NOVOSTE CORP /FL/
Form PREM14A
November 15, 2005

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

¨ 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

November , 2005

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 , 2005 at our headquarters at 4350 International Boulevard, Norcross, 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 two 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 17 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 proxy card. You may revoke your 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 , 2005.

NOVOSTE CORPORATION

4350 International Boulevard

Norcross, Georgia 30093

(770) 717-0904

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON , 2005

NOTICE IS HEREBY GIVEN that on , 2005, Novoste Corporation will hold a special meeting of shareholders at our headquarters at 4350 International Boulevard, Norcross, 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, 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); and

5. 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 November 18, 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

, 2005

Whether or not you plan to attend the special meeting, please complete and return the enclosed proxy card. If you sign and return your 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 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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ANNEXES

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).

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.

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. 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 has subsequently been abandoned, was a condition to completion of the sale. As a result, we were unable to complete the sale of the VBT business pursuant to our original agreement with Best Vascular and BMI.

On October 12, 2005, we entered into an amended and restated asset purchase agreement with Best Vascular and BMI. 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 future payments by us to AEA in an aggregate amount not exceeding $320,000 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 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 these liabilities, we believe that the aggregate amount of this net economic benefit to us will be approximately $1.5 million to $3.0 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.

In addition, on October 19, 2005, we received a delisting notice from Nasdaq s listing qualifications department. The delisting notice was issued as a result of our common stock s noncompliance with Nasdaq s $1 minimum bid price requirements for continued listing. The delisting of our common stock has been stayed pending an oral hearing in front of a Nasdaq listing qualifications panel on November 17, 2005. To enable the common stock to regain compliance and avoid delisting, we implemented a one-for-four reverse stock split effective on November 4, 2005. As a result of the reverse stock split, we currently expect that our common stock will be able to regain compliance with Nasdaq s listing requirements and avoid delisting, however, there can be no assurance that the Nasdaq listing qualifications panel will grant our common stock continued listing after November 17, 2005.

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 late December 2005.

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 be perpetual.

Q: Why has the board of directors authorized, and asked shareholders to approve, a plan to liquidate and dissolve 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, which may take several years, we would have cash and financial instruments remaining of approximately $11.1 million if the asset sale transaction is completed and approximately $9.4 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 liquidation of our assets and the dissolution of our corporation;
- 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 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. 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 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 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.

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 , 2005, at our headquarters at 4350 International Boulevard, Norcross, Georgia. Holders of record of our common stock as of the close of business on November 18, 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 liquidation and dissolution, 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 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 17 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 proxy card in the accompanying pre-addressed, postage-paid envelope.

IF YOU SIGN, DATE AND SEND YOUR PROXY 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 proxy?

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

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple 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 proxy card. Please complete, sign, date and return each 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 proxy, or if you need additional copies of this proxy statement or the enclosed 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 this proxy be solicited and who is bearing the cost of this proxy solicitation?

A: 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 estimated to be $9,500 plus expenses. 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.

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SUMMARY TERM SHEET

Special Meeting Time and Date	10:00 a.m., local time, on , 2005
Special Meeting Location	Novoste s headquarters at 4350 International Boulevard, Norcross, Georgia 30093
Record Date	November 18, 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 future payments

by us to AEA in an aggregate amount not exceeding $320,000 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 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 these liabilities, we believe that the aggregate amount of this net economic benefit to us will be approximately $1.5 million to $3.0 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 be 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, which may take several years, we would have cash and financial instruments remaining of approximately $11.1 million if the asset sale transaction is completed and approximately $9.4 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 liquidation of our assets and the dissolution of our corporation;
- 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 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 Post-Dissolution Conduct of the Corporation.
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 Liquidating Trust.
Liquidating Trust	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.
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. If the 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.
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 ending 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 86 through 91, which are preliminary and 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)	$ (654)
Net lost per share basic and diluted	(0.07)	(0.16)

	As of September 30, 2005
Balance Sheet Data	
Working capital	$ 13,150
Total assets	18,485
Accumulated deficit	(172,309)
Total shareholders equity	16,239

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 Stock 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. For a description of other Nasdaq delisting proceedings that we currently face, see the risk factor on page 20 titled: We currently face a Nasdaq delisting proceeding.

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, the Company believes 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 liquidate and dissolve 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 liquidate and dissolve, 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 and unknown third party creditors and claimants. Furthermore, pursuant to the Florida Business Corporation Act, we may be liable for known and unknown claims for a substantial period of time in the future. As a result, there can be no assurance that we would have sufficient cash available to make any distributions to shareholders after dissolution. 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 liquidation and dissolution, 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 management 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 on September 26, 2005. We are currently not aware of any event of default in the promissory note agreement with ONI Medical Systems, Inc., and believe that the promissory note is collectable in full as of the date of this filing. 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.

We currently face a Nasdaq delisting proceeding.

On October 19, 2005, we received a delisting notice from Nasdaq s listing qualifications department. The delisting notice was issued as a result of our common stock s noncompliance with Nasdaq s $1 minimum bid price requirements for continued listing. The delisting of our common stock has been stayed pending an oral hearing in front of a Nasdaq listing qualifications panel on November 17, 2005. To enable the common stock to regain compliance and avoid delisting, we implemented a one-for-four reverse stock split effective on November 4, 2005. As a result of the reverse stock split, we currently expect that our common stock will be able to regain compliance with Nasdaq s listing requirements and avoid delisting, however, there can be no assurance that the Nasdaq listing qualifications panel will grant our common stock continued listing after November 17, 2005.

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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 liquidation and dissolution 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 17, 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 proxy are being furnished to holders of record of our common stock on or about , 2005 in connection with the solicitation of proxies by our board of directors for use at a special meeting of shareholders, to be held on , 2005, at our headquarters at 4350 International Boulevard, Norcross, 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, 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); and

5. 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.

Record Date; Shares Entitled to Vote; Quorum Requirement

Our board of directors has fixed the close of business on November 18, 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) 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

As described below, 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 Proxy

Shares of our stock represented by properly executed proxies received at or before the meeting and not revoked will be voted in the manner specified on such proxies. The enclosed 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 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 proxy card to vote the proxy in accordance with their best judgment. Properly executed proxies marked ABSTAIN, although counted for purposes of determining whether there is a quorum at the meeting, will not be voted.

Revocation of Proxies

A shareholder giving a 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 proxy;

submitting a duly executed proxy bearing a later date; or

voting in person at the meeting.

Any written notice of revocation or subsequent 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, at or before the taking of the vote at the special meeting.

Solicitation of Proxies

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 proxy. In addition to solicitation by mail, our directors, officers and employees may solicit 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 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 the proxy solicitation at an estimated cost of $9,500, plus expenses.

Assistance

If you need assistance in completing your 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

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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. 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 has subsequently been abandoned, was a condition to the sale because of certain requirements under Florida law. As a result, we were unable to complete the sale of the VBT business pursuant to our original agreement with Best Vascular and BMI.

On October 12, 2005, we entered into an amended and restated asset purchase agreement with Best Vascular and BMI. 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.

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 future payments by us to AEA in an aggregate amount not exceeding $320,000 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 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 these liabilities, we believe that the aggregate amount of this net economic benefit to us will be approximately $1.5 million to $3.0 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 Stock 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.

In addition, on October 19, 2005, we received a delisting notice from Nasdaq s listing qualifications department. The delisting notice was issued as a result of our common stock s noncompliance with Nasdaq s $1 minimum bid price requirements for continued listing. The delisting of our common stock has been stayed pending an oral hearing in front of a Nasdaq listing qualifications panel on November 17, 2005. To enable the common stock to regain compliance and avoid delisting, we implemented a one-for-four reverse stock split effective on November 4, 2005. As a result of the reverse stock split, we currently expect that our common stock will be able to regain compliance with Nasdaq s listing requirements and avoid delisting, however, there can be no assurance that the Nasdaq listing qualifications panel will grant our common stock continued listing after November 17, 2005.

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.

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 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 $1.5 million to 3.0 million in any subsequent dissolution or wind down of the corporation.

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 should 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 risks 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 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 future payments by us to AEA in an aggregate amount not exceeding $320,000 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 these liabilities, we believe that the aggregate amount of this net economic benefit to us will be approximately $1.5 million to $3.0 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.

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 be 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 December 31, 2005, 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.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF 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 be 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 liquidation and plan of dissolution 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, which may take several years, we would have cash and financial instruments remaining of approximately $11.1 million if the asset sale transaction is completed and approximately $9.4 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 liquidation of our assets and the dissolution of our corporation;

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 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 Financial Information, 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 (estimated for this purposes as occurring on December 22, 2005), 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, particularly if the closing does not occur when 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 $11.1 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 $9.4 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.

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	$ 13,247	$ (2,105)	(1)	$ 11,142
Short-term investments	375	(375)	(2)	
Restricted cash	1,404	(1,404)	(3)	
Prepaid and other current assets	370	(370)	(4)	
Total current assets	15,396	(4,254)		11,142
Long term note receivable	3,089	(3,089)	(5)	
Total Assets	**$ 18,485**	**$ (7,343)**		**$ 11,142**
Accounts payable	$ 446	$ (446)	(6)	$
Accrued expenses	1,800	(1,800)	(7)	
Total current liabilities	2,246	(2,246)		
Long term liabilities				
Total Liabilities	2,246	(2,246)		
Shareholders equity (deficit):				
Common stock	41			$ 41
Additional paid-in capital	187,971			187,971
Other comprehensive income	708			708
Retained earnings (deficit)	(172,309)	(5,097)		(177,406)
Treasury stock	(172)			(172)
Total Equity	16,239	(5,097)		11,142
Total Liabilities & Equity	**$ 18,485**	**$ (7,343)**		**$ 11,142**

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)
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
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 December 22, 2005, the estimated date of the closing of the asset sale transaction.	(1,398)
Represents Novoste s estimated liability for transaction expenses, including but not limited to counsel and financial advisory fees, from October 1, 2005 through December 22, 2005, the estimated date of the closing of the asset sale transaction.	(850)
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 December 22, 2005, the estimated date of the closing of the asset sale transaction.	(182)
Novoste s minimum payment obligation to AEA through December 22, 2005, the estimated date of the closing of the asset sale transaction. The obligation after the closing will be assumed by Best Vascular pursuant to the amended and restated asset purchase agreement.	(478)
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.	(290)
Represents an estimate of dissolution and liquidation costs.	(1,450)
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.	954
Total net outflow of cash and cash equivalents	(2,105)

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 $450,000 for Novoste s severance and retention incentive payment obligations to be paid from the Trusts after September 30, 2005. The amount remaining, estimated at $954,000, will revert to unrestricted cash when the Trusts terminate on July 15, 2006.

Note 4 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 5 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 6 Accounts payable

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

Note 7 Accrued expenses

These liabilities will be paid as they become due.

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	$ (3,154)	(1)	$ 9,411
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	(8,760)		9,411
Property and equipment, net	113	(113)	(6)	
Long term note receivable	3,089	(3,089)	(8)	
Total Assets	**$ 21,373**	**$ (11,962)**		**$ 9,411**
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)	(6,646)		(179,137)
Treasury stock	(172)			(172)
Total Equity	16,057	(6,646)		9,411
Total Liabilities & Equity	**$ 21,373**	**$ (11,962)**		**$ 9,411**

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.	(1,964)
Represents Novoste s estimated liability for transaction expenses, including but not limited to counsel and financial advisory fees, from October 1, 2005 through December 22, 2005, the date of the special meeting.	(850)
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 December 22, 2005, the date of the special meeting.	(290)
Contingency for litigation and settlement of Calmedica lawsuit.	(350)
Represents an estimate of dissolution and liquidation costs.	(1,450)
Payment to Best Vascular if Novoste s shareholders do not approve asset sale transaction and amended and restated asset purchase agreement is terminated.	(200)
Transfer from remaining restricted cash when the Trusts expire on July 15, 2006.	954
Total net outflow of cash and cash equivalents	(3,154)

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 over the passage of time in accordance with the terms of the service contacts. This recognition will result in reported income, but will not generate any cash.

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 believes that no reasonable business alternatives currently exist for Novoste. 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.

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 liquidation or dissolution 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.

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 proxy. Following our dissolution, shareholders will be sent additional instructions for receiving distributions.

Liquidating Trust

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 liquidation. 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 liquidation.

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 liquidation. 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 Internal Revenue Code of 1986, as amended, or 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.

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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.

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 TO THREE PERSONS

(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. To enable the board to reduce the size of the board in the future and preserve maximum flexibility, we are proposing this amendment. The board believes that this amendment 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.

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.

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.

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.

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

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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, the Company believes 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.

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 System with a rapid exchange catheter. We also have several additional United States applications pending covering aspects of our Beta-Cath System. With respect to the above identified United States patents and our other pending United States patent applications, we have filed counterpart applications in Europe and certain other regions or countries.

Like other firms that engage in the development of medical devices, we must address issues and risks relating to patents and trade secrets. United States patent nos. 5,683,345; 5,899,882; 6,013,020; 6,261,219 and 6,306,074 may not offer any protection to us because competitors may be able to design functionally equivalent

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devices that do not infringe these patents. Any of the patents may also be reexamined, invalidated or circumvented. In addition, claims under our other pending applications may not be allowed, or if allowed, may not offer any protection or may be reexamined, invalidated or circumvented. In addition, competitors may have or may obtain patents that will prevent, limit or interfere with our ability to make, use or sell our products in either the United States or international markets.

On June 9, 2003, Calmedica, LLC, a California limited liability corporation, filed suit against us and one of our customers, Rush-Presbyterian St. Luke s Medical Center in the United States District Court for the Northern District of Illinois, Eastern Division, alleging that we and Rush infringe certain patents owned by Calmedica and that we induce infringement of the method claims of the patents-in-suit by our customers, such as Rush.

We retained counsel and initiated a vigorous defense of the Calmedica suit. In response to our initial motions, the court in Illinois severed the claims against us and Rush, stayed the proceedings against Rush and transferred the case against us to the U.S. District Court for the Northern District of Georgia.

We have been aware of the patents owned by Calmedica, which are the subject of this litigation, since early in the development of the Beta-Cath System. The patents were reviewed by both in-house employees and outside counsel and we believe that our products do not infringe the Calmedica patents. While our counsel and we believe that Calmedica is not likely to be successful on the merits, defense of the cases may require the expenditure of significant time and resources.

The medical device industry has been characterized by extensive litigation regarding patents and other intellectual property rights. Companies in the medical device industry have employed intellectual property litigation to gain a competitive advantage. There can be no assurance that we will not become subject to other patent-infringement claims or litigation or interference proceedings declared by the United States Patent and Trademark Office to determine the priority of inventions. The defense and prosecution of intellectual property suits, or interference proceedings and related legal and administrative proceedings are both costly and time-consuming. Litigation may be necessary to enforce our patents, to protect our trade secrets or know-how or to determine the enforceability, scope and validity of the proprietary rights of others. Litigation or interference proceedings result in substantial expense to us and significant diversion of effort by our personnel. An adverse determination in litigation or interference proceedings to which we may become a party could subject us to significant liabilities to third parties.

We have developed certain of our patents and proprietary rights relating to the Beta-Cath System in conjunction with Emory University Hospital, a leader in the research of intravascular radiation therapy. To obtain the exclusive rights to commercialize the Beta-Cath System for the treatment of restenosis, we entered into a license agreement with Emory. Under this agreement, Emory assigned to us all of Emory s rights to one United States patent application and exclusively licensed to us its rights under another United States application and related technology. Emory made no representation or warranty with respect to its ownership of the assigned patent application, and made only limited representations as to its ownership of the licensed patent application and related technology. Under the agreement Emory is entitled to royalty payments based upon net sales of the Beta-Cath System. The term of the agreement runs through the later of the date the last patent covered by the agreement expires or January 2016, unless earlier terminated as provided in the agreement. Any inventions developed jointly by our personnel and Emory during the term of the license agreement are owned jointly by Emory and us. If Emory terminates the agreement as a result of our failure to pay royalties or any other breach of our obligations under the agreement, our rights to use jointly owned patents, including the United States patent no. 5,899,882, would become non-exclusive and we would have no rights to use future patents owned exclusively by Emory. In addition, if we breach our obligations under the license agreement, we could be required by Emory to cooperate in licensing the pending jointly-owned United States patent application and our foreign counterparts to third parties so that they would be able to commercialize and sell the Beta-Cath System.

All of the physicians on staff at Emory, who were involved in the development of the Beta-Cath System, have assigned their rights in the technology, if any, to Emory and/or us.

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We obtain confidentiality and invention assignment agreements in connection with employment, consulting and advisory relationships. These agreements generally provide that all confidential information developed or made known to the individual by us during the course of the individual s relationship with us will be kept confidential and not disclosed to third parties, except in specific circumstances. There can be no assurance, however, that these agreements will provide meaningful protection or adequate remedies for us in the event of unauthorized use, transfer or disclosure of such information or inventions.

Furthermore, our competitors may independently develop substantially equivalent proprietary information and techniques, or otherwise gain access to our proprietary technology, and we may not be able to meaningfully protect our rights in unpatented proprietary technology.

Government Regulation

United States

Our Beta-Cath System is regulated in the United States as a medical device. The manufacture and sale of medical devices intended for commercial distribution are subject to extensive governmental regulations in the United States. Medical devices are regulated in the United States by the FDA under the Federal Food, Drug, and Cosmetic Act, and generally require pre-market clearance or pre-market approval before commercial distribution. In addition, certain material changes or modifications to medical devices also are subject to FDA review and clearance or approval. The FDA regulates the clinical testing, manufacture, packaging, labeling, storage, distribution and promotion of medical devices. Noncompliance with applicable requirements can result in, among other things, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, failure of the government to grant pre-market clearance or pre-market approval for devices, withdrawal of marketing approvals, recommendation by the FDA that we not be permitted to enter into government contracts, and criminal prosecution. The FDA also has the authority to request repair, replacement or refund of the cost of any device manufactured or distributed. In the United States, medical devices are classified into one of three classes (Class I, II or III) on the basis of the controls deemed necessary by the FDA to reasonably assure their safety and effectiveness. Under FDA regulations, Class I devices are subject to general controls (for example, labeling, pre-market notification and adherence to good manufacturing practices or quality systems regulations) and Class II devices are subject to general and special controls (for example, performance standards, post-market surveillance, patient registries, and FDA guidelines). Class III is the most stringent regulatory category for medical devices. Generally, Class III devices are those that must receive pre-market approval by the FDA after evaluation of their safety and effectiveness (for example, life-sustaining, life-supporting or implantable devices, or new devices that have not been found substantially equivalent to other Class II legally marketed devices). The Beta-Cath System is a Class III device, which required the FDA s pre-market approval before its commercialization, which occurred in November 2000.

Any products we manufacture or distribute pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including record-keeping requirements and reporting of adverse experiences with the use of the device. Device manufacturers are required to register their establishments and list their devices with the FDA and certain state agencies, and are subject to periodic inspections by the FDA and those state agencies. The Food, Drug, and Cosmetic Act requires device manufacturers to comply with good manufacturing practices regulations, called the quality systems regulations, or QSR. The QSR require that medical device manufacturers comply with various quality control requirements pertaining to design controls, purchasing contracts, organization and personnel; device and manufacturing process design; buildings, environmental control, cleaning and sanitation; equipment and calibration of equipment; medical device components; manufacturing specifications and processes; reprocessing of devices; labeling and packaging; in-process and finished device inspection and acceptance; device failure investigations; and record keeping requirements including complaint files. The FDA enforces these requirements through periodic inspections of medical device manufacturing facilities. In addition, a set of regulations known as the medical device reporting, or MDR, regulations obligates manufacturers to inform the FDA whenever information reasonably suggests that

one of its devices may have caused or contributed to a death or serious injury, or when one of its devices malfunctions and, if the malfunction were to recur, the device would be likely to cause or contribute to a death or serious injury.

Labeling and promotional activities are also subject to scrutiny by the FDA. Among other things, labeling violates the law if it is false or misleading in any respect or it fails to contain adequate directions for use. Moreover, any labeling claims that exceed the representations approved by the FDA will violate the Food, Drug and Cosmetic Act.

Our product advertising is also subject to regulation by the Federal Trade Commission under the Federal Trade Commission Act, which prohibits unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce, including the dissemination of any false or misleading advertisement pertaining to medical devices. Under the Federal Trade Commission s substantiation doctrine, an advertiser is required to have a reasonable basis for all product claims at the time claims are first used in advertising or other promotions. What constitutes a reasonable basis may depend on the context of the claim and the level of substantiation expressly or impliedly claimed in the advertising.

Our business involves the import, export, manufacture, distribution, use and storage of Strontium-90 (Strontium/Yttrium), the beta-emitting radioisotope utilized in the Beta-Cath System s radiation source train. Accordingly, manufacture, distribution, use and disposal of the radioactive material used in the Beta-Cath System in the United States is subject to federal, state and/or local rules relating to radioactive material. The State of Georgia Department of Natural Resources (Georgia DNR) issued a sealed source and device registration certificate for our Beta-Cath System on August 4, 2000, allowing it to be listed on the Nuclear Regulatory Commission s Sealed Source and Device Registry. The Georgia DNR authorized us to commercially distribute our radiation sources to licensed recipients in the United States with the issuance of a license allowing the manufacturing and distribution of the Beta-Cath System. In addition, we must comply with NRC, Georgia DNR and United States Department of Transportation regulations on the labeling and packaging requirements for shipment of radiation sources to hospitals or other users of the Beta-Cath System.

Hospitals in the United States are required to have radiation licenses to hold, handle and use radiation. Many of the hospitals and/or physicians in the United States are required to amend their radiation licenses to include Strontium-90 before receiving and using our Beta-Cath System. Depending on the state in which the hospital is located, its license amendment will be processed by the responsible department in states that have agreed to such arrangements, or by the NRC. Obtaining any of the foregoing radiation-related approvals and licenses can be complicated and time consuming.

We are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire-hazard control and disposal of hazardous or potentially hazardous substances. We may be required to incur significant costs to comply with such laws and regulations now or in the future and such laws or regulations could have a material adverse effect on us.

International

We qualified to apply the CE mark to the Beta-Cath System in August 1998, which allows us to sell the device in the 25 countries of the European Union, or EU, and Switzerland. Although the medical devices directive is intended to ensure free movement within the EU of medical devices that bear the CE marking, many countries in the EU have imposed additional requirements, such as labeling in the national language and notification of placing the device on the market. In addition, regulatory authorities in European countries can demand evidence on which conformity assessments for CE-marked devices are based, and in certain circumstances can prohibit the marketing of products that bear the CE marking. Many European countries maintain systems to control the purchase and reimbursement of medical equipment under national health care programs, and the CE marking does not affect these systems.

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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 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 expect that all of our international operations will be discontinued in the near term in connection with either our sale of the VBT business to Best Vascular or the completion of the VBT business wind down.

Product Liability and Insurance

Our business entails the risk of product liability claims. Although we have not experienced any product liability claims to date, such claims could be asserted and we may not have sufficient resources to satisfy any liability resulting from such claims. We currently maintain product liability insurance with coverage of an annual aggregate maximum of $11,000,000. Product liability claims could exceed such insurance coverage limits, such insurance may not continue to be available on commercially reasonable terms, or at all, and a product liability claim could have a material adverse effect on us.

Employees and Consultants

During 2004, we engaged in a restructuring of our management organization and significantly reduced our work force. As of December 31, 2004 we directly employed 98 full-time individuals.

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.

MARKET FOR NOVOSTE S COMMON STOCK

Our common stock has been traded on the Nasdaq National Market (Nasdaq symbol: NOVT) since May 1996. The number of record holders of our common stock on the record date was [ ], excluding beneficial owners of shares that are registered in nominee or street name. We have not paid any cash dividends since our inception.

On November 4, 2005, we effected a one-for-four reverse split of our common stock. Beginning on November 4, 2005, our common stock began trading under the symbol NOVTD for 20 consecutive trading days to designate that it was trading on a post-reverse split basis.

The following table sets forth the range of high and low closing sale prices for our common stock for each quarterly period listed below (all such prices have been adjusted to reflect the one-for-four reverse stock split that occurred on November 4, 2005 as if such reverse stock split had taken effect prior to each of the periods listed below):

Quarter Ended	High	Low
Year Ended December 31, 2003		
March 31, 2003	$ 36.32	$ 27.32
June 30, 2003	$ 36.08	$ 24.04
September 30, 2003	$ 22.48	$ 16.12
December 31, 2003	$ 21.56	$ 17.20
Year Ended December 31, 2004		
March 31, 2004	$ 22.80	$ 12.44
June 30, 2004	$ 13.88	$ 9.92
September 30, 2004	$ 11.72	$ 6.20
December 31, 2004	$ 7.04	$ 5.16
Year Ended December 31, 2005		
March 31, 2005	$ 6.44	$ 3.40
June 30, 2005	$ 3.92	$ 3.28
September 30, 2005	$ 3.92	$ 2.44
December 31, 2005 (through November , 2005)	$ [2.82]	$ [1.84]

On November , 2005, the last reported sale price for our common stock was $[ ].

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, at that time.

In addition, on October 19, 2005, we received a delisting notice from Nasdaq s listing qualifications department. The delisting notice was issued as a result of our common stock s noncompliance with Nasdaq s $1 minimum bid price requirements for continued listing. The delisting of our common stock has been stayed pending an oral hearing in front of a Nasdaq listing qualifications panel on November 17, 2005. To enable the common stock to regain compliance and avoid delisting, we implemented a one-for-four reverse stock split effective on November 4, 2005. As a

result of the reverse stock split, we currently expect that our common stock will be able to regain compliance with Nasdaq s listing requirements and avoid delisting, however, there can be no assurance that the Nasdaq listing qualifications panel will grant our common stock continued listing after November 17, 2005.

SELECTED 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 ending 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 of Novoste and with Management s Discussion and Analysis of Financial Condition and Results of Operations 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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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Novoste commenced operations as a medical device company in May 1992. Since 1994, we have devoted substantially all of our efforts to developing the Beta-Cath System. We commenced the active marketing of the Beta-Cath System in Europe in January 1999 for use in patients suffering from in-stent restenosis, a condition in which coronary stents become clogged with new tissue growth. On November 3, 2000, we received U.S. marketing approval for the 30-millimeter Beta-Cath System from the FDA and subsequently shipped the first commercial system on November 27, 2000. The number of commercial sites in the U.S. grew to approximately 400 by 2003, before declining to approximately 250 at December 31, 2004, and to 200 at June 30, 2005.

Since our inception through June 30, 2001 we experienced significant losses in each period due to product development and clinical trial costs and, beginning in 2000, due to the costs of launching the Beta-Cath System in the U.S. Beginning in 2001, losses began to decline as revenue increased and development costs and clinical trials began to decrease. However, we have not been able to maintain consistent profitability as we have experienced competitive pressures from other vascular brachytherapy products and alternative products such as drug-eluting stents. In particular, since the introduction of drug-eluting stents in April 2003, we have seen a wider acceptance of that product in the medical community and a decline in sales of our VBT products.

Fiscal year 2003 was a challenging year as we relaunched a redesigned 3.5F diameter catheter system in January, saw the introduction of drug-eluting stents in April, and saw the curtailment of a clinical trial in July, all of which adversely affected our financial performance. Fiscal year 2004 was equally challenging, as the drug-eluting stents proved to be more effective than anticipated and our revenue declined significantly, $23,268,000 as compared to $62,901,000 for the fiscal year 2003. To address the decline, in March 2004, we announced a reduction in force to take an additional 87 positions out of the work force. On April 22, 2004, we concluded an asset purchase agreement with Guidant Corporation, pursuant to which we acquired information regarding Guidant s vascular brachytherapy business, including the customer list of Guidant for the United States and Canada, as well as a five-year non-compete agreement. As a result, we became the sole provider of coronary brachytherapy products (see Notes 7 and 13 to consolidated financial statements). As noted below, we began an aggressive cost reduction program at the end of the first quarter of 2004 and initiated restructuring of operations in the United States in order to bring expenses in line with lower revenues. During the second quarter of 2004, we consolidated U.S. operations into a single building, with the expectation of significantly lowering fixed costs for facilities. In the third quarter of 2004, we saw the benefit of the Guidant transaction as approximately 80 customers were added or reinstated, billings for servicing transfer devices increased and our net rate of decline in catheter sales slowed. However, we have sustained losses for the past 6 fiscal quarters. We anticipate that we will incur additional losses in future periods and that we will continue to have negative cash flow from operations for the foreseeable future. We also expect that these losses and the negative cash flow will constitute a material use of our cash resources in 2005. At the end of 2004, we concluded that the stream of funds to be generated by the Beta-Cath product line would not be sufficient to cover the carrying value of long-lived assets and recorded an impairment charge of $9,349,000 to reduce these assets to fair value.

As a result, we had a net loss for the year ended December 31, 2004 of $26,921,000, or $1.65 per share, with an accumulated deficit of approximately $162,223,000.

Sales of VBT products continued to decline during the third quarter of 2005. We believe that this trend is the result of the ongoing success of drug-eluting stents, which were introduced in 2003, in treating in-stent restenosis, the market served by Novoste s Beta-Cath System. We also believe that the wind down announced on February 22, 2005 has dampened customer demand for the Company s products due to uncertainty of continued supply.

During the third quarter, Novoste continued the staged wind down of the VBT business, which was announced during the first quarter to preserve the Company s cash resources while potential options were

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evaluated. In addition to the approximately 50 people who left Novoste during the first quarter, approximately 25 more positions were eliminated during the second quarter, and five more during the third quarter. Further reductions in employees and other cost reduction measures are being implemented on a regular basis.

The net loss for the quarter ended September 30, 2005 was $1,132,000 on revenues of $1,386,000. The loss in the third quarter of 2005 includes a charge of $387,000 for employment termination costs and $720,000 for professional services related to the transactions with ONI and Best Vascular. Offsetting these charges is a favorable effect on cost of sales from the elimination of depreciation and amortization expense due to reductions and write-offs of capitalized assets resulting from impairments and other write-downs recorded in 2004. We expect continued losses as the Company s operations wind down and as our revenues continue to decline.

On May 18, 2005, we entered into a definitive merger agreement with ONI. All transaction related expenses that have been incurred through September 30, 2005 have been charged to expense. On September 26, 2005, we terminated the merger agreement with ONI after the Company s shareholders, at a reconvened special meeting of shareholders in lieu of an annual meeting, failed to approve the issuance of shares of our common stock necessary to complete the merger with ONI.

Subsequent to the implementation of the wind down of the VBT business announced in February 2005, we began discussions with Best Vascular and BMI regarding a sale of substantially all of the assets of our VBT business. On August 25, 2005, Novoste entered into an asset purchase agreement to sell substantially all assets related to the VBT business to Best Vascular. On October 12, 2005, we entered into an amended and restated asset purchase agreement with Best Vascular and BMI. Under the amended and restated asset purchase agreement, Best Vascular will acquire substantially all of the assets of our VBT business 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 equivalent 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 amended and restated asset purchase agreement. Completion of this sale is subject to the approval by our shareholders.

CRITICAL ACCOUNTING POLICIES

Novoste s discussion and analysis of its financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our financial statements requires that we adopt and follow certain accounting policies. Certain amounts presented in the financial statements have been determined based upon estimates and assumptions. Although we believe that our estimates and assumptions are reasonable, actual results will differ and could be material.

We have included below a discussion of the critical accounting policies that we believe are affected by our more significant judgments and estimates used in the preparation of our financial statements, how we apply such policies and how results differing from our estimates and assumptions would affect the amounts presented in our financial statements. Other accounting policies also have a significant effect on our financial statements, and some of these policies also require the use of estimates and assumptions.

Revenue Recognition

Revenue from the sale of products is recorded when an arrangement exists, delivery has occurred and services have been rendered, the seller s price is fixed and determinable and collectability is reasonably assured. Novoste earns revenue from sales of catheters and stents, and from service agreements for the use of radiation source trains and transfer devices included in the Beta-Cath System.

Novoste uses distributors in countries where the distributors experience and knowledge of local radiation and medical device regulatory issues is considered beneficial by Novoste s management. Under the distributor arrangements, there are generally no purchase commitments and no provisions for cancellation of purchases. Novoste or the distributor may cancel the distributor agreements at any time. As part of the staged wind down, such agreements have been terminated and as of September 30, 2005 no such distribution agreements remained in force. On August 25, 2005, in connection with the proposed sale of substantially all of the assets of our VBT business to Best Vascular, Novoste entered into a marketing representation agreement with Best Vascular and BMI. See Proposed Sale of VBT Business.

Revenue from sales of catheters directly to hospitals is recognized upon shipment after the hospital has received a Beta-Cath System and completed all licensing and other requirements to use the system. Novoste recognizes revenue from sales of catheters and stents at the time of shipment. Novoste sells its catheters with no right of return except in cases of product defect or shipping errors.

Novoste retains ownership of the radiation source trains and transfer devices and enters into a service agreement with its customers. Revenue recognition begins when an agreement has been executed, the system has been shipped, and all licensing and other requirements to use the system have been completed. The revenue is recognized ratably over the term of the agreement. Under the terms of the agreement signed with customers located in the United States, replacement and servicing of the radiation source train and transfer device is required at six-month intervals or twelve-month intervals, depending on the model of the device. This replacement and servicing cost is included in cost of sales as incurred. No other post-sale obligations exist.

Radiation and Transfer Devices and Amortization of Costs

Novoste has invested significant resources to acquire radiation source trains and transfer devices that make up the Beta-Cath System and offers multiple treatment options using either the standard length or the XL version of the 3.5F catheter, which can accommodate a 30mm, 40mm or 60mm radiation source train.

Novoste retains ownership of the radiation source trains and transfer devices that are used by customers. The costs to acquire, test and assemble these assets are recorded as incurred. Novoste has determined that based upon the manufacturer s data, the estimated economic life for radiation source trains is more than one year, and transfer devices is three years. Accordingly, Novoste classifies these assets as long-term assets. Depreciation of the costs of these assets is included in cost of sales and is recognized over their estimated economic lives using the straight-line method. Depreciation begins at the time the Beta-Cath System is placed into service. Valuation reserves are recorded for the balance of unamortized costs of transfer devices and radiation source trains that are on hand but not available for use by a customer.

During the fourth quarter of 2004, Novoste evaluated the recoverability of the carrying value for radiation devices and other assets to determine if an impairment charge was necessary. Novoste performed this evaluation in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Based on this evaluation, Novoste determined that the radiation devices were impaired with no fair value due to their specialized nature and recorded an impairment charge bringing their net book value to zero. Subsequent to December 31, 2004, no depreciation was recorded.

Asset Impairment

Novoste evaluates the carrying value of long-lived assets in accordance with the provisions of SFAS 144 whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is determined based on the carrying value of an asset exceeding the future undiscounted net cash flow expected to be generated by the asset. If an asset is not recoverable,

impairment is measured by the excess of the carrying value of the asset over the fair value of the asset.

During the fourth quarter of 2004, the Company updated an economic study regarding the value of all long-lived assets supporting the VBT business. The impairment analysis was based on expected future net cash flows to be generated by the assets during their remaining service lives, using undiscounted cash flows. Because the Company only has one product line, all enterprise-wide, long-lived assets were included. The study concluded that the assets were impaired, and the carrying value of all long-lived assets was reduced and expensed in the functions where the assets were used. At December 31, 2004, all of the specialized assets relating to the Beta-Cath product line were considered to have zero fair value due to their specialized nature and lack of alternative uses. Property and equipment that is more versatile in nature was reduced to estimated net realizable value. At September 30, 2005, the carrying value of all long-lived assets is recorded at their estimated net realizable value.

Assets Held for Sale

Following the announcement of a staged wind down, Novoste committed to a plan for the sale of certain assets in accordance with the wind down plan. The plan includes actively identifying and seeking buyers for these assets. In accordance with the provision of SFAS 144, assets held for sale are stated at estimated net realizable value and depreciation on these assets has been suspended (see also Note 6 to the unaudited consolidated financial statements).

Employment Termination Costs

As part of the wind down plan, Novoste has provided financial incentives through stay bonuses and severance payments to employees to remain with the Company to complete the sale of the VBT business and to manage the wind down. Novoste accounts for these termination benefits in accordance with SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities* (see also Note 15 to the unaudited consolidated financial statements).

Stock-Based Compensation

Novoste uses the intrinsic value method for valuing its awards of stock options and restricted stock and recording the related compensation expense, if any, in accordance with APB No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Novoste grants stock options generally for a fixed number of shares to employees, directors, consultants and independent contractors with an exercise price equal to the fair market value of the shares at the date of grant. Compensation expense (expense reduction) is recognized for increases (decreases) in the estimated fair value of common stock for any stock options with variable terms. No compensation expense is recognized for stock option grants to employees for which the terms are fixed and the exercise price is equal to the fair market value of the shares at the date of the grant.

Novoste accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123, *Accounting for Stock-Based Compensation,* and as amended by SFAS 148, *Accounting for Stock-Based Compensation Transition and Disclosure*, and Emerging Issues Task Force Issue No. 96-18, *Accounting for Equity Instruments that Are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*.

Any compensation expense related to grants that do not vest immediately is amortized over the vesting period of the stock options using the straight-line method as that method most closely approximates the way in which the option holder vests in those options.

Allowance for Doubtful Accounts

Novoste maintains allowances for doubtful accounts for the estimated losses resulting from the inability of our customers to make required payments. Most of the Company s customers are hospitals located in the U.S.;

however, some are distributors of our products in foreign countries or hospitals located in Europe. The amount recorded in the allowances is based primarily on management s evaluation of the financial condition of the customers. If the financial condition of any of the customers deteriorates, additional allowances may be required. Actual losses from uncollectible accounts are charged against the allowance when it is determined that the account cannot be collected.

Inventories

Inventories are stated at the lower of cost or market value on a first-in, first-out (FIFO) basis. Provisions are recorded for excess or obsolete inventory equal to the cost of the inventory. Shelf-life expiration or replacement products in the marketplace may cause product obsolescence. If actual product demand and market conditions were less favorable than those projected by management, additional provisions might be required which would negatively impact operating profits. Novoste evaluates the adequacy of these provisions quarterly.

RESULTS OF OPERATIONS

Comparison of Quarters Ended September 30, 2005 and 2004

Net Sales and Gross Margin

Net sales and gross margin consisted of the following (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	Increase (decrease)	2005	2004	Increase (decrease)
Net sales:						
United States	$ 1,199	$ 5,163	(76.8)%	$ 5,317	$ 15,953	(66.7)%
Rest of World	187	789	(76.3)%	1,781	2,777	(35.9)%
Total net sales	1,386	5,952	(76.7)%	7,098	18,730	(62.1)%
Cost of sales	475	4,350	(89.1)%	5,489	11,842	(53.6)%
Impairment charge		938	(100.0)%		938	(100.0)%
Gross margin	$ 911	$ 664	37.2%	$ 1,609	$ 5,950	(73.0)%

Net sales decreased by $4,566,000 or 77% in the third quarter of 2005 and by $11,632,000 or 62% in the first nine months of 2005 from the same periods in the prior year. We believe that this decrease is due to the continuing effectiveness of drug-coated stents in reducing in-stent restenosis, which has decreased the demand for Novoste s products, and due to our announced wind down. The completion of the Guidant transaction in the second quarter of 2004 had a continuing positive effect on the third quarter of 2005. Revenue recognition from service contracts for radiation devices increased to $678,000 from $599,000, a 13% increase above the third quarter of 2004 due to the conversion to the Novoste Beta-Cath System of former Guidant customers, and existing customers who paid for service contracts. The first nine-month period of 2005 also experienced an increase of $1,920,000 from $1,065,000, a 180% jump in radiation revenue compared to the same period of the prior

year. However, the effect of the wind down, begun in the first quarter, is reflected in lower radiation revenues for the third quarter, with radiation revenue only 65% of second quarter levels, declining to $678,000 from $1,046,000 in the second quarter.

Catheter revenue for the third quarter ended September 30, 2005 declined to $708,000 from $5,282,000, an 87% drop from the same period in the prior year as the volume of VBT procedures declined due to the success of drug-coated stents. The sale of our bare metal stent product line in Europe as a vehicle to stimulate VBT revenues has been disappointing, and the agreement to distribute stents was terminated in March 2005. As a result, no sales of stents occurred during the third quarter, compared to sales of $69,000 for the third quarter of 2004. Likewise, revenues from stents were only $37,000, compared to $312,000 for the nine months ended September 30, 2005 and 2004, respectively. As part of the wind down plan, Novoste began orderly liquidation of

its European subsidiaries during the second quarter of 2005. This is a significant reason why sales in Rest of World declined 76% compared to the same quarter last year and declined 63% compared to the quarter ended June 30, 2005. We expect revenue from all sources to decline as the wind down continues.

In the quarter ended September 30, 2005, cost of sales decreased approximately 89% from the same period of the prior year due to the significant reduction in revenues and the corresponding reduction of costs variable to sales. In addition, many of the fixed costs present in 2004 have been eliminated. During the fourth quarter of 2004, Novoste recorded an impairment charge, which reduced all long-lived assets to net realizable value (see Note 14 to the unaudited consolidated financial statements). This action has a favorable effect on cost of sales, eliminating approximately $1,375,000 of depreciation and amortization cost per quarter. For the nine months ended September 30, 2005, cost of sales declined only 54% due to higher expense for inventory reserves for product and service parts not needed during the wind down, of approximately $330,000, and the recording of the minimum purchase obligation payments to AEA of approximately $1,265,000.

Adjusted for the impairment charge of $938,000 in the three months ended September 30, 2004, the 43% decline in gross margin for the third quarter of 2005 was a result of the revenue decline coupled with the elimination of depreciation and amortization associated with long-lived assets, which are now fully expensed as a result of the impairment charges, and the cost reductions associated with the wind down plan being implemented. Similarly, adjusted for the impairment charge of $938,000 in the nine months ended September 30, 2004, the 77% decline in gross margin for the nine month period ended September 30, 2005 was the result of lower revenues and the elimination of the fixed costs for depreciation and amortization; however, these reductions were offset by higher than normal inventory reserves and minimum purchase commitments relating to the decision to wind down the VBT business.

Operating Expenses

Operating expenses consisted of the following (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	Increase (decrease)	2005	2004	Increase (decrease)
Operating expenses:						
Research and development	$ 67	$ 820	(91.8)%	$ 604	$ 4,103	(85.3)%
Sales and marketing	153	3,050	(95.0)%	3,799	9,758	(61.1)%
General and administrative	2,192	2,234	(1.9)%	8,167	6,107	33.7%
Total operating expenses	$ 2,412	$ 6,104	(60.5)%	$ 12,570	$ 19,968	(37.0)%

Novoste continues to balance staffing needs with the business volume generated by the VBT business and to support the completion of a strategic solution, such as the terminated ONI transaction, and now the sale of the VBT business to Best Vascular, plus other activities associated with the Company s financial reporting obligations. At the end of the first quarter of 2004, Novoste implemented a reduction in force, eliminating 84 positions across all functions. This reduction lowered annual operating costs by approximately $6,000,000. As part of this plan, through the second quarter of 2004, approximately 77 of the individuals left Novoste, with the remaining individuals leaving during the third quarter. The decline in revenue has continued, necessitating further reductions. As part of the wind down plan which was announced in February 2005, approximately 50 positions were eliminated in the first quarter of 2005, 25 positions were eliminated during the second quarter, and 5 more positions were eliminated during the third quarter of 2005. Employment termination costs of $387,000 and $4,428,000 were recorded for the third quarter and the nine months ended September 30, 2005, respectively. Of these expenses, $121,000 and $720,000 for the third quarter and the nine months ended September 30, 2005, respectively, related to manufacturing personnel that are included with cost of sales, with the balance included in operating expenses.

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The 92% decrease in research and development expenses for the third quarter and the 85% decrease for the first nine months of 2005, compared to the same period of the prior year, is in the area of clinical trials and product development. All clinical trials and product development activity have been discontinued except for the required post approval monitoring. The internal product development staff were released with the reduction in force in March 2004, and development efforts using outside firms have been discontinued. We expect costs in this area to decline as the monitoring of closed clinical trials is completed.

The 95% and 61% decrease in sales and marketing expense for the third quarter and nine months ended September 30, 2005, respectively, compared to the same period of the prior year, is due to reduced sales and marketing personnel, and to significantly lower variable expenses related to lower revenues. In the quarter ended September 30, 2005, the decrease of 95% was offset by $135,000 in marketing related payments to Best Vascular (see Note 20 to the unaudited consolidated financial statements). All sales and marketing positions in the U.S. were eliminated in February 2005, and all field personnel in Europe were eliminated by June 2005.

The 2% decline in general and administrative expenses in the third quarter of 2005 compared to the third quarter of 2004 is due to lower personnel costs offset by higher professional fees. The 34% increase during the first nine months of 2005, compared to the same period of the prior year, for general and administrative expenses, is due to employment termination costs (see Note 15 to the unaudited consolidated financial statements), professional fees associated with the ONI transaction, and the expenses related to the potential sale of the VBT business to Best Vascular.

Other Income and Expenses

Other income for the third quarter of 2005 was $369,000 compared to $167,000 for the same period in the prior year. Income for the first nine months of 2005 was $694,000 compared to $360,000 for the same period in the prior year. The net increase arose primarily from a higher interest rate environment and the sale of various assets.

Net Loss

Net loss consisted of the following (in thousands, except per share amounts):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	Increase (decrease)	2005	2004	Increase (decrease)
Net loss	$ (1,132)	$ (5,273)	$ 4,141	$ (10,267)	$ (13,658)	$ 3,391
Net loss per share Basic and Diluted	$ (0.28)	$ (1.29)	$ 1.01	$ (2.51)	$ (3.35)	$ 0.84
Weighted average shares outstanding Basic and Diluted	4,084	4,084		4,084	4,083	

The reduction in net loss for the quarter ended September 30, 2005 resulted from the elimination of depreciation and amortization expense along with the lower overhead cost structure resulting from the cost reduction initiatives implemented in earlier periods, and that are ongoing. During execution of the wind down plan, we expect to continue to incur net losses. The decline in net loss of $0.84 per share for the nine months ended September 30, 2005, compared to the same period of 2004, was the net result of the above mentioned cost reductions in the third quarter of 2005 offset by significantly lower revenues, the accrual of the remaining minimum purchase commitments due to AEA, impact of employment

termination costs and other expenses related to the evaluation of strategic alternatives and the wind down of operations.

Comparison of Years Ended December 31, 2004 and 2003

Net Sales and Gross Margin

Net sales, cost of sales, and gross margin are comprised of the following (in thousands):

	Year Ended December 31		
	2004	2003	Increase (decrease)
Net sales:			
United States	$ 19,391	$ 57,915	(66.5%)
Rest of world	3,877	4,986	(22.2%)
Total net sales	23,268	62,901	(63.0%)
Cost of sales	16,111	24,315	(33.7%)
Impairment charge	7,630		
Gross margin	$ (473)	$ 38,586	(101.2%)

Both the U.S. and international VBT markets were negatively affected by the introduction of drug-eluting stents. The international market, however, did not decline as much because drug-eluting stents are not as predominant in PTCA procedures outside the United States.

Net sales decreased 63% to $23,268,000 for the year ended December 31, 2004, from $62,901,000 for the year ended December 31, 2003. Catheter unit volume in the U.S. declined 70% as drug-eluting stents have proven to be very effective in reducing in-stent restenosis. However, unit volume decline outside the U.S. was limited to 33% for the reasons mentioned above. The volume decline in the U.S. was somewhat offset by a 112% increase in revenue from service and lease agreements for radiation devices which was facilitated by the transaction with Guidant in April 2004 that made us the sole source of VBT technology and provided a stronger marketing position from which to bill for these services. By comparison, our 2003 revenues also included $2,150,000 of revenue recognition when 3.5F catheters were exchanged for 5.0F catheters. (For discussion of the recall of our 3.5F catheters, see Note 1 to our consolidated financial statements.) We expect that VBT usage and, correspondingly, sales of our VBT products will continue to decline in 2005, resulting in a future reduction in our revenues.

Stent revenue declined in Europe due to the presence of heavy competition from larger companies and with the introduction of DES.

Cost of sales for 2004 declined due to much lower unit volume and lower radiation device amortization as the 5.0F and many 3.5F radiation devices completed their amortizable life. Cost of sales does not decrease proportionally to sales due to higher fixed costs associated with excessive production and service capacity. In addition, $190,000 was recorded in 2004 related to royalty payments to Guidant in connection with purchase of their customer list, and $695,000 in stand-by fees were paid to our supplier of radiation source trains (AEA) for maintaining their production facility in the absence of demand from the Company. Cost of sales also increased $7,630,000 as a result of the impairment (and related write-down in the carrying value) of the long-lived assets related to the production process.

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Operating Expenses

Operating expenses are comprised of the following (in thousands):

	Year Ended December 31		
	2004	2003	Increase (decrease)
Operating expenses:			
Research and development	$ 4,633	$ 11,986	(61.3%)
Sales and marketing	12,558	19,485	(35.6%)
General and administrative	8,036	8,237	(2.4%)
Restructuring and impairment charge	1,719		
Total operating expenses	$ 26,946	$ 39,708	(32.1%)

Research and Development Expenses. The 61% decline in research and development costs is due to reduced activity in product development and clinical trials. Clinical expenses declined by more than $4,018,000 due to the cessation of clinical trials and reduction of personnel. The product development department costs declined by $3,400,000 as in-house development was suspended and the technical staff reduced, being replaced by a modest outsourced development effort.

Sales and Marketing Expenses. Costs have declined mainly due to lower revenues and the variable costs associated with revenue and staffing levels, such as commissions, travel, marketing incentives and trade show participation. Costs for the U.S. sales force declined $6,300,000 as field sales personnel was reduced from 57 to 19. Other factors include fewer trade show activities and less travel than in 2003, when the 3.5F catheter system was relaunched, and a smaller in-house sales and marketing group supporting a reduced field personnel.

General and Administrative Expenses. The 2.4% net decline in 2004 was attributed to cost reduction initiatives including lower headcount and reduced legal fees associated with patent filings, offset by the compliance costs of Sarbanes-Oxley Section 404, investment banking fees, and retention payments for key employees.

Impairment Charge. This charge primarily relates to the unamortized portion of the customer list purchased from Guidant in April 2004. The list is part of the enterprise-wide group of long-lived assets, which are impaired due to insufficient discounted projected cash flow to recover their carrying value (see Note 15 to consolidated financial statements).

Other Income

Other income is as follows (in thousands):

	Year Ended December 31		
	2004	2003	Increase (decrease)
Total other income	$ 498	$ 254	96.1%

The increase is primarily attributable to the increase in interest income as a result of higher interest rates compared to 2003, a shift to longer maturity investments which enjoy a higher interest rate, and to proceeds from the sale of assets which occurred when the company consolidated U.S. operations into a single building.

Net Loss

Net loss and per share results are as follows (in thousands, except per share):

	Year Ended December 31		
	2004	2003	Increase (decrease)
Net loss	$ (26,921)	$ (868)	$ (26,053)
Net loss per share basic and diluted	$ (1.65)	$ (0.05)	$ (1.60)

The increase in net loss is due to the rapid decline in revenues and the Company s inability to reduce costs proportionally. In addition, $9,349,000, or approximately 36% of the total, is the result of the impairment charge that reduced the carrying value of long-lived assets to fair value.

Comparison of Years Ended December 31, 2003 and 2002

Net Sales and Gross Margin

Net sales, cost of sales, and gross margin are comprised of the following (in thousands):

	Year Ended December 31		
	2003	2002	Increase (decrease)
Net sales:			
United States	$ 57,915	$ 64,746	(10.6%)
Rest of world	4,986	4,284	16.4%
Total net sales	62,901	69,030	(8.9%)
Cost of sales	24,315	27,313	(11.0%)
Impairment charge		6,900	(100.0%)
Gross margin	$ 38,586	$ 34,817	10.8%

Net sales declined 8.9% to $62,901,000 for the year ended December 31, 2003, from $69,030,000 for the year ended December 31, 2002. The revenue decline is due to a 12% reduction in the sales of catheters and a 73% reduction in lease revenue for radiation devices. The decline in catheters was the result of lower utilization of VBT in treating coronary patients attributable to the introduction of drug-eluting stents into the U.S. market in April 2003. The decline in lease revenue was attributed to competitive pressure to renew leases at considerably lower costs to the

customer.

Both the U.S. and international markets were affected by the conditions described above. The international market, however, was helped by the sale of stents, a new product licensed for sale beginning in January 2003. The sale of stents contributed $620,000, or 13%, to our international revenues.

Cost of sales for 2003 returned to a level more in line with historical results as compared to 2002, which was unusually high due to the $6,900,000 impairment charge, or 10% of sales. (For a discussion of this impairment charge, see Note 1 to the Novoste s Consolidated Notes to the Financial Statements). Excluding the impairment charge, cost as a percent of sales declined due to lower manufacturing and service costs resulting from reengineering our production function, absence of the cost of replacement catheters associated with the recall of the 3.5F catheters during third quarter of 2002, and lower amortization cost of radiation devices as the older units became fully depreciated. As such, 2003 gross margin on an absolute basis was lower than 2002 (excluding the impairment charge of $6,900,000) due to lower revenues, but higher as a percent of revenue, as a result of the cost reduction actions taken above.

Operating Expenses

Operating expenses are comprised of the following (in thousands):

	Year Ended December 31		
	2003	2002	Increase (decrease)
Operating expenses:			
Research and development	$ 11,986	$ 13,300	(9.9%)
Sale and marketing	19,485	26,875	(27.5%)
General and administrative	8,237	8,335	(1.2%)
Restructuring and impairment charge			
Total operating expenses	$ 39,708	$ 48,510	(18.1%)

Research and Development Expenses. The decline was mainly due to lower engineering and operating costs of $1,800,000 from restructuring of the engineering and product development functions. This decline was offset by an increase of $540,000 for clinical studies on potential new products.

Sales and Marketing Expenses. Costs declined mainly due to lower revenues and the variable costs associated with revenue, such as commissions, travel, marketing incentives and trade show participation. Costs for the U.S. sales force declined $3,954,000. Other factors include fewer trade show activities than in 2002, when the 3.5F catheter system was introduced, and additional marketing costs decline of $1,497,000. The closing of the sales office in Brussels in March 2002 and a reduced number of field personnel lowered expense by $1,274,000 in Europe.

General and Administrative Expenses. The decline of 1.2% was attributed to the completion of a computer systems upgrade project and to ongoing cost reduction efforts in 2003.

Other Income

Other income is as follows (in thousands):

	Year Ended December 31		
	2003	2002	Increase (decrease)
Total other income	$ 254	$ 642	(60.4%)

The decrease in other income is primarily attributable to the decrease in interest income as a result of the low interest rate environment in 2003.

Net loss

Net loss and per share results are as follows (in thousands, except per share):

	Year Ended December 31		
	2003	**2002**	**Increase (decrease)**
Net loss	$ (868)	$ (13,051)	$ 12,183
Net loss per share basic and diluted	$ (0.05)	$ (0.80)	$ 0.75

The loss was moderated due to no repeat of the impairment charge of 2002, the recognition of $2,150,000 in catheter revenue when the 3.5F product exchange was completed, and cost reduction efforts.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows for the Nine Months Ended September 30, 2005

Operating

Net cash provided by (used in) operating activities consisted of the following (in thousands):

	Nine Months Ended September 30,	
	2005	**2004**
Cash flows from operating activities:		
Net loss	$ (10,267)	$ (13,658)
Depreciation and amortization of property, equipment and intangibles		2,311
Amortization of capitalized disposal costs	142	178
Depreciation of radiation and transfer devices		3,041
Impairment charge		938
Other non cash items	56	(145)
Net change in operating assets and liabilities	1,018	2,372
Net cash used in operating activities	$ (9,051)	$ (4,963)

The net loss in the first nine months of 2005 consumed $9,051,000 of cash to fund operating activities. This compares to $4,963,000 of cash used in the same period of 2004. Cash was consumed as a result of significantly lower revenues, the impact of employment termination costs, and other expenses related to the evaluation of strategic alternatives and the wind down of the VBT business. The changes in operating assets and liabilities are consistent with the decline in business volume. Depreciation of property and equipment has been eliminated as all assets are considered to be impaired and held for sale. Included in the change in operating assets for the first nine months of 2005 was $1,407,000 generated from a reduction in receivables, compared to $1,556,000 for the same period of 2004. With revenue declining, receivables are being collected faster than they are replaced by billings. Inventory declined due to the suspension of production in the face of declining demand, and increase of inventory reserves associated with surplus materials. Accrued liabilities increased $821,000 due to significant accruals for the AEA obligation and wind down expenses incurred but not paid, compared to a reduction of $643,000 in the prior year mainly due to settlement of liabilities for clinical trial expenses. Offsetting funds generated were reductions of accounts payables of $995,000 and $765,000 for the nine months ended September 30, 2005, and 2004, respectively. Unearned revenue related to the billing of service agreements (see Note 7 to the unaudited consolidated financial statements) decreased by $1,679,000 in the first nine months of 2005, due to the declining VBT activity, with fewer customers renewing service contracts for extended terms. The increase in unearned revenue in 2004 was due to the agreement with Guidant in April 2004, which spurred a renewal of service contracts that spanned several periods.

Investing

Net cash provided by (used in) investing activities consisted of the following (in thousands):

	Nine Months Ended September 30,	
	2005	**2004**
Cash flows from investing activities:		
Maturity/sale of short-term investments	$ 10,886	$ 7,622
Purchase of short-term investments	(1,283)	(10,214)
Sale (purchase) of property and equipment, net	26	(552)
Purchase of intangibles		(2,500)
Purchase of radiation and transfer devices		(1,254)
Issuance of note receivable	(3,000)	
Net cash provided by (used in) investing activities	$ 6,629	$ (6,898)

Investments have been liquidated to fund losses in operations, professional fees related to the ONI and Best Vascular transactions, and expenses incurred in connection with the wind down. No cash was used to purchase property and equipment in the nine months ended September 30, 2005, as compared to the same period of 2004, when funds were expended to consolidate facilities. Also, no cash was used to purchase radiation source trains and transfer devices compared to the same period in the prior year due to the declining VBT business. This decrease in purchases is due to the existence of radiation source train inventory levels that will be adequate to meet the needs of Novoste for the foreseeable future. As part of the wind down plan, some assets have been sold, generating proceeds of $26,000. On May 18, 2005, Novoste entered into a merger agreement with ONI. In connection with this agreement, Novoste loaned ONI $3,000,000. Principal and interest are payable November 18, 2006 (See Note 19 to the unaudited consolidated financial statements). While the merger was not approved by Novoste shareholders and the merger agreement has been terminated, the loan remains in place until the maturity date of November 18, 2006.

Financing

During the quarters ended September 30, 2005 and 2004, respectively, Novoste had no proceeds from the issuance of its common stock as a result of option exercises. For the nine months ended September 30, 2005, Novoste had no proceeds compared to $15,000 for the same period of 2004 when employees exercised stock options.

In August 2001, Novoste obtained a $10 million revolving line of credit, which was extended by agreement from time to time. On May 27, 2004, Novoste replaced previous borrowing arrangements with a one-year agreement, which provided a $5,000,000 revolving line of credit and the availability of letters of credit. On December 27, 2004, in view of declining business needs, Novoste terminated the borrowing agreement with the financial institution, and no obligations related to the agreement exist at September 30, 2005. At September 30, 2005, Novoste had $75,000 in an outstanding letter of credit, which is secured by a certificate of deposit. The letter of credit expired on October 17, 2005.

Cash Flows for the Year Ended December 31, 2004

During the year ended December 31, 2004, our cash and cash equivalents decreased to $19,082,000 from $33,177,000 at the end of 2003. Of this decrease of $14,095,000, there was $6,300,000 used to fund operating activities, and net cash used in investing activities was $7,876,000.

Operating activities

Net cash (used in) provided by operating activities consisted of the following (in thousands):

	Year Ended December 31		
	2004	**2003**	**2002**
Cash flows from operating activities:			
Net loss	$ (26,921)	$ (868)	$ (13,051)
Depreciation and amortization of property, equipment and intangibles	3,706	3,295	3,125
Depreciation of radiation and transfer devices	4,124	8,606	9,241
Impairment charge	9,349		5,065
Other non cash items	(168)	(265)	758

Accounts receivable	3,502	2,043	9,326
Inventory	1,248	1,521	(85)
Prepaid expenses and other current assets	(290)	508	36
Other assets	742	890	(285)
Accounts payable	(33)	(753)	(2,033)
Accrued expenses	(3,125)	(3,527)	(1,001)
Unearned revenue	1,723	(2,258)	(387)
Net cash provided by (used in) operating activities	$ (6,300)	$ 9,192	$ 10,709

The cash trend in 2004 is consistent with patterns expected of a declining business. Working capital is generating funds as inventory and receivables decline. Non-cash items such as depreciation charges mitigate losses, as capital assets are not replaced.

For the year ended December 31, 2004, a loss due to the decline in revenue could not be offset by the contraction of working capital and non-cash items, and $6,300,000 in cash was used to fund operations. The declines in receivables generated $3,502,000, as collections occurred faster than revenue replaced them. Inventory declined as the reduced business volume eliminated the need for replacing items sold and used in service. The most significant use of working capital is the pay-down of accruals and payables. Depreciation on radiation devices is declining because many of the devices have reached their depreciable life and are not being replaced. Depreciation on property and equipment is also declining because many of the production assets purchased when the company began commercial operations in 1999 and 2000 have reached their depreciable life. For 2004, amortization increased due to the customer list acquired from Guidant in April, which was being amortized over 2 years. In addition, during 2004 the Company recorded an impairment charge of $9,349,000 on long-lived assets including property and equipment, radiation and transfer devices, and other assets (see Note 15 to consolidated financial statements).

The years 2003 and 2002 generated operating cash, as revenues were not declining and there were significant non-cash charges such as depreciation and amortization of radiation and transfer devices acquired in earlier years.

Investing activities

Net cash used by investing activities for the year ended December 31, 2004, was $7,876,000 of which $3,753,000 was shifted to longer term maturities of available-for-sale securities to improve yields; $517,000 was used for purchase of property and equipment, with most of this expenditure related to leasehold improvements incurred with the consolidation of U.S. operations into one location; $2,500,000 was used to purchase the customer list from Guidant; and $1,106,000 was used for the purchase of additional radiation and transfer devices, but at a lower level than 2003, because the number of customer sites declined and transfer device returns from closed sites were adequate to meet service needs.

Financing activities

Our financing activities include the purchase of treasury stock, equity offerings and borrowings and repayments of capital leases. The only financing activity in 2004 was the receipt by us of $15,000 from the exercise of stock options and sales of our common stock to employees under the stock purchase program. Prior year financing activities for the year ended December 31, 2003 provided $476,000 net from the issuance of common stock offset by the purchase of treasury stock and repayment of capital lease obligations.

Liquidity

Novoste s principal source of liquidity at September 30, 2005, consisted of cash, cash equivalents and short-term investments of $16,928,000, compared to $29,060,000 at December 31, 2004. Of this amount, as of September 30, 2005, $75,000 was restricted due to collateralizing a letter of credit which letter of credit subsequently expired on October 17, 2005. In addition, in July 2005, the Company funded the Trusts with $4,050,000 for incentive compensation to officers and other employees related to the wind-down and the change of control anticipated with the ONI transaction. Approximately $3,988,000 remains in the Trusts at September 30, 2005. During the fourth quarter of 2005, except for the restricted cash described above, Novoste expects to allocate resources to implement the VBT wind down plan including funding contractual obligations, and advisory services for accounting and legal matters related to completing the transaction with Best Vascular, ongoing efforts to identify other transactions or liquidate the remaining assets following the sale of the VBT business. We expect that our existing cash reserves

will be sufficient to fund any cash used by operations and to meet our liquidity and spending needs at least through the end of the wind down plan, sometime in 2006.

Our future liquidity and capital requirements will depend upon numerous factors, mainly the risks discussed elsewhere in this proxy statement in the section entitled Risk Factors.

Commitments

At September 30, 2005, Novoste had commitments to purchase $1,915,000 of products and services, primarily arising from contractual obligations related to radiation production stand-by fees and decommissioning of the radiation production facility. Of this amount, $1,603,000 has already been recorded as an accrued expense as of September 30, 2005. The decline in commitments compared to $3,863,000 at September 30, 2004, is consistent with the trend of our contracting business that requires less replacement of inventories and radiation devices and settlement of other obligations, such as our manufacturing and supply agreement with Bebig (as described below).

On October 14, 1999, Novoste signed a development and manufacturing supply agreement with AEA for a source of radioactive supply and for the development of a smaller diameter radiation source. The agreement provided for the construction of a production line that 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 requires that AEA manufacture vascular brachytherapy sources only for Novoste. The agreement contains minimum payment obligations. During the second quarter of 2005, Novoste determined that the remaining contractual payments will not likely result in any economic benefit and accrued as a liability the estimated present value of these payments, or $1,324,000, which was expensed in cost of sales (see Note 14 to the unaudited consolidated financial statements). The liability is being liquidated according to the schedule established at the inception of the current agreement. On March 9, 2005, Novoste provided the required notification to terminate the contract eighteen months prior to expiration of the agreement, in September 2006. At the termination of this agreement, Novoste is obligated for the expense of decommissioning the production facility. These expected costs have been capitalized and are being expensed in cost of sales in accordance with SFAS 143, *Accounting for Asset Retirement Obligations*. 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 agreements. Novoste disagrees with AEA s request for such additional payments and vigorously opposes any assertions of liability.

On June 20, 2001, Novoste amended its manufacturing and supply agreement with Bebig Isotopen-und Medizintechnik GmbH (Bebig), a German corporation, to manufacture and supply Novoste with radioactive sealed Strontium-90 seed trains. During each calendar year of the four-year contract, Novoste guaranteed minimum annual payments to Bebig of varying amounts over the term of the agreement and provided for decommission expense of the production facility. All product purchases are credited against the annual guaranteed payment. The term of this agreement ended on June 19, 2005. At September 30, 2005, all purchase and decommissioning obligations had been satisfied.

On January 31, 1996, Novoste entered into a license agreement with a physician pursuant to which he is entitled to receive a royalty on the net sales of the Beta-Cath System (excluding consideration paid for the radioactive isotope), subject to a maximum aggregate payment of $5,000,000. Royalty fees earned by the physician were $7,000 and $53,000 for the three months ended September 30, 2005 and 2004, respectively and $42,000 and $176,000 for the nine months ended September 30, 2005 and 2004, respectively. Earned royalties are paid within 60 days following the end of the quarter. As of September 30, 2005, an aggregate amount of $2,204,000 has been earned under the license agreement. These amounts are expensed as costs of sales.

On January 30, 1996, Novoste entered into a license agreement whereby Emory University assigned its claim to certain technology to Novoste for royalties based on net sales (as defined in the license agreement) of products derived from such technology, subject to certain minimum royalties. After the first commercial sale of royalty bearing products by Novoste, which occurred in 1998, minimum royalties were due to Emory University in the following amounts: year 2 after the first commercial sale $10,000; year 3 $15,000; year 4 $25,000; and years 5-10, $50,000 per year. The royalty agreement term is consistent with the life of the related patent and

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applies to assignments of the patent technology to a third party. Royalty fees earned by Emory University were $18,000 and $124,000 for the three months ended September 30, 2005 and September 30, 2004, respectively, and $109,000 and $383,000 for the nine months ended September 30, 2005 and 2004, respectively. These costs have been expensed as cost of sales. Earned royalties are paid within 60 days following the end of the quarter.

On April 22, 2004, Novoste signed an asset purchase agreement with Guidant pursuant to which Novoste acquired information regarding Guidant s vascular brachytherapy business, including the customer list of Guidant in the United States and Canada. Novoste paid the sum of $2,500,000 to Guidant at the signing of the transaction and has agreed to pay 5% on its net sales of all vascular brachytherapy products in the U.S. and Canada, up to an additional payment of $4,000,000 (see Note 8 to the unaudited consolidated financial statements). Under this agreement, Guidant has earned $37,000 and $72,000 for the three months ended September 30, 2005 and 2004, respectively, and $187,000 and $85,000 for the nine months ended September 30, 2005 and 2004, respectively. These amounts are expensed as cost of sales. As of September 30, 2005, an aggregate amount of $414,000 has been earned since the execution of the contract. Additionally, Guidant agreed to not compete in the vascular brachytherapy market in the United States and Canada for a period of five years.

As part of the sale of substantially all of the assets of the VBT business, Best Vascular will assume the liabilities associated with all the contracts and licensing agreements described above.

Novoste has made certain commitments to the 20 employees who remain at September 30, 2005 for purposes of managing the wind down of the VBT business and completing the Best Vascular transaction (see Note 15 to the unaudited consolidated financial statements). The commitments are for severance pay, outplacement assistance and retention incentives. These expenses are being accrued over the period of expected employment and at September 30, 2005, such commitments equaled approximately $1,884,000, of which $1,798,000 is accrued in the financial statements as of September 30, 2005.

On July 15, 2005, Novoste deposited $3,409,000 to fund the Executive Trust and $641,000 to fund the Employee Trust. On July 15, 2005, the committee of Novoste s board of directors responsible for administering the Trusts determined that a potential change of control of Novoste had occurred as a result of Novoste entering into the merger agreement with ONI. Under the Trust Agreements, the Trusts became irrevocable automatically upon the occurrence of a change of control or potential change of control of the Company. As a result, the Trusts will not terminate until the date on which participants and their beneficiaries are no longer entitled to benefits pursuant to the terms of the plans and all liabilities have been satisfied or July 15, 2006 if no change of control of Novoste has occurred by such date (see Note 3 to the unaudited consolidated financial statements).

On November 11, 2005, Novoste entered into letter agreements with each of its three executive officers pursuant to which (a) Novoste and each executive officer agreed to a termination date with respect to such officer s employment by the corporation, (b) Novoste agreed to make certain retention incentive payments to the officers in connection with their continued employment by the corporation, and (c) Novoste agreed to make certain other payments to the officers for severance and in consideration of the release by such officers of rights they may have to payments under various employment, termination and retention bonus agreements previously entered into between Novoste and such officers. In addition, on November 11, 2005, Novoste also entered into settlement and release agreements with six officers who previously departed the corporation pursuant to which Novoste agreed to make certain payments to the departed officers in consideration of the release by such officers of rights they may have to payments under various agreements previously entered into between Novoste and such officers. The aggregate payments to be made by Novoste pursuant to the foregoing agreements total approximately $1,717,000 (not including ongoing base salary and benefits through the termination of employment). Subject to the satisfaction of certain contingencies, Novoste estimates that as a result of Novoste entering into the letter agreements with the three current executive officers and settlement and release agreements with the six former officers of the corporation, that the Trusts are over-funded in an amount equal to approximately $1,000,000.

OFF-BALANCE SHEET ARRANGEMENTS

We do not maintain any off-balance sheet financing arrangements apart from the operating leases described above.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued FASB Statement No. 123(R) (revised 2004), *Share Based Payment*. Statement 123(R) addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise s equity instruments or that may be settled by the issuance of such equity instruments. Statement 123(R) requires an entity to recognize the grant-date fair-value of stock options and other equity-based compensation issued to employees in the income statement. The revised Statement generally requires that an entity account for those transactions using the fair-value-based method, and eliminates the intrinsic value method of accounting in APB Opinion No. 25, *Accounting for Stock Issued to Employees*, which was permitted under Statement 123, as originally issued. The revised Statement requires entities to disclose information about the nature of the share-based payment transactions and the effects of those transactions on the financial statements. Statement 123(R) is effective for us after June 15, 2005 (i.e., for our third quarter 2005). All public companies must use either the modified prospective or the modified retrospective transition method. We are currently evaluating the impact of adoption of this pronouncement, which must be adopted by January 1, 2006.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

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 unaudited pro forma consolidated financial statements should be read in conjunction with our historical consolidated financial statements and accompanying notes included elsewhere in this proxy statement.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 30, 2005

(IN THOUSANDS)

	Historical Novoste	Pro Forma Adjustments	Note	Adjusted Historical	VBT Adjustments	Note	Post Asset Sale Transaction Pro Forma Balances
Cash and cash equivalents	$ 12,565	$ 617	(10)	$ 13,182	$ 65	(1)(9)	$ 13,247
Short-term investments	375			375			375
Restricted cash	3,988	(2,104)	(10)	1,884	(480)	(2)	1,404
Accounts receivable, net	415			415	(415)	(1)	
Inventory, net of reserves	40			40	(40)	(3)	
Assets held for sale	418			418	(418)	(4)	
Prepaid and other current asset	370			370			370
Total current assets	18,171	(1,487)		16,684	(1,288)		15,396
Property and equipment, net	113			113	(113)	(4)	
Long term note receivable	3,089			3,089			3,089
Total Assets	**$ 21,373**	**$ (1,487)**		**$ 19,886**	**$ (1,401)**		**$ 18,485**
Accounts payable	$ 446	$		$ 446	$		$ 446
Accrued expenses	4,639	(862)	(11)(12)(13)	3,777	(1,977)	(5)(6)(7)	1,800
Unearned revenue	231			231	(231)	(8)	
Total current liabilities	5,316	(862)		4,454	(2,208)		2,246
Long term liabilities							
Total Liabilities	5,316	(862)		4,454	(2,208)		2,246
Shareholders equity (deficit):							
Common stock	41			41			41
Additional paid-in capital	187,971			187,971			187,971
Other comprehensive income	708			708			708
Retained earnings (deficit)	(172,491)	(625)		(173,116)	807		(172,309)
Treasury stock	(172)			(172)			(172)
Total Equity	16,057	(625)		15,432	807		16,239
Total Liabilities & Equity	**$ 21,373**	**$ (1,487)**		**$ 19,886**	**$ (1,401)**		**$ 18,485**

See accompanying notes to Unaudited Pro Forma Consolidated Financial Data

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF

OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Historical Novoste	Pro Forma Adjustments	Adjusted Historical	VBT Adjustments	Note	Pro Forma Novoste
Net Sales	$ 7,098	$	$ 7,098	$ (7,098)	(5)	$
Cost of Sales	5,489		5,489	(5,489)	(5)	
Gross margin (loss)	1,609		1,609	(1,609)		
Research and development	604		604	(604)	(5)	
Sales and marketing	3,799		3,799	(3,799)	(5)	
General and administrative	8,167		8,167	(7,387)	(5)(6)	780
Total operating expenses	12,570		12,570	(11,790)		780
Loss from operations	(10,961)		(10,961)	10,181		(780)
Interest income	502		502			502
Interest expense						
Other income (expense)	192		192	(192)	(7)	
Total other income	694		694	(192)		502
Net loss	$ (10,267)	$	$ (10,267)	$ 9,989		$ (278)
Number of shares						4,084
Pro forma net loss per share (basic & diluted)						$ (0.07)

See accompanying notes to Unaudited Pro Forma Consolidated Financial Data

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF

OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2004

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Historical Novoste	Pro Forma Adjustments	Adjusted Historical	VBT Adjustments	Note	Pro Forma Novoste
Net Sales	$ 23,268	$	$ 23,268	$ (23,268)	(1)	$
Cost of Sales	16,111		$ 16,111	(16,111)	(1)	
Impairment charges	7,630		$ 7,630	(7,630)	(1)	
Gross Margin (loss)	(473)		$ (473)	473		
Research and development	4,633		$ 4,633	(4,633)	(1)	
Sales and marketing	12,558		$ 12,558	(12,558)	(1)	
General and administrative	8,036		$ 8,036	(6,996)	(1)(2)	1,040
Impairment charges	1,719		$ 1,719	(1,719)	(1)	
Total operating expenses	26,946		$ 26,946	(25,906)		1,040
Loss from operations	(27,419)		$ (27,419)	26,379		(1,040)
Interest income	386		$ 386			386
Interest expense	(3)		$ (3)	3	(4)	
Other income (expense)	115		$ 115	(115)	(3)	
Total other income	498		$ 498	(112)		386
Net loss	$ (26,921)	$	$ (26,921)	$ 26,267		$ (654)
Number of shares						4,084
Pro forma net loss per share (basic & diluted)						$ (0.16)

See accompanying notes to Unaudited Pro Forma Consolidated Financial Data

NOTES TO UNAUDITED PRO FORMA

CONSOLIDATED FINANCIAL DATA

Notes to the Pro Forma Consolidated Balance Sheet as of September 30, 2005

This balance sheet presents the financial position of Novoste as though the transaction with Best Vascular occurred on September 30, 2005, adjusted for the activity related to the transaction as described below.

Note 1 Trade accounts receivables and accounts payables. Best Vascular will assume all receivables and payables related to the VBT business. To the extent that receivables and payables are not equal, a cash settlement for the difference is made.

Note 2 Restricted cash. Estimated payment to be made to certain employees for severance and retention compensation.

Note 3 Inventory. Best Vascular purchases all inventory of finished goods and service parts.

Note 4 Property, plant and equipment. Best Vascular purchases substantially all of the company s assets.

Note 5 AEA plant decommissioning liabilities and radiation disposal costs. Best Vascular will assume the liability for decommissioning the plant and equipment at the AEA facility and disposal of radiation source trains at the end of their useful life. Liabilities for these activities are recorded as $562,000 at September 30, 2005.

Note 6 Minimum payment liability to AEA. Best Vascular will assume all liabilities relating to the purchase commitments with AEA. These are approximately $1,042,000 at September 30, 2005.

Note 7 Royalty liability. Best Vascular will continue to pay royalties under the terms of the existing agreements and will assume all licensing liability as of December 22, 2005, the estimated date of the closing of the asset sale transaction. Liabilities were $62,000 at September 30, 2005.

Note 8 Unearned revenue. Some customers have made advance payments under contracts for the use and service of the Beta-Cath transfer device. Best Vascular is assuming responsibility for maintaining the devices for which advance payments have been made and all other contractual obligations associated with these contracts.

Note 9 Payment for Calmedica lawsuit. In consideration of Best Vascular assuming all potential liability associated with the lawsuit against Novoste, Novoste will make a one-time payment of $350,000 to Best Vascular.

Note 10 Cash and restricted cash. Estimated amount of $617,000 transferred to non-restricted cash from restricted cash following renegotiated employment, termination and retention bonus agreements with current and terminated senior officers. These renegotiated agreements were executed on November 11, 2005. A total payment of $1,337,000 was made under these agreements.

Note 11 Accrue professional fees. This amount is estimated to be $300,000 for costs incurred in connection with the sale of the VBT business to Best Vascular.

Note 12 Provision for costs related to printing the proxy and holding the shareholders meeting. These costs are estimated at $75,000.

Note 13 Provision for obligation to financial advisors. These costs are estimated at $250,000.

Notes to the Pro Forma Consolidated Statement of Operations for the Nine Months Ended September 30, 2005 and Twelve Months Ended December 31, 2004

These statements of operations are presented as though the asset sale transaction had occurred on January 1, 2004, adjusted for activity related to the transaction as described below.

Note 1 Eliminate sales and business activity related to the VBT business. All of the commercial business is assumed by Best Vascular as of January 1, 2004.

Note 2 Eliminate general and administrative expenses related to the VBT business. The remaining costs would include ongoing compliance and regulatory expenses for a public company, such as accounting, audit fees, board of directors fees, D&0 liability insurance, legal fees and SEC compliance costs.

Note 3 Eliminate gain on asset sale. As part of the sale of the VBT business, substantially all activity related to sales of VBT assets would be eliminated.

Note 4 Eliminate interest expense. This nominal amount of interest relates to transactions in Europe that would not be present after the transaction with Best Vascular.

Note 5 Eliminate sales and business activity related to the VBT Business. All of the commercial business is assumed by Best Vascular as of January 1, 2004, and, thus, there would be no VBT business activity during the first nine months of 2005 under this scenario.

Note 6 Eliminate general and administrative expenses related to the VBT business. The remaining costs would include ongoing compliance and regulatory expenses for a public company, such as accounting, audit fees, board of directors fees, D&0 liability insurance, legal fees and SEC compliance costs.

Note 7 Eliminate gain on asset sale. As part of the sale of the VBT business, substantially all activity related to sales of VBT assets would be eliminated.

PRINCIPAL HOLDERS OF NOVOSTE COMMON STOCK

The following table provides information as of the record date with respect to the ownership of shares of our common stock by each person believed by management to be the beneficial owner of more than five percent of the outstanding common stock. The information is based on the most recent Schedule 13D or 13G filed with the SEC on behalf of such persons or other information made available to us, and has been adjusted to give effect to the one-for-four reverse stock split that occurred on November 4, 2005.

	Beneficial Ownership	
Name of Beneficial Owner	**Shares**	**Percentage**
Steel Partners II, L.P. and affiliated entities (1) 590 Madison Avenue, 32nd Floor New York, New York 10022	608,302	14.9%
JANA Partners LLC (2) 536 Pacific Avenue San Francisco, California 94133	331,925	8.1%
Trellus Management Company, LLC (3) 350 Madison Avenue 9th Floor New York, New York 10017	209,608	5.1%
Lloyd I. Miller, III (4) 4550 Gordon Drive Naples, Florida 34102	208,421	5.1%

(1) Information obtained from Schedule 13D/A filed with the SEC by Steel Partners II, L.P. and Steel Partners, L.L.C. on April 15, 2005. The Schedule 13D/A discloses that Steel Partners has sole power to vote or direct the vote of and to dispose of or to direct the disposition of all these shares. As the sole executive officer and managing member of Steel Partners L.L.C., Warren G. Lichtenstein may be deemed to beneficially own all of these shares.

(2) Information obtained from Schedule 13G/A filed with the SEC by JANA Partners LLC on October 27, 2004. The Schedule 13G discloses that JANA Partners has sole power to vote or direct the vote of and to dispose of or to direct the disposition of all these shares.

(3) Information obtained from Schedule 13G/A filed with the SEC by Trellus Company, LLC and Adam Usdan on February 7, 2005. The Schedule 13G/A discloses that Trellus and Mr. Usdan have shared power to vote or direct the vote of and to dispose of or to direct the disposition of all these shares.

(4) Information obtained from Schedule 13G filed with the SEC by Mr. Miller on October 14, 2005. The Schedule 13G indicates that Mr. Miller has (i) sole voting and dispositive power with respect to 144,608 shares as the manager of a limited liability company that is the general partner of a certain limited partnership and as an individual and (ii) shared voting and dispositive power with respect to 63,813 shares as an investment advisor to the trustee of certain family trusts.

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SECURITY OWNERSHIP OF NOVOSTE MANAGEMENT

The following table provides information as of the record date with respect to the beneficial ownership of our common stock by (1) each director, (2) each named executive officer as defined by the regulations of the SEC, and (3) all executive officers and directors as a group. The information in the table gives effect to the one-for-four reverse stock split that occurred on November 4, 2005.

Name	Shares	Options	Total Beneficial Ownership	Percentage (1)
Thomas D. Weldon (2)	[44,693]	[34,750]	[79,443]	[1.9]%
Alfred J. Novak	[ ]	[111,632]	[111,632]	[2.7]%
Charles E. Larsen	[77,791]	[8,750]	[86,541]	[2.1]%
William E. Whitmer	[2,250]	[10,000]	[12,250]	[*]
Stephen I. Shapiro	[1,054]	[8,750]	[9,804]	[*]
J. Stephen Holmes	[ ]	[8,750]	[8,750]	[*]
Judy Lindstrom	[ ]	[8,750]	[8,750]	[*]
Daniel G. Hall	[750]	[29,093]	[29,843]	[*]
Robert N. Wood, Jr. (3)	[255]	[ ]	[255]	[*]
Andrew M. Green (3)	[57]	[ ]	[57]	[*]
Adam G. Lowe (3)	[ ]	[ ]	[ ]	[*]
All executive officers and directors as a group (9) persons	[126,850]	[220,475]	[347,325]	[8.3]%

(*) Less than 1%.

(1) Applicable percentage of ownership as of the record date is based upon [4,083,721] shares of our common stock outstanding. A person is deemed to be the beneficial owner of our common stock that can be acquired within 60 days of the record date upon the exercise of options, and that person s options are assumed to have been exercised (and the underlying shares of our common stock outstanding) in determining such person s percentage ownership. Consequently, the denominator for calculating that percentage may differ for each shareholder.

(2) Includes [625] shares held in trust for the benefit of Mr. Weldon s son, [625] shares held by Mr. Weldon as custodian for his nephew, [9,917] shares held by Mr. Weldon s spouse and [16,893] shares held by The Weldon Foundation, Inc., a Florida not-for-profit corporation in which Mr. Weldon is a director. Mr. Weldon disclaims beneficial ownership of all shares held by The Weldon Foundation, Inc.

(3) This executive officer ceased employment with Novoste between January 1, 2005 and the record date and his beneficial ownership is not reflected in the line entitled All executive officers and directors as a group.

OTHER BUSINESS

We have no other matter that may properly come before the special meeting. However, if any other matter requiring a vote of shareholders should arise, it is the intention of the persons named in the enclosed proxy card to vote the proxy in accordance with their best judgment.

All shareholder proposals to be considered for inclusion in next year s annual meeting proxy statement pursuant to the shareholder proposal rules of the SEC must be submitted in writing to Corporate Secretary, Novoste Corporation, 4350 International Boulevard, Norcross, Georgia 30093 by April 6, 2006. Any such proposal received after that date will be considered untimely and may be excluded from the proxy materials.

In the event that the 2006 annual meeting of shareholders is changed by more than 30 days from the date of this year s special meeting in lieu of an annual meeting, which was convened on September 14, 2005, the deadline for providing us notice under the SEC rules will be a reasonable time before we begin to print and mail our proxy soliciting materials. It is currently expected that the 2006 annual meeting will be held in the spring of 2006.

Our by-laws establish an advance notice procedure with regard to proposals (including director nominations) that shareholders otherwise desire to introduce at the annual meeting without inclusion in our proxy statement for that meeting. Written notice of such shareholder proposals for our next annual meeting must be received by our Corporate Secretary at our principal executive offices not later than June 16, 2006 and must not have been received earlier than May 17, 2006 in order to be considered timely, and must contain specified information concerning the matters proposed to be brought before such meeting and concerning the shareholder proposing such matters. The matters proposed to be brought before the meeting also must be proper matters for shareholder action. In the event that the 2006 annual meeting of shareholders is more than 30 days before or more than 60 days after September 14, 2006 (the first anniversary of our 2005 special meeting in lieu of an annual meeting), written notice of such shareholder proposals must be received by the Corporate Secretary not later than the tenth day following the earlier of (a) the day on which public announcement of the date of the 2006 annual meeting is first made by us or (b) the date notice of the annual meeting was mailed to shareholders.

IMPORTANT NOTICE REGARDING DELIVERY OF SHAREHOLDER DOCUMENTS

In accordance with notices sent to shareholders sharing a single address, we are sending only one proxy statement to that address unless we received contrary instructions from any shareholder at that address. This householding practice reduces our printing and postage costs. Shareholders may request or discontinue householding, or may request a separate copy of the proxy statement as follows:

Record shareholders wishing to discontinue or begin householding, or any record shareholder residing at a householded address wanting to request delivery of a copy of the 2004 Annual Report on Form 10-K or proxy statement, should contact our transfer agent, American Stock Transfer and Trust Company, at 1-877-777-0800 or www.amstock.com, or may write to them at 6201 15th Avenue, Brooklyn, NY 11219.

Shareholders owning their shares through a bank, broker or other holder of record who wish to either discontinue or begin householding should contact their record holder.

Any householded shareholder may request prompt delivery of a copy of the proxy statement by contacting us at 770-810-3149 or may write to our investor relations department, 4350 International Boulevard, Norcross, Georgia 30093.

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ELECTRONIC ACCESS TO ANNUAL MEETING MATERIALS

This proxy statement is available on our website at www.novoste.com. Your consent to access these documents over the Internet can save us postage and printing expense. If you consent, you will receive notice next year when these documents are available with instructions on how to view them and submit voting instructions. If you are a shareholder of record, you may sign up for this service by contacting American Stock Transfer and Trust Company at *www.amstock.com*. If you hold your shares through a bank, broker or other holder of record, you should contact the record holder for information regarding electronic delivery of materials. Your consent to electronic delivery will remain in effect until you revoke it. If you choose electronic delivery, you may incur costs, such as telephone and Internet access charges, for which you will be responsible.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-732-0330 for information on the public reference room. The SEC maintains a website that contains annual, quarterly and current reports, proxy statements and other information that issuers, including us file electronically with the SEC. The SEC s website is located at *www.sec.gov*.

We make available, free of charge through our website at www.novoste.com, our Annual Reports on Form 10-K; Quarterly Reports on Form 10-Q; Current Reports on Form 8-K; and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act, as soon as reasonably practicable after the material is electronically filed with, or furnished to, the SEC. The information on our website is not incorporated by reference into this proxy statement.

Index to Financial Statements

Report of Independent Registered Public Accounting Firm on Financial Statements

The Board of Directors and Shareholders

Novoste Corporation

We have audited the accompanying consolidated balance sheets of Novoste Corporation (and subsidiaries) as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the index at Item 15. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Novoste Corporation (and subsidiaries) at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with U. S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Novoste Corporation s internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2005, expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Atlanta, Georgia

March 14, 2005

Report of Independent Registered Public Accounting Firm

on Internal Control

The Board of Directors and Shareholders

Novoste Corporation

We have audited management s assessment, included in the accompanying Management s Report on Internal Control Over Financial Reporting, that Novoste Corporation maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Novoste Corporation s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that Novoste Corporation maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Novoste Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Novoste Corporation (and subsidiaries) as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2004 and our report dated March 14, 2005, expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Atlanta, Georgia

March 14, 2005

NOVOSTE CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except number of shares data)

	December 31, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,082	$ 33,177
Short-term investments	9,978	6,225
Accounts receivable, net of allowance for doubtful accounts of $125 and $442, respectively	1,928	5,206
Inventory, net	1,206	2,439
Prepaid expenses and other current assets	807	480
Total current assets	33,001	47,527
Property and equipment, net	700	6,997
Radiation and transfer devices, net		6,304
Other assets	1	579
Total assets	$ 33,702	$ 61,407
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,511	$ 1,492
Accrued expenses	3,823	6,483
Unearned revenue	1,914	188
Total current liabilities	7,248	8,163
Shareholders equity:		
Preferred stock, $.01 par value, 5,000,000 shares authorized; no shares issued and outstanding		
Common stock, $.01 par value, 25,000,000 shares authorized; 16,377,634 and 16,371,997 shares issued, respectively	164	164
Additional paid-in capital	187,894	187,880
Accumulated other comprehensive income	826	733
Accumulated deficit	(162,223)	(135,302)
Treasury stock, at cost, 42,929 shares	(172)	(172)
Unearned compensation	(35)	(59)
Total shareholders equity	26,454	53,244
Total liabilities and shareholders equity	$ 33,702	$ 61,407

See accompanying notes.

NOVOSTE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per-share data)

	Year Ended December 31,		
	2004	**2003**	**2002**
Net sales	$ 23,268	$ 62,901	$ 69,030
Cost of sales	16,111	24,315	27,313
Impairment charge	7,630		6,900
Gross margin	(473)	38,586	34,817
Operating expenses:			
Research and development	4,633	11,986	13,300
Sales and marketing	12,558	19,485	26,875
General and administrative	8,036	8,237	8,335
Impairment charge	1,719		
Total operating expenses	26,946	39,708	48,510
Loss from operations	(27,419)	(1,122)	(13,693)
Interest income	386	317	747
Interest expense	(3)	(32)	(105)
Other income (expense)	115	(31)	
Total other income	498	254	642
Net loss	$ (26,921)	$ (868)	$ (13,051)
Net loss per share basic and diluted	$ (1.65)	$ (0.05)	$ (0.80)
Weighted average shares outstanding basic and diluted	16,333	16,313	16,268

See accompanying notes.

NOVOSTE CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(in thousands, except per share amounts)

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive		Treasury Stock			
	Shares	Amount	Capital	Income (Loss)	Accumulated Deficit	Shares	Amount	Unearned Compensation	Total
Balance at January 1, 2002	16,265	$ 163	$ 187,357	$ (408)	$ (121,383)	(6)	$ (24)	$ (977)	$ 64,728
Exercise of stock options at $1.00 to $6.65	61	1	336			26	111		448
Deferred compensation relating to issuance of stock options			365					(365)	
Issuance of stock under Employee Stock Purchase Plan, 25 shares at $4.08 and 21 shares at $3.927	26		104			21	84		188
Amortization of unearned compensation								273	273
Stock repurchase						(159)	(616)		(616)
Compensation expense relating to accelerated vesting of stock options to former officer			197						197
Cancellation of unvested equity awards issued to officers			(546)					546	
Comprehensive loss:									
Unrealized loss				(19)					(19)
Translation Adjustment				617					617
Net loss					(13,051)				(13,051)
Total Comprehensive loss									(12,453)
Balance at December 31, 2002	16,352	$ 164	$ 187,813	$ 190	$ (134,434)	(118)	$ (445)	$ (523)	$ 52,765

See accompanying notes.

NOVOSTE CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (Continued)

(in thousands, except per share amounts)

	Common Stock					Treasury Stock			
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Shares	Amount	Unearned Compensation	Total
Exercise of stock options at $3.20 to $6.65	4	$	$ 292	$	$	101	$ 382	$	$ 674
Issuance of stock under Employee Stock Purchase Plan, 19 shares at $5.0582	18		94						94
Amortization of unearned compensation								138	138
Stock repurchase						(26)	(109)		(109)
Revaluation of Variable Stock Awards			(283)					271	(12)
Compensation expense relating to fair market value of stock options to non employees			49					(19)	30
Cancellation of unvested restricted stock awards	(2)		(85)					74	(11)
Comprehensive loss:									
Unrealized loss				13					13
Translation Adjustment				530					530
Net loss					(868)				(868)
Total Comprehensive loss									(325)
Balance at December 31, 2003	16,372	$ 164	$ 187,880	$ 733	$ (135,302)	(43)	$ (172)	$ (59)	$ 53,244

See accompanying notes.

NOVOSTE CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (Continued)

(in thousands, except per share amounts)

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive Income	Accumulated	Treasury Stock		Unearned	
	Shares	Amount	Capital	(Loss)	Deficit	Shares	Amount	Compensation	Total
Exercise of stock options at $3.70 per share	2	$	$ 7	$	$		$	$	$ 7
Issuance of stock under Employee Stock Purchase Plan, 4 shares at $2.2185	4		8						8
Amortization of unearned compensation								42	42
Revaluation of Variable Stock Awards			(6)					2	(4)
Compensation expense relating to fair market value of stock options to non employees			32					(27)	5
Cancellation of options for services or compensation			(27)					7	(20)
Comprehensive income (loss):									
Unrealized loss				(2)					(2)
Translation Adjustment				95					95
Net loss					(26,921)				(26,921)
Total Comprehensive loss									(26,828)
Balance at December 31, 2004	16,378	$ 164	$ 187,894	$ 826	$ (162,223)	(43)	$ (172)	$ (35)	$ 26,454

See accompanying notes.

NOVOSTE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2004	**2003**	**2002**
Cash flows from operating activities:			
Net loss	$ (26,921)	$ (868)	$ (13,051)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization of property, equipment and intangibles	3,706	3,295	3,125
Stock based compensation expense	23	145	470
Depreciation of radiation and transfer devices	4,124	8,606	9,241
Impairment charge	9,349		5,065
Provision for doubtful accounts	(191)	(410)	288
Changes in assets and liabilities:			
Accounts receivable	3,502	2,043	9,326
Inventory	1,091	1,521	(85)
Prepaid expenses and other current assets	(290)	508	36
Other assets	742	890	(285)
Accounts payable	(33)	(753)	(2,033)
Accrued expenses	(3,125)	(3,527)	(1,001)
Unearned revenue	1,723	(2,258)	(387)
Net cash (used in) provided by operating activities	(6,300)	9,192	10,709
Cash flows from investing activities:			
Maturity/sale of short-term investments	10,715	16,686	35,573
Purchase of short-term investments	(14,468)	(11,264)	(15,536)
Purchase of property and equipment, net	(517)	(723)	(2,730)
Purchase of intangibles	(2,500)		
Purchase of radiation and transfer devices	(1,106)	(3,557)	(12,124)
Net cash (used in) provided by investing activities	(7,876)	1,142	5,183
Cash flows from financing activities:			
Proceeds from issuance of common stock	15	768	636
Purchase of treasury stock		(109)	(616)
Repayment of capital lease obligations		(183)	(270)
Net cash provided by financing activities	15	476	(250)
Effect of exchange rate changes on cash	66	439	408
Net (decrease) increase in cash and cash equivalents	(14,095)	11,249	16,050
Cash and equivalents at beginning of year	33,177	21,928	5,878
Cash and cash equivalents at end of year	$ 19,082	$ 33,177	$ 21,928
Supplemental disclosure of cash flow information:			
Cash paid for interest	$	$ 15	$ 106

See accompanying notes.

NOVOSTE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

Novoste Corporation (Novoste or the Company) was incorporated on January 8, 1987 and commenced operations on May 22, 1992. The Company is a medical device company that is engaged in developing clinically superior and economically beneficial therapeutic solutions for the prevention and treatment of vascular disease. A major activity has been commercializing the Beta-Cath System, an intraluminal beta radiation catheter delivery system designed to reduce restenosis subsequent to percutaneous transluminal coronary angioplasty.

During years prior to 1998 the Company was in the development stage. In 1998 the Company received CE mark approval to sell the Beta-Cath System in Europe and recorded its first sale of commercial product in December 1998. In November 2000, the Company received Food and Drug Administration (FDA) approval to sell the Beta-Cath System in the United States. In 2003, the Company expanded its offering to the coronary market by licensing stents for sale outside the U.S.

The consolidated financial statements include the accounts of Novoste Corporation and its wholly owned subsidiaries incorporated in August 1998 in the Netherlands, in December 1998 in Belgium, in February 1999 in Germany, in January 2000 in France and a dedicated sales corporation incorporated in the state of Florida in July 2002. Significant inter-company transactions and accounts have been eliminated.

On August 19, 2002, the Company initiated a voluntary recall of the Beta-Rail 3.5F Delivery Catheter inventory from its customers. The recall related to the discovery by the Company of a small number of catheter-tip separations in the 3.5F product. An extensive evaluation and improvement program was initiated. A pre-market approval supplement was submitted to the FDA on October 15, 2002, defining the improvements to the product and manufacturing processes and requesting approval for re-launch of the product. The FDA approved the re-launch on January 6, 2003.

The impact of the 3.5F catheter recall has been included in the consolidated financial statements of the Company and is recorded in the corresponding revenue and expense categories as appropriate, based upon the nature of the expense or adjustment. At December 2002, net sales were adjusted by approximately $2,150,000 for 5F catheters that were sold to customers in 2002, which were subsequently exchanged when the new, redesigned 3.5F diameter catheters were relaunched in January 2003. This revenue was recognized during 2003 as these exchanges occurred. Selling expenses of $200,000 relating to this revenue reserve were deferred and were released as revenue was recognized. Cost of goods sold relating to this revenue reserve were deemed immaterial and therefore not deferred.

On February 22, 2005, Novoste announced a staged wind-down of operations (see Note 20). The accompanying financial statements are presented on a going-concern basis through December 31, 2004.

In the opinion of management, all adjustments considered necessary for a fair presentation of Novoste s financial results and condition have been recorded. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOVOSTE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue Recognition

The Company earns revenue from sales of catheters and stents and from license and lease agreements to use the radiation source trains and transfer devices included in the Beta-Cath System. Novoste uses distributors in countries where the distributor s experience and knowledge of local radiation and medical device regulatory issues is considered beneficial by the Company s management. Under the distributor arrangements, there are no purchase commitments and no provisions for cancellation of purchases. Novoste or the distributor may cancel the distributor agreements by mutual negotiation and settlement.

Sales of stents and catheters are final and revenue is recorded at time of shipment. Product is not returnable other than for shipping errors or warranty claims and these estimated amounts are reserved for, based on historical experience. In connection with the recall of 3.5F catheters in late 2002 and subsequent relaunch in early 2003 the Company offered to exchange defective 3.5F catheters for 5.0F catheters until the redesigned 3.5F catheters were available, and agreed to take back any unused 5.0F catheters for redesigned 3.5F catheters upon relaunch of the new 3.5F catheters. At December 31, 2002, the Company recorded a reserve of $2,150,000 for anticipated exchanges related to the 3.5F product, which was recorded as a reduction to net sales and was included in unearned revenue. This revenue was recognized during 2003 as these exchanges occurred. Selling expenses of $200,000 relating to this revenue reserve were deferred, and were released as revenue was recognized in 2003. The cost of goods sold relating to this revenue reserve were deemed immaterial and therefore not deferred.

The Company retains ownership of the radiation source trains and transfer devices and enters into either a lease or license agreement with its customers. Revenue recognition begins after an agreement has been executed, the system has been shipped, and all licensing and other requirements to use the system have been completed. The terms of the operating lease signed with customers located in the United States requires, as dictated by FDA regulatory approval, replacement and servicing of the radiation source train and transfer device at regular intervals. No other post-sale obligations exist.

During 1999 and through the second quarter of 2000, all payments under license agreements were payable at the inception of the agreement. These agreements were accounted for as sales-type leases and, accordingly, revenue and the related costs of sales were recognized upon shipment. Beginning in the third quarter of 2000, after the Company determined the estimated useful life of the system exceeded one year, license and lease agreements were determined to be operating leases and, accordingly, revenue has been recorded over the term of the related agreements and costs are recorded over their estimated useful life.

Beginning in the fourth quarter of 2000 and in subsequent years, payments under license and lease arrangements are either due in full at the inception of the agreement or over the term of the agreement as catheters are purchased. Revenue for these arrangements has been recorded at the lower of revenue earned, based on actual catheters purchased, or on a straight-line basis over the term of the related agreements, if collection is considered probable. Costs are recorded over the estimated useful life of the radiation source train and transfer device.

During 2004, 2003, and 2002, approximately $2,133,000, $1,239,000, and $4,547,000 respectively, of net sales related to the lease of radiation transfer devices were recorded.

Accounts Receivable

Accounts receivable at December 31, 2004 and 2003 include receivables due from product sales and amounts due under lease and service arrangements to hospitals relating to radiation and transfer devices. The

NOVOSTE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company performs periodic credit evaluations of its customer s financial condition and does not require collateral. Allowances for uncollectible accounts receivable represent estimates of expected credit losses based on periodic reviews of customer accounts and historical collection experience. The carrying amounts reported in the consolidated balance sheets for accounts receivable approximate their fair value.

Advertising Costs

All advertising costs are expensed as incurred. Approximately $235,000, $547,000, and $838,000, were charged to advertising expense for the years ended December 31, 2004, 2003 and 2002, respectively.

Basic and Diluted Loss Per Share

The basic and diluted loss per share is computed based on the weighted average number of common shares outstanding. Common equivalent shares of 3,285,000, 3,094,000 and 3,590,000 related primarily to stock options are not included in the per share calculations for 2004, 2003 and 2002, respectively, because all such securities are antidilutive for all years presented.

Cash Equivalents and Short-term Investments

Cash equivalents are comprised of certain highly liquid investments with maturities of less than three months. In addition to cash equivalents, the Company has investments in commercial paper and other securities that are classified as short-term. Management determines the appropriate classification of debt securities at the time of purchase.

All securities are considered as available-for-sale and reported at fair value, with the unrealized gains and losses reported as a component of Other Comprehensive Income (Loss) on the Consolidated Statements of Shareholders Equity. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities, of which there were none, would be included in other income. Realized gains and losses are included in interest income and are determined on a specific identification basis. Interest and dividends on securities classified as available-for-sale are included in interest income.

Concentrations of Finance Risk

The Company s cash equivalents and short-term investments are subject to market risk, primarily interest-rate and credit risk. The Company s investments are managed by outside professional managers within investment guidelines set by the Company. Such guidelines include security

type, credit quality and maturity and are intended to limit market risk by restricting the Company s investments to high credit quality securities with relatively short-term maturities.

Foreign Currency Risk

International revenues from the Company s foreign direct sales and distributor sales comprised 16.7%, 7.9%, and 6.2% of total revenues for the years ended December 31, 2004, 2003 and 2002, respectively. The Company experienced an immaterial amount of transaction gains and losses in 2004, 2003 and 2002 when converting from local currencies into the respective functional currencies.

The Company is also exposed to foreign exchange rate fluctuations as the financial results of its Dutch, Belgian, German and French subsidiaries are translated from Euros into U.S. dollars for reporting purposes during consolidation. As exchange rates vary from period to period, these results, when translated into U.S. dollars (the reporting currency), may vary from expectations and adversely impact overall expected profitability.

NOVOSTE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign exchange rate fluctuations, during 2004, 2003 and 2002 are reflected in Other Comprehensive Income (Loss) on the Consolidated Statements of Shareholders Equity. During 2004, the Euro appreciated against the dollar approximately 9%, resulting in approximately $95,000 of Other Comprehensive Income.

Inventories

Inventories are stated at the lower of cost or market on a first-in, first-out (FIFO) basis net of reserves for obsolete and slow moving inventory.

Long Lived Assets and Impairment Analysis

In accordance with Statement of Financial Accounting Standards SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets are reviewed for impairment whenever events indicate that their carrying amount may not be recoverable. In such reviews, estimated undiscounted future cash flows associated with these assets are compared with their carrying value to determine if a write-down to fair value is required. Due to the continuing decline in the Company s current and projected future revenues and cash flows, during 2004, the Company evaluated the recovery of its long-lived assets and recorded an impairment charge of $9,349,000 on long-lived assets, including property and equipment, radiation and transfer devices, and other assets (see Note 15).

Property and Equipment

Property and equipment, including amounts under capital leases, if any, are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Leasehold improvements are amortized over the remaining term of the underlying lease using the straight-line method or economic life, if shorter. Repairs and maintenance are expensed as incurred. During 2004, the Company recorded an impairment charge of $9,349,000, of which $4,187,000 related to property and equipment. (see Note 15).

Radiation and Transfer Devices

The Company retains ownership of the radiation source trains (RSTs) and transfer devices (TDs). Depreciation of the costs of these assets is taken over the estimated useful life using the straight-line method and is recorded in Cost of Sales. Depreciation begins at the time the Beta-Cath System is placed into service. The annual agreements with the Company s customers to license the use of radiation and transfer devices are classified by the Company as operating leases. Income is recognized ratably over the length of the lease.

The Beta-Cath system consists of two major components: RSTs which provide the Beta radiation for patient treatment, and TD s which provide the mechanism for control of the RST during a VBT procedure and stores the RST between uses. Prior to entering commercial usage, the lives are based on experimental testing. Once in commercial service, data from the field is utilized to update the estimated lives. Thus, the useful economic life may change over time, based on new information.

During 2000, the first year of commercial sales, the Company estimated the useful life of the 5.0F diameter system to be eighteen months, based on the information available at that time. During early 2002, the Company concluded that, based on new testing and experience, the components of the radiation device should be accounted for separately and determined the estimated useful lives of RSTs was 12 months and transfer devices was 36 months. Accordingly, depreciation has been recorded over the new estimated lives, starting at the beginning of the first quarter 2002.

NOVOSTE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In February 2002, the Company received FDA approval of the smaller diameter 3.5F system and began commercial sales of that product at that time. Although engineering improvements could be expected to improve the expected life of the components of the new system, the Company has continued to use the same estimated useful lives as the older 5.0F system, pending the analysis of data supporting a different life.

In June 2002, the Company decided to concentrate marketing and product development efforts on the 3.5F diameter Beta-Cath system. An impairment charge of $5,065,000 and an accrual of $1,835,000 for related contractual commitments were recognized in the second quarter for the estimated fair value of the 5.0F diameter system (Note 15). Depreciation on the remaining fair value of the 5.0F assets (after the impairment charge) had been accelerated and recorded over the expected remaining useful commercial life, which extended through December 31, 2003. Fair value was determined by reviewing the estimated future cash flows associated with 5.0F assets compared to the carrying value of these assets in accordance with SFAS 144 (see Note 15).

The impact of the change in estimate of useful lives in 2002 was as follows (in thousands, except per share data).

Change	Increase (Decrease) Cost of sales 2002
Change in radiation devices life from 18 months to 12 months (RSTs) and 36 months (TDs)	$ (3,838)
Impairment of $5,065 and other related charges of $1,800 on 30mm and 40mm 5.0F RSTs and TDs (Note 15)	6,865
Acceleration of useful lives of 60mm 5.0F RSTs and TDs	612
Net impact	$ 3,639
Net effect on loss per share	$ (0.22)

The impact on cost of sales for 2003 was immaterial and there is zero impact for 2004.

During 2004, the Company recorded a total impairment charge of $9,349,000 of which $3,443,000 related to radiation and transfer devices (see Note 15).

Research and Development and Patent Costs

All research and development costs are charged to operations as incurred. Legal fees and other direct costs incurred in obtaining and protecting patents are expensed as incurred. Costs paid for patents are capitalized and amortized over the life of the patent.

Shipping Costs

All shipping costs incurred by the Company are classified as cost of sales.

Stock-Based Compensation

SFAS No. 123, *Accounting for Stock-Based Compensation* or (SFAS 123) sets forth accounting and reporting standards for stock-based employee compensation plans (see Note 12). As permitted by SFAS 123, the Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25,

NOVOSTE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounting for Stock Issued to Employees (APB 25) and related interpretations. Under (APB 25), no compensation expense is recognized for stock option grants to employees for which the terms are fixed. The Company grants stock options generally for a fixed number of shares to employees, directors, consultants and independent contractors with an exercise price equal to the fair market value of the shares at the date of grant. Compensation expense is recognized for increases in the estimated fair value of common stock for any stock options with variable terms.

The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS 123 and Emerging Issues Task Force (EITF) Issue No. 96-18, *Accounting for Equity Instruments that Are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*.

In December 2002, the Financial Accounting Standards Board issued SFAS 148, *Accounting for Stock-Based Compensation Transition and Disclosure.* SFAS 148 amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method on reported results.