

NOVOSTE CORP /FL/  
Form PRER14A  
January 06, 2006

## SCHEDULE 14A INFORMATION

### PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

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)

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

Payment of Filing Fee (Check the appropriate box):

No Fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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(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):

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(4) Proposed maximum aggregate value of transaction:

\$2,800,000

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(5) Total fee paid:

\$330

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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:

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

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(3) Filing Party:

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(4) Date Filed:

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**Novoste Corporation**

**4350 International Boulevard**

**Norcross, Georgia 30093**

**(770) 717-0904**

**January , 2006**

**THE FUTURE DIRECTION OF YOUR COMPANY**

**WILL BE DETERMINED AT THIS MEETING**

**YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder:

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

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

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

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

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and dissolve and liquidate Novoste.

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

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

Sincerely,

Alfred J. Novak  
President and Chief Executive Officer

**The accompanying proxy statement is first being mailed or**

**delivered to shareholders on or about                      , 2006.**

**NOVOSTE CORPORATION**

**4350 International Boulevard**

**Norcross, Georgia 30093**

**(770) 717-0904**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON \_\_\_\_\_, 2006**

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

At the special meeting, we will consider:

1. A proposal to approve the proposed asset sale transaction set forth in the amended and restated asset purchase agreement, dated as of October 12, 2005, as amended pursuant to amendment no. 1 to amended and restated asset purchase agreement, dated as of November 30, 2005, among Novoste, Best Vascular, Inc., a Delaware corporation, and Best Medical International, Inc., a Virginia corporation, pursuant to which Novoste will sell substantially all of the assets related to its vascular brachytherapy (VBT) business to Best Vascular in exchange for the assumption of certain liabilities related to the VBT business by Best Vascular;
2. A proposal to amend our amended and restated articles of incorporation to change the name of our corporation from Novoste Corporation to NOVTE Corporation (or, if that name is not available in Florida, to NVTE Corporation );
3. A proposal to approve and adopt a plan of dissolution and to approve the transactions contemplated thereby pursuant to which our corporation will be dissolved and liquidated and our remaining cash ultimately will be distributed to our shareholders;
4. A proposal to amend our amended and restated articles of incorporation and fourth amended and restated bylaws to reduce the minimum size of our board of directors from six to three (which would permit us to reduce the size of our board from seven directors to a lesser number in the future if we choose to do so);
5. A proposal to adjourn the special meeting to permit further solicitation of proxies with respect to the proposal to approve the asset sale transaction;
6. A proposal to adjourn the special meeting to permit further solicitation of proxies with respect to the proposal to approve and adopt the plan of dissolution and to approve the transactions contemplated thereby; and
7. Any other business properly presented at the special meeting or any postponements or adjournments thereof.

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

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

By Order of the Board of Directors,

Daniel G. Hall

Corporate Secretary

Norcross, Georgia

, 2006

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

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Annex C	<u>Plan of Dissolution of Novoste Corporation and Selected Florida Statutory Provisions Regarding Dissolution</u>
Annex D	<u>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</u>
Annex E	Unaudited Financial Statements of the VBT Business



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

**QUESTIONS AND ANSWERS ABOUT  
THE SPECIAL MEETING AND THE PROPOSALS**

**Q: Why am I receiving this proxy statement?**

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

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

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

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

A: Yes. Our board of directors has unanimously determined that the sale of our VBT business to Best Vascular and the related amended and restated asset purchase agreement are advisable, fair to and in the best interests of our shareholders, and has recommended that you vote in favor of the proposal to approve the asset sale transaction set forth in the amended and restated asset purchase agreement, and that you vote in favor of the related proposal to amend our amended and restated articles of incorporation to change our name from Novoste Corporation to NOVTE 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, and on August 25, 2005, we entered into an agreement to sell our VBT business to Best Vascular. However, completion of our proposed merger with ONI Medical Systems, Inc., which was abandoned on September 26, 2005, was a condition to completion of the sale. Accordingly, we were unable to complete the sale of the VBT business pursuant to our original agreement with Best Vascular and BMI, and promptly following the abandonment of our proposed merger with ONI, we initiated discussions with Best Vascular and BMI to enter into a modified asset purchase agreement that would condition the consummation of the asset sale transaction on the receipt of the approval of our shareholders. In the absence of the ONI merger and the assets that would have been acquired by Novoste as a result of such merger, the sale of the VBT business represents a sale of substantially all of our assets and, as such, requires the approval of our shareholders under Florida law.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

**Q: Will I have appraisal rights?**

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

**Q: Who can help answer my questions?**

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

Novoste Corporation  
4350 International Boulevard  
Norcross, Georgia 30093  
Attention: Daniel G. Hall, Esq., General Counsel  
Phone: (770) 717-0904

Morrow & Co., Inc.  
445 Park Avenue  
New York, New York 10022  
Phone: (800) 607-0088

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

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

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

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

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

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

\* \* \* \* \*

**SUMMARY TERM SHEET**

Special Meeting Time and Date                      10:00 a.m., local time, on                      , 2006

Special Meeting Location                              The Atlanta Marriott Gwinnett Place, 1775 Pleasant Hill Road, Duluth, Georgia

Record Date    December 15, 2005

*Proposal 1* Approval of Asset Sale

Transaction Pursuant to Amended and  
Restated Asset Purchase Agreement

The Transaction

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

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

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

liabilities incurred or arising before or after closing under our supply agreement, dated October 14, 1999, with AEA, such as penalties under the minimum purchase requirements and obligations to decontaminate and decommission equipment (excluding certain payments previously made by us to AEA prior to September 30, 2005 and payments by us