and losses of the liquidating trust would be reflected on its own tax return rather than being passed through to the shareholders and the liquidating trust would be required to pay Federal income taxes at corporate tax rates. Furthermore, much of the above discussion would no longer be accurate. For instance, all or a portion of any distribution made to the shareholders from the liquidating trust could be treated as a dividend.

U.S. Income Tax Consequences of Backup Withholding

Unless a shareholder complies with certain reporting and/or certification procedures or is an exempt recipient under applicable provisions of the Code and Treasury Regulations, he, she or it may be subject to back-up withholding tax with respect to any payments received under the liquidation. The back-up withholding tax is imposed at a rate of 28%. Back-up withholding generally will not apply to payments made to some exempt recipients such as a corporation or financial institution or to a shareholder who furnishes a correct taxpayer identification number or provides a certificate of foreign status and provides certain other required information. If back-up withholding applies, the amount withheld is not an additional tax, but is credited against the shareholder s U.S. federal income tax liability.

Certain U.S. State and Local Income Tax Consequences of Dissolution

We may be subject to liability for state and local taxes with respect to the sale of assets. Shareholders may also be subject to liability for state and local taxes with respect to the receipt of liquidating distributions and their interests in the liquidating trust. State and local tax laws may differ in various respects from Federal income tax law. Shareholders should consult their tax advisors with respect to the state and local tax consequences of the proposed dissolution and liquidation pursuant to the plan of dissolution.

Taxation of Other Non-United States Shareholders

Foreign corporations or persons who are not citizens or residents of the United States should consult their tax advisors with respect to the U.S. and non-U.S. tax consequences of the proposed dissolution and liquidation pursuant to the plan of dissolution.

Taxation Generally

The foregoing summary of certain income tax consequences is included for general information only and does not constitute legal advice to any shareholder. The tax consequences of the proposed dissolution and liquidation pursuant to the plan of dissolution may vary depending upon the particular circumstances of the shareholder. We recommend that each shareholder consult his or her own tax advisor regarding the tax consequences of the proposed dissolution and liquidation pursuant to the plan of dissolution.

Financial Advisor

Our board of directors retained Asanté Partners LLC in April 2004 to act as our investment banking and strategic financial advisor to assist us in our efforts to implement strategic and financial alternatives. In that role, Asanté Partners acted as our financial advisors in connection with our proposed merger with ONI. Under the terms of the engagement, during the period since April 2004, Novoste paid Asanté Partners for their financial advisory services aggregate fees of $270,000, including a fee for the fairness opinion rendered to the board of directors in connection with the proposed ONI merger. In addition, Asanté Partners were entitled to a fee of up to $750,000 upon the occurrence of certain events, including the closing of Novoste s proposed merger with ONI or a sale of the corporation. On October 27, 2005, Novoste entered into a settlement and release agreement with

Asanté Partners. Under the terms of the settlement and release agreement, Novoste has agreed to pay Asanté Partners $250,000 for their services as Novoste s financial advisor and Asanté Partners has agreed to waive and release Novoste for its obligation to pay any sums otherwise due or potentially due under Asanté Partners engagement letter with Novoste. Novoste has also agreed to reimburse Asanté Partners for their expenses reasonably incurred in performing their services up to $25,000 and to indemnify them and their related persons against liabilities, including liabilities under the federal securities laws, arising out of their engagement.

APPROVAL OF AMENDMENTS TO AMENDED AND RESTATED ARTICLES OF

INCORPORATION AND FOURTH AMENDED AND RESTATED BYLAWS TO

REDUCE MINIMUM SIZE OF BOARD OF DIRECTORS FROM SIX TO THREE DIRECTORS

(Proposal 4)

Our amended and restated articles of incorporation and fourth amended and restated bylaws provide that the number of directors on our board of directors shall be at least six and not more than twelve. Currently, our board consists of seven directors. We are seeking approval by our shareholders of amendments to our amended and restated articles of incorporation and fourth amended and restated bylaws to provide that our board of directors may consist of as few as three directors. If these amendments are approved and implemented, the board may reduce the size of the board in the future to reduce operating expenses or for other reasons.

Copies of the proposed amendment to our amended and restated articles of incorporation and amendment to our fourth amended and restated bylaws are attached as *Annex D* to this proxy statement. You are urged to read the text of these amendments carefully as they are the legal documents that govern these amendments to the amended and restated articles of incorporation and fourth amended and restated bylaws.

Required Vote

The approval of the amendments to our amended and restated articles of incorporation and fourth amended and restated bylaws to reduce the minimum size of our board from six to three persons requires that the number of votes cast by the shareholders at the special meeting in favor of the proposal exceeds the number of votes cast against the proposal. Only shares that are voted FOR or AGAINST the proposal will be counted towards the vote requirement. Thus, shares represented at the meeting that are marked ABSTAIN, and broker non-votes, if any, will not be counted towards the vote requirement. Additionally, if you do not complete and return a proxy card and do not vote in person, there will be no effect on the outcome of the vote.

Reasons for the Amendment; Effect of the Amendment

The amendment to our amended and restated articles of incorporation described in this proposal is being proposed to provide us with additional flexibility in the future to reduce the size of our board of directors. Our board of directors currently consists of seven members. In light of the fact that we expect to have no ongoing business operations following the completion of the sale or wind down of our VBT business, the board has determined that it may be more cost-effective to reduce the size of the board of directors to reduce our future operating costs, thereby preserving more resources for shareholders. These cost-efficiencies include reductions in the payments of directors retainer and meeting fees and travel cost reimbursements. To enable the board to reduce the size of the board in the future and preserve maximum flexibility, we are proposing this amendment. The maximum number of directors set forth in the amended and restated articles of incorporation and fourth amended and restated bylaws, which is 12, will remain the same.

The board believes that these amendments will enhance our flexibility to decrease the size of the board in the future if such an action is deemed desirable to reduce future operating costs or for any other reasons. The board currently expects that J. Stephen Holmes, Judy Lindstrom, Stephen I. Shapiro and Thomas D. Weldon will resign from the board soon after the special meeting of our shareholders, with Charles E. Larsen, Alfred J. Novak and William E. Whitmer remaining as directors. In addition, assuming approval of the amendments to reduce the minimum size of the board of directors and if the proposal to approve and adopt a plan of dissolution and to dissolve and liquidate the corporation is approved by shareholders, the board expects to reduce the size of the board from seven to three directors. Assuming approval of the amendments to reduce

the minimum size of the board of directors and if the proposal to approve and adopt a plan of dissolution and to dissolve and liquidate the corporation is not approved by shareholders, the board expects to reduce the size of the board from seven to five directors and to solicit nominations, including from our shareholders, for consideration by the board to fill the two vacancies on the board resulting from such resignations. Notwithstanding the board s belief that these

amendments will enhance its flexibility in the future, a decrease in the size of the board in the future could result in a less diverse and less experienced board of directors.

Recommendation of Our Board of Directors

On November 14, 2005, our board of directors concluded unanimously that the amendments to our amended and restated articles of incorporation and fourth amended and restated bylaws to reduce the minimum size of our board from six to three directors are in the best interests of our shareholders, and recommended that our shareholders approve this proposal.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* PROPOSAL 4.

THE ADJOURNMENT PROPOSALS

(Proposals 5 and 6)

The Asset Sale Transaction Adjournment Proposal (Proposal 5)

We are asking our shareholders to authorize the holder of the proxy solicited by our board of directors to vote in favor of adjourning the special meeting to a future date in order to enable our board of directors to solicit additional proxies in favor of the asset sale transaction if we present such a proposal.

If at the special meeting the number of shares of our common stock voting in favor of the asset sale transaction is insufficient to approve such proposal, the chairperson of the meeting may move to adjourn the special meeting to enable us to solicit additional proxies in favor of the asset sale transaction. If such a proposal is made at the meeting by the chairperson, the proxy holder will only be able to vote in favor of this proposal the shares for which it has received a valid proxy indicating that it has authority to vote in favor of this proposal to adjourn the meeting with respect to the asset sale transaction. The authority granted to the holder of the proxy pursuant to this proposal will be limited and will not authorize the holder to vote in favor of adjourning the meeting with respect to any proposals other than the asset sale transaction.

The Dissolution and Liquidation Adjournment Proposal (Proposal 6)

We are asking our shareholders to authorize the holder of the proxy solicited by our board of directors to vote in favor of adjourning the special meeting to a future date in order to enable our board of directors to solicit additional proxies in favor of the dissolution and liquidation if we present such a proposal.

If at the special meeting the number of shares of our common stock voting in favor of the dissolution and liquidation is insufficient to approve such proposal, the chairperson of the meeting may move to adjourn the special meeting to enable us to solicit additional proxies in favor of the dissolution and liquidation. If such a proposal is made at the meeting by the chairperson, the proxy holder will only be able to vote in favor of this proposal the shares for which it has received a valid proxy indicating that it has authority to vote in favor of this proposal to adjourn the meeting with respect to the dissolution and liquidation. The authority granted to the holder of the proxy pursuant to this proposal will be limited and will not authorize the holder to vote in favor of adjourning the meeting with respect to any proposals other than the dissolution and liquidation.

Required Vote

The approval of each of these proposals require that the number of shares cast by the shareholders at the special meeting in favor of the applicable proposal exceed the number of votes cast against the proposal. Only shares that are voted FOR or AGAINST the applicable proposal will be counted towards the vote requirement. Thus, shares represented at the meeting that are marked ABSTAIN, and broker non-votes, if any, will not be counted towards the vote requirement. Additionally, if you do not complete and return a proxy card and do not vote in person, there will be no effect on the outcome of the vote.

Recommendation of Our Board of Directors

Our board of directors recommends that our shareholders vote in favor of proposals 5 and 6.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* PROPOSALS 5 AND 6.

BUSINESS OF NOVOSTE

Overview

Because of the rapid acceptance of drug-eluting stents in the medical community and their success in reducing in-stent restenosis since their introduction into the U.S. market in April 2003, our revenues have experienced a substantial and sustained decline. We believe that if we were to continue operating our VBT business, our sales of those products would continue to substantially decline, resulting in a further significant reduction in our revenues and corporate assets.

As a result, on February 22, 2005, we announced that our board of directors had determined that our VBT business, which is our only business line, was no longer viable and, as a result, the board had authorized a staged wind down of our business. On that date, we also announced that, pursuant to the first stage of our wind down plan, we would reduce our U.S. workforce in the first quarter of 2005 by 52 employees, from 81 employees. Additionally, we notified all 16 of our employees outside the U.S. that they would be terminated in accordance with their contracts and the relevant country s employment regulations in an effort to further reduce our costs. We currently have 20 employees. Our board determined that this decision was necessary to preserve our cash resources and arose as a result of the continuing decline in revenue for our VBT products.

If our proposed sale of the VBT business to Best Vascular is not approved and completed, we intend to complete the wind down of the VBT business.

Background

We developed the Beta-Cath System, a hand-held device to deliver beta, a low penetration radiation, to the site of a treated blockage in a coronary artery to inhibit restenosis. Restenosis, the renarrowing of a previously treated artery, is the major limitation of percutaneous transluminal coronary angioplasty or PTCA, a procedure used by interventional cardiologists to open blocked coronary arteries. Coronary stents, metal tubes or coils permanently deployed at a blockage in a coronary artery, were developed to reduce the incidence of restenosis; however, restenosis still occurs in some of the patients who receive bare metal stents. In August 1998, we qualified to apply CE marking to the Beta-Cath System. CE marking is a regulatory approval and is a requirement to sell our device in most of the European Union. We commenced the active marketing of our device in the European Union in January 1999. On November 3, 2000, we received U.S. marketing approval from the FDA for the Beta-Cath System (30-millimeter source train) for use in patients suffering from in-stent restenosis, a condition in which previously placed coronary stents become clogged with new tissue growth. We received additional approvals from the FDA for the Beta-Cath System with a 40-millimeter source train during 2001 and the 60-millimeter source train and smaller, next generation 3.5 F catheter and source train in early 2002. As described above, in February 2005, we announced that our board of directors had determined that our VBT business is no longer viable, and as a result, the board had authorized a staged wind down of our business. See Overview.

Novoste Corporation is a Florida corporation. We were incorporated in 1987 and remained dormant until May 22, 1992, at which time we began operations. We have had our principal operations in the United States and sales and distribution in Western Europe, Canada, Asia and South America. Before the implementation of the staged wind down of our business, we marketed our products through a direct sales force in the United States and a combination of direct sales representatives and independent distributors in markets outside the United States. All of our revenues have primarily been generated from the marketing of the Beta-Cath System, but beginning in 2003, we started to sell and distribute stents on a limited basis in Europe pursuant to a distribution agreement with Orbus Medical Technologies, Inc. In February 2005, Novoste and Orbus mutually agreed to terminate the distribution agreement.

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Industry Overview

Coronary Artery Disease. Coronary artery disease is the leading cause of death in the United States. It is generally characterized by the progressive accumulation of plaque as a result of the deposit of cholesterol and other fatty materials on the walls of the arteries. The accumulation of plaque leads to a narrowing of the interior passage, or lumen, of the arteries, thereby reducing blood flow to the heart muscle. When blood flow to the heart muscle becomes insufficient, oxygen supply is restricted and a heart attack and death may result. Depending on the severity of the disease and other variables, patients will be treated either surgically with coronary artery bypass graft surgery or less invasively with a percutaneous transluminal coronary angioplasty, or PTCA, procedure.

Coronary Artery Bypass Graft Surgery. Coronary artery bypass graft surgery, or CABG, was introduced as a treatment for coronary artery disease in the 1950 s. CABG is a highly invasive, open surgical procedure in which blood vessel grafts are used to bypass the site of a blocked artery, thereby restoring blood flow. CABG is generally the primary treatment for severe coronary artery disease involving multiple vessels. In addition, CABG is often a treatment of last resort for patients who have undergone other less invasive procedures like PTCA, but require revascularization. However, CABG has significant limitations, including medical complications such as stroke, multiple organ dysfunction, inflammatory response, respiratory failure and post-operative bleeding, each of which may result in death. In addition, CABG is a very expensive procedure and requires a long recovery period. Several new minimally invasive surgical techniques, which have been commercialized, attempt to lessen the cost and trauma of CABG procedures while maintaining efficacy.

Percutaneous Transluminal Coronary Angioplasty. Since its introduction in the late 1970s, PTCA has emerged as the principal, less invasive alternative to CABG. PTCA is a procedure performed in cardiac catheterization labs, commonly referred to as cath labs, by an interventional cardiologist. During PTCA, a guide wire is inserted into a blood vessel through a puncture in the leg (or arm, in some cases) and guided through the vasculature to a diseased site in the coronary artery. A balloon-tipped catheter is then guided over the wire to the deposit of plaque or lesion occluding the artery. After the balloon is positioned across the lesion inside the vessel, the balloon is inflated and deflated several times. Frequently, successively larger balloons are inflated at the lesion site, requiring the use of multiple balloon catheters. The inflation of the balloon cracks or reshapes the plaque and the arterial wall, thereby expanding the arterial lumen and increasing blood flow. However, the inflation of the balloon typically results in injury to the arterial wall. The length of stay and recuperation period for PTCA procedures is substantially less than those required for CABG.

Though PTCA grew rapidly as a highly effective, less invasive therapy to treat coronary artery disease, the principal limitation of PTCA was the high rate of restenosis, the renarrowing of a treated artery, which often required reintervention. Studies have indicated that, within six months after PTCA, between 30% and 50% of PTCA patients experience restenosis.

Pathology of Restenosis. Restenosis is typically defined as the renarrowing of a treated coronary artery within six months after a revascularization procedure, such as PTCA, to less than 50% of its normal size. Restenosis is a vascular response to the arterial trauma caused by PTCA. Due to multiple mechanisms controlling vascular repair, restenosis may occur within a short period after a revascularization procedure or may develop over the course of months or years.

Restenosis that occurs within a day of a revascularization procedure is usually attributed to elastic recoil (acute loss of diameter) of the artery. Restenosis also may result from hyperplasia, which is the excessive proliferation of cells at the treatment site, or from vascular remodeling of the arterial segment, which is a slow contraction of a vessel wall. Hyperplasia is a physiological response to injury, similar to scarring, which occurs in wound healing. Vascular remodeling is a contraction of the vessel caused by a thickening of the artery wall. In response to an arterial injury from revascularization, the body initiates a biochemical response to repair the injured site and protect it from further harm. This response will include a signal to adjacent cells of the arterial wall to multiply. Often this cell proliferation goes unchecked, resulting in a much thicker and inelastic arterial wall and in reduced blood flow. Hyperplasia and vascular remodeling are the primary causes of restenosis.

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Coronary Stenting. Coronary stents are expandable, implantable metal devices permanently deployed at a lesion site. Stents maintain increased lumen diameter by mechanically supporting the diseased site in a coronary artery. Of all the non-surgical treatments seeking to improve upon PTCA, stents have been the most successful in improving the outcome immediately following the procedure and reducing the incidence of restenosis. In a typical stent procedure, the artery is pre-dilated at the lesion site with a balloon catheter, and the stent is delivered to the site of the lesion and deployed with the use of a second balloon catheter that expands the stent and firmly positions it in place. This positioning may be followed by a third expansion, using a high-pressure balloon to fully deploy and secure the stent. Once placed, stents exert radial force against the walls of the coronary artery to enable the artery to remain open and functional.

Studies have concluded that the rate of restenosis in patients receiving coronary stents following PTCA is approximately 30% lower than in patients treated only by PTCA. Since their commercial introduction in the United States in 1994, the use of stents has grown rapidly.

Despite their rapid adoption, stents have certain drawbacks. The use of stents increases the cost of a PTCA procedure, especially when, as is often the case, two or more stents are used. In addition, studies have shown that restenosis still occurs in approximately 15% to 20% of the patients who receive bare metal stents following PTCA. This is commonly referred to as in-stent restenosis. Studies have shown that patients with in-stent restenosis often experience recurrent restenosis and, as a result, are prone to multiple revascularization procedures. Stents are also permanent implants that may result in unforeseen, long-term adverse effects, and cannot be used in cases where the coronary arteries are too tortuous or too narrow. Further, stents appear to be effective in reducing the frequency of restenosis resulting from elastic recoil and vascular remodeling, but they increase the degree of hyperplasia.

Vascular Brachytherapy vs. Drug Coated Stents. Vascular brachytherapy is the delivery of radiation within blood vessels. Studies conducted by us and other companies using radiation to treat in-stent restenosis led to FDA approval and the subsequent introduction of vascular brachytherapy, or VBT, devices in 2000 and 2001. These devices, which deliver a dose of radiation to the site of restenosis, have proven to reduce in-stent restenosis, but stents are continually being developed to make the occurrences of restenosis less frequent. The newest innovation is a drug eluting stent (DES). This is a product that utilizes a standard stent platform, but with a polymer coating and a therapeutic drug attached to the polymer. The drug elutes off the polymer over time and into the vessel, reducing the incidence of restenosis by over half, as compared to a bare metal stent, or BMS. Johnson & Johnson received FDA approval for its Cypher DES in April 2003 and, by the end of 2003, captured approximately 60% of the U.S. stent market. In March 2004 Boston Scientific Corporation received FDA approval for its DES product, Taxus. We believe that DES will be the mainstay for interventional cardiologists particularly in the U.S. because of its success against restenosis in both trials and clinical practice. We also believe that the overall number of DES procedures will continue to grow significantly in the future, resulting in a substantial decline in the use of VBT products.

Recently several studies have indicated that there may be negative long-term health effects associated with drug-eluting stents. Such studies have shown a higher thrombosis rate, or risk of a blood clot forming, within the stent associated with drug-eluting stents when compared to bare metal stents, or BMS. The increased risk was small, approximately 0.5% higher for drug eluting stents than BMS after eighteen months of stent implantation. Based upon the number of patients reviewed, the difference shown in the studies was not statistically significant, but is nevertheless an issue that some physicians may be concerned about. However, other studies have found drug-eluting stents more favorable than BMS when all measured parameters are compared. In addition, some recent studies have also compared the effectiveness of using drug-eluting stents for instent restenosis compared to VBT and found that drug-eluting stents are more effective. Furthermore, notwithstanding the issues surrounding the possible higher risk of thrombosis with drug eluting stents, we believe that several technologies are being developed to reduce or eliminate this risk. Some of these technologies may be introduced to the market within a relatively short period of time.

As a result of our assessment of all data presently known, our board of directors continues to believe that our VBT business is no longer viable. However, if future studies find health risks associated with drug-eluting stents, or otherwise find VBT to be a safer and more effective treatment than treatments using drug-eluting stents, it might increase demand for VBT products.

Our Business Strategy

As described elsewhere in this proxy statement, we announced on February 22, 2005 that our board of directors had determined that our VBT business is no longer viable and, as a result, the board had authorized a staged wind down of our business. Our board of directors determined that this decision was necessary to preserve our cash resources. If our proposed sale of the VBT business to Best Vascular is not approved and completed, we intend to complete the wind down of the VBT business.

Product Development and Clinical Trials

In connection with the wind down of our business operations, we have ceased our ongoing product development and clinical trial activities except as required by regulatory agencies.

Research and development expenses, which include the cost of clinical trials, for the years ended December 31, 2004, 2003 and 2002 were approximately $4,633,000, $11,986,000 and $13,300,000, respectively. During these years, we continued to collect data for post-approval studies in the United States required by the FDA upon original approval of the Beta-Cath System and the 40mm version of the Beta-Cath System, as well as for European clinical trials that evaluated the 60mm Beta-Cath System and the 40mm Beta-Cath 3.5F System. The data obtained from these European trials were used in regulatory submissions to obtain commercial approval of these configurations of the Beta-Cath System.

All post-approval studies that were initiated with the Beta-Cath System have been completed, with data reported to the FDA, and all trial sites are closed. All clinical trials have concluded and the required reports filed with the FDA. We continue to perform all required product monitoring.

Sales and Marketing

In connection with the wind down of our VBT business, we have substantially ceased our sales and marketing activities as part of the staged wind down of the business and are meeting customer product requests based on demand for VBT product.

Concurrent with the execution of the original asset purchase agreement on August 25, 2005, we, Best Vascular and BMI entered into a marketing representation agreement that provides that Best Vascular will market and solicit orders for our existing inventory of products, including the Beta-Cath System, in consideration of the payment to Best Vascular of $25,000 on a weekly basis. On October 12, 2005, concurrent with the amendment and restatement of the asset purchase agreement, the marketing representation agreement was amended to extend its termination date from October 14, 2005 to December 31, 2005, consistent with the extension of the corresponding termination date in the amended and restated asset purchase agreement. On November 30, 2005, the marketing representation agreement was further amended to extend its termination date from December 31, 2005 to February 15, 2006, consistent with the further extension of the corresponding termination date in the amended and restated asset purchase agreement.

Manufacturing, Sources of Supply and Scale-Up

While we ceased manufacturing catheters as of March 1, 2005, we continue to supply catheters from inventory, and continue to service transfer devices and radiation source trains. Our manufacturing operations were required to comply with the FDA s quality system regulations, which included an inspection of our manufacturing facilities, before pre-market approval of the Beta-Cath System. In addition, certain international

markets have quality assurance and manufacturing requirements that may be more or less rigorous than those in the United States. Specifically, we are subject to the compliance requirements of ISO 9001 certification and CE mark directives in order to produce products for sale in Europe. We received ISO 9001/ISO 46001 certification from our European Notified Body in April 1998. We are subject to periodic inspections by regulatory authorities to ensure such compliance. See Government Regulation below. In the past as part of our manufacturing operations, which we have discontinued, we conducted quality audits of suppliers and required that all suppliers of components be in compliance with our requirements and the FDA s quality system regulations.

Beta Radiation Source Train Suppliers

Beginning in 1996, we contracted with BEBIG Isotopentechnik und Unweltdiagnostik GmbH, or Bebig, a German corporation, to equip a production site for the production of radioactive sealed Strontium-90 seed trains.

On June 20, 2001, we entered into a new manufacturing and supply agreement with Bebig to manufacture and supply us with radioactive sealed Strontium-90 seed trains. During each calendar year under the four-year contract, we guaranteed minimum annual payments to Bebig in varying amounts. All product purchases are credited against the annual guaranteed payment. If we did not purchase product to exceed the annual guaranteed payment, the deficiency was due and payable to Bebig within thirty days after the end of each one-year contract period. The final purchase commitment of $250,000 was paid in the first quarter of 2005 and was fully accrued as of December 31, 2004. Our obligation of $250,000 to reimburse Bebig for expenses associated with decommissioning the production line has been fulfilled.

On October 14, 1999, we signed a development and manufacturing supply agreement with AEA for a second source of radioactive supply and for the development of a smaller diameter radiation source. The agreement provided for the construction of a production line to be finished in two phases. The first phase, the development phase, was completed in February 2002 and the second phase was completed in October 2002. The completion of the first phase provided us with access to a limited supply of the smaller diameter radiation source trains by using the development equipment to produce the smaller diameter radiation source trains. We paid the cost of this production line as construction progressed. Depreciation of the production line began when the equipment was placed into service, in October 2002. In addition, the agreement provides for joint ownership of all intellectual property arising from the development work and that AEA may manufacture vascular brachytherapy sources only for us. Annual minimum purchase commitments and pricing guidelines were established extending to 2006. During 2004, we did not reach the minimum purchase commitment level for product and incurred an expense in cost of sales of $695,000 for this shortfall. On March 9, 2005, we provided the required 18-month notification to terminate the contract in September 2006 and accrued the balance of the estimated minimum payment obligations, recording a total liability of $1,042,000 as of September 30, 2005. At the termination of the agreement, we are obligated for costs associated with decommissioning the production facility and $584,000 has been accrued for this purpose. AEA disputes the Novoste estimate of the minimum contractual liability and the decommissioning estimate as recorded in the Novoste financial statements as of September 30, 2005 and has further notified Novoste that it believes an additional $1,500,000 is owed by Novoste to AEA under the above agreement. Novoste disagrees with AEA s request for such additional payments and vigorously opposes any assertions of liability.

Patents and Proprietary Technology

Our policy is to protect our proprietary position by, among other methods, filing United States and foreign patent applications. We were issued United States patent no. 5,683,345 on November 4, 1997, no. 5,899,882 on May 4, 1999, no. 6,013,020 on January 11, 2000, no. 6,261,219 on July 17, 2001 and no. 6,306,074 on October 23, 2001, all of which relate to both or either the Beta-Cath System with an over-the-wire catheter or the Beta-Cath