FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1997-03-10** | Period of Report: **1996-12-31**
SEC Accession No. 0001005477-97-000703

(HTML Version on secdatabase.com)

FILER

NOVOSTE CORP /FL/

CIK:**1012131**| IRS No.: **592787476** | State of Incorp.:**FL** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **000-20727** | Film No.: **97553722**
SIC: **5047** Medical, dental & hospital equipment & supplies

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996.

|_| TRANSITION PERIOD PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934. FOR THE TRANSITION PERIOD _____ TO _____.

Commission File Number: 0-20727

Novoste Corporation
(Exact Name of Registrant as Specified in Its Charter)

Florida	59-2787476
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
4350-C International Blvd., Norcross, GA	30093
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone, including area code: (770) 717-0904

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.01 par value
(Title of Class)

Rights to Purchase Preferred Shares
(Title of Class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark if disclosures of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K |X|.

As of February 28, 1997, there were 8,430,375 shares of Common Stock outstanding. The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $67,435,826 based upon the closing sales price of the Common Stock on February 28, 1997 on the NASDAQ National Market. Shares of Common Stock held by each officer, director, and holder of five percent or more of the Common Stock outstanding as of February 28, 1997 have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily conclusive.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information is incorporated into Part III of this report by reference to the Proxy Statement for the Registrant's 1996 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K.

NOVOSTE CORPORATION
FORM 10-K

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PART I

Item 1. BUSINESS

The statements contained in this Form 10-K that are not historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding the expectations, beliefs, intentions or strategies regarding the future. The Company intends that all forward-looking statements be subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the Company's views as of the date they are made with respect to future events and financial performance, but are subject to many uncertainties and risks which could cause the actual results of the Company to differ materially from any future results expressed or implied by such forward-looking statements. Examples of such uncertainties and risks include, but are not limited to, whether the Beta-CathTM System, the Company's primary product in development, will prove safe and effective; whether and when the Company will obtain approval of the Beta-Cath TM System from the United States Food and Drug Administration (FDA) and corresponding foreign agencies; the Company's need to achieve manufacturing scale-up in a timely manner, and its need to provide for the efficient manufacturing of sufficient quantities of its products; the Company's dependence on the Beta-Cath TM System as the primary source of future revenue; the lack of an alternative source of supply for the radiation source materials used in the Beta-CathTM System; the Company's patent and intellectual property position; the Company's need to develop the marketing, distribution, customer service and technical support and other functions critical to the success of the Company's business plan; the effectiveness and ultimate market acceptance of the Beta-CathTM System; limitations on third party reimbursement; and competition between rival developers of restenosis reduction products. These risks are discussed under "Item 1 - Business" and "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations." Additional risk factors include those that may be set forth in reports filed by the Company from time to time on Forms 10-Q and 8-K. The Company does not undertake any obligation to update any forward-looking statements.

The Company

Novoste, a development stage company with minimal revenues to date, was incorporated in Florida in January 1987 and was first capitalized and commenced operations in May 1992.

Novoste is developing the Beta-CathTM System, an intraluminal beta radiation catheter delivery system designed to reduce the frequency of restenosis subsequent to percutaneous transluminal coronary angioplasty ("PTCA"). The Beta-CathTM System applies localized beta radiation to the site of the vascular injury caused by a PTCA procedure and is designed to inhibit long-term cell proliferation ("hyperplasia") and vascular remodeling, each primary causes of restenosis. The Beta-CathTM System was developed in collaboration with certain physicians at Emory University Hospital, including its Director of Interventional Cardiology, Dr. Spencer B. King, III. The Company has completed patient enrollment for a Phase I human clinical trial at Emory and Rhode Island University Hospital under an Investigational Device Exemption ("IDE") granted by the FDA to determine the clinical safety of the Beta-CathTM System for use in coronary arteries. Sixteen of the twenty-three patients enrolled into the study have now returned for their six month follow-up visit. Of these sixteen patients, two have required an additional procedure at the original treatment site.

Industry Overview

Coronary Artery Disease. Coronary artery disease is the leading cause of death in the United States. More than 13 million people in the United States currently have been diagnosed with coronary artery disease, which 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, 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. Each year more than 1 million revascularization procedures are performed in the United States, and approximately 1.8 million of such procedures are performed worldwide, to treat coronary artery disease to increase blood flow to the heart muscle.

Coronary Artery Bypass Graft. Coronary artery bypass graft ("CABG") surgery was introduced as a treatment for coronary artery disease in the 1950s, when technology was developed to enable physicians to stop a patient's heart during surgery. 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, still considered the most effective and long-lasting treatment for coronary artery disease, 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 but require reintervention. 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. In the United States, the average cost of undergoing CABG is approximately $36,000, the average post-operative hospital stay following CABG is approximately five to seven days and the average recuperation period following discharge from the hospital is approximately six to eight weeks. In 1995, approximately 400,000 CABG procedures were performed in the United States. Currently, several minimally invasive surgical techniques are being developed to lessen the cost and trauma of CABG procedures.

PTCA and Other Catheter Based Technologies. Since its clinical introduction in the late 1970s, PTCA has emerged as the principal, less invasive alternative to CABG. PTCA is a procedure performed in a cath lab by an interventional cardiologist. During PTCA, a guidewire 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 ("lesion") occluding the artery. Once 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. Though injury to the arterial wall often occurs under balloon pressure, PTCA typically results in increased blood flow without the actual removal of any plaque. In 1996, it is estimated that more than 500,000 PTCA procedures were performed in the United States and approximately another 450,000 procedures were performed outside the United States. The average cost of each PTCA procedure in the United States is approximately $15,000, or less than one-half of the average cost of CABG, and the length of stay and recuperation period are substantially less than those required for CABG.

Though PTCA has grown rapidly as a highly effective, less invasive therapy to

treat coronary artery disease, the principal limitation of PTCA is the high rate of restenosis, a re-narrowing of a treated artery, which generally requires reintervention. Due to the effects of restenosis, the long-term cost-effectiveness of PTCA has not proven greater than that of CABG for multi-vessel diseases. Studies have indicated that, within six months after PTCA, between 25% and 45% of PTCA patients experience restenosis. In addition, 45% of patients with multi-vessel coronary artery disease who received PTCA have been shown to require reintervention within three years of treatment. Finally, although the average cost of PTCA is less than one-half of that of CABG, a recent study indicated that three years after the procedure, PTCA has no cost advantage over CABG due to the need for subsequent interventional treatment.

A variety of other catheter-based, minimally invasive, interventional devices for coronary artery disease have been developed in an attempt to reduce the frequency of restenosis following PTCA. These devices include atherectomy devices (catheter devices that cut and remove plaque from the arterial wall), rotational ablation devices (catheter devices which use a rotating burr to remove plaque), and laser catheter devices (devices that use laser energy to reduce plaque in arteries). Although these new approaches to coronary

artery disease have been found to be effective in certain lesion types and in certain locations in the coronary arteries, like PTCA they also exhibit high rates of restenosis.

Pathology of Restenosis. Clinical restenosis is typically defined as a renarrowing of a coronary artery within six months of a revascularization treatment to less than 50% of its original size. Restenosis is a vascular response to arterial injury and occurs frequently after a revascularization procedure, which stretches coronary arteries or otherwise damages the treated segment of the artery. 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 shortly after a revascularization procedure is usually attributed to elastic recoil (acute loss of lumen diameter) of the artery.

Longer term, restenosis may result from excessive proliferation of cells at the treatment site ("hyperplasia") or from a generalized geometric remodeling of the arterial segment, the causes of which are not well understood. Hyperplasia is a physiological response to injury, similar to scarring which occurs in wound healing. In response to an arterial injury from revascularization, the body sets off a biochemical response to repair the injury 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. The Company believes that hyperplasia and vascular remodeling are responsible for a large portion of the overall effect 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 which have sought to improve upon PTCA, stents have demonstrated the best results in reducing the rate 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, which expands the stent and firmly positions it in place. This positioning is often followed by a third dilatation using a high pressure balloon to fully expand 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.

Recent studies have concluded that the rate of restenosis in patients who receive coronary stents following PTCA is approximately 30% lower than in patients treated only by PTCA. Additional clinical studies with stents which incorporate a specialized coating may show a greater reduction in the rate of restenosis. Stents appear to be effective in reducing the frequency of restenosis resulting from elastic recoil and vascular remodeling but they increase hyperplasia.

The use of stents has grown rapidly since commercial introduction in the United States in 1994, and it is estimated that they were utilized in approximately 150,000 of the approximately 500,000 PTCA procedures performed in the United States in 1996. It is also estimated that over 600,000 stents were utilized worldwide in 1996. Despite their rapid adoption, stents have certain drawbacks. Not only are they permanent implants which may result in unforeseen long-term adverse effects, but they cannot be used in cases where the coronary arteries are too tortuous or too narrow. In addition, the use of stents significantly increases the cost of a PTCA procedure and restenosis may still occur, often requiring reintervention in patients who receive stents.

The Novoste Solution

The Company's Beta-Cath System is designed to reduce the frequency of restenosis following PTCA by applying localized beta radiation to the treatment site in the coronary artery. The Beta-Cath System is designed to be safe and cost-effective and to fit well with techniques currently used by interventional cardiologists in the cardiac catheterization lab. The Beta-Cath System targets the primary causes of restenosis by attempting to prevent or inhibit hyperplasia and long-term vascular remodeling. Its localized

beta radiation sources can be handled with little risk to the health care workers or to the patients because the penetration of electrons associated with beta radiation is quite limited and easily shielded. The Company expects that the Beta-Cath System will provide significant cost savings, principally by reducing the costs associated with reintervention required following PTCA and coronary stenting.

The Beta-Cath System is founded on the Company's belief, based on recent clinical and pre-clinical studies, that localized beta radiation is likely to reduce coronary artery restenosis rates by inhibiting cell proliferation which occurs in response to PTCA. Radiation has been used therapeutically in medicine for more than 50 years, and is extensively used for the treatment of proliferative cell diseases, such as cancer. Cancer therapy has primarily involved the use of gamma radiation, which is highly penetrating and may be dangerous unless handled and used with great care. The Company has designed the Beta-Cath System to use beta radiation, which is much less penetrating and thus easier to use and control than gamma radiation while providing equivalent efficacy. Beta radiation has been used less frequently in medicine (primarily in a topical application to treat certain skin and eye disorders) because of its more limited depth of penetration, but is viewed by the Company as well-suited for intraluminal use following PTCA, where the objective is to treat the inner surface and the wall of the artery with minimal exposure to adjacent tissues.

The Company is aware of five coronary clinical studies of the use of intraluminal radiation to reduce the frequency of restenosis in humans. Three of these studies have been conducted outside the United States: two used gamma radiation delivered using methods and equipment designed for use in cancer therapy, and one applied beta radiation using a wire positioned through the lumen of a special balloon catheter. The results of the fourth study which was conducted in the United States and used a combination of stents and gamma radiation, were recently published in November 1996. In this study a total of 26 patients were treated with gamma radiation and the results showed a significant reduction in restenosis compared to a control group of 29 patients. Enrollment for a fifth clinical study, performed in the United States using a beta emitting radioactive stent, was recently completed in January 1997. However, no clinical data has yet been published for this study. These studies, while involving a limited number of patients, tend to show a reduction in restenosis rates and no adverse effects from intraluminal radiation. In addition, the Company's animal studies, conducted at Emory University under the direction of Dr. Spencer King and his colleagues, Ron Waksman, M.D., Ian Crocker, M.D. and Keith Robinson, Ph.D., have also supported the conclusion that intraluminal radiation, and particularly beta radiation, can be effective in reducing the frequency of restenosis whether used alone following PTCA or as a combination therapy with coronary stenting. See "--Clinical Trial and Regulatory Status."

The Beta-Cath System

The Beta-Cath System is designed to deliver localized, intraluminal beta radiation to reduce the frequency of restenosis following PTCA.

The primary components of the Beta-Cath System are:

- Radiation Source Train. The beta radiation administered by the Beta-Cath System emanates from a "train" of several miniature cylindrical sealed sources ("radiation sources") containing Strontium 90 (Strontium/ Yttrium), a beta emitting radioisotope. The use of beta, rather than gamma, radiation is intended to make the Beta-Cath System safer and less invasive. The delivered dose of the Company's radiation sources has been validated by standards established by the U.S. Department of Commerce National Institute of Standards and Technology, enabling a physician to accurately determine appropriate dosing levels. In addition, due to their long half lives (approximately 28 years) and because they will not come into contact with a patient's blood or tissue, the radiation sources are expected to be reused for numerous patients. Beta radiation from the Strontium 90 source can be easily shielded from health care workers by the use of approximately one-half inch thick quartz in the transfer device.

- Transfer Device. The transfer device is a multiple use, hand held instrument used to store the radiation sources when not in use. The

transfer device (i) transfers the radiation sources to and from the delivery catheter via a mechanical gating system, (ii) contains a switching device that directs hydraulic force to move the radiation sources to or from the treatment zone and (iii) completely shields the beta radiation energy from health care workers while being handled in the hospital setting.

Delivery Catheter. The delivery catheter is a single use, disposable, multi-lumen catheter which provides a pathway for the radiation sources to be rapidly delivered and retrieved from the coronary arterial segment to be treated. The delivery catheter is positioned by advancing it over the same guidewire used during the immediately preceding PTCA procedure. The radiation sources are delivered through a dual lumen closed hydraulic circuit, which is powered by a standard syringe.

The Beta-Cath System is intended to be used in a cath lab by an interventional cardiologist immediately after a PTCA procedure. The cardiologist uses a previously positioned guidewire utilized in the PTCA procedure to direct the delivery catheter into the vasculature of the patient until the treatment zone of the delivery catheter reaches the targeted site. The radiation sources are hydraulically driven from the transfer device to the target site in a matter of seconds through the radiation source train lumen of the delivery catheter. The radiation sources remain at the targeted site for less than five minutes to deliver a predetermined dose of radiation. They are then returned, through the same lumen, by the use of positive hydraulic pressure applied through the delivery catheter's fluid lumen. Upon completion of the procedure, the train of radiation sources is stored safely inside the transfer device and delivered to a designated radiation storage site within the hospital for safekeeping before use with another procedure. The procedure currently requires the participation of both an interventional cardiologist and a physician licensed to prescribe radiation therapy. While the need for two physicians is expected to result in increased costs associated with the Beta-Cath System, the Company believes the Beta-Cath System will be cost-effective, principally by reducing the costs associated with reinterventional procedures.

The Company believes the Beta-Cath System, when fully developed and tested, will have the following advantages:

Non-implantable, Site-specific Therapy. The Beta-Cath System was designed to accurately treat only the area required to prevent restenosis without leaving a permanent implant in the body. The length of the radiation source train may be varied to coincide with lesion length.

Utilization of Existing PTCA Techniques. Although intracoronary radiation is a new concept in coronary artery disease treatment, the Beta-Cath System was designed to be easily adopted and used by the cardiologist. The delivery catheter is very similar to a balloon angioplasty catheter, and it is positioned by advancing it over the guidewire already in place from the previous PTCA procedure.

Flexibility. The cylinders that make up the Beta-Cath System's radiation source train, as well as the Beta-Cath System's delivery catheter material, are designed to be very flexible, giving the Beta-Cath System a very tight radius of curvature and the capability of navigating tortuous coronary anatomies.

Short Procedure Times. The Beta-Cath System was designed to enhance patient safety and comfort by delivering the recommended dosage in less than five minutes of radiation exposure time per lesion.

Multiple Use System. The radiation source train can be reused for numerous patients due to the long half-life of the isotope and because the source train does not come into contact with the patient's blood. As a result, inventory planning will be very straightforward, procedure costs will

be attractive and last minute treatment decisions can be made. In addition, a single delivery catheter and source train may be used to treat multiple lesions within the same patient.

Ease and Accuracy of Dosing. Because of the long half-life of the Company's radiation sources, prescribed treatment times will remain stable over the approved shelf life of the isotope. Intracoronary radiation systems which utilize short half-life isotopes are likely to require complex case by case dose calculations based on the current decay state of the isotope.

Designed for Safety. The Beta-Cath System utilizes localized beta radiation, which results in total body radiation exposure significantly less than that received during routine x-ray during

PTCA. Other safety mechanisms include: a closed source train lumen, special locking mechanisms to connect the delivery catheter to the transfer device and sufficient shielding in the transfer device to protect health care workers from radiation exposure.

Other Intracoronary Radiation Therapy Approaches

The Company is aware of two other types of medical devices currently under development to deliver intracoronary radiation therapy: (i) a radioactive tipped guidewire, and (ii) a radioactive stent. Guidewires with gamma-emitting radioactive tips have been used for some time in cancer therapy, and some researchers have used them to deliver intracoronary radiation to prevent restenosis. Gamma radiation is more penetrating and therefore more hazardous than beta radiation. Accordingly, this method requires the automated administration of radiation with a complex and expensive piece of computerized equipment (an "afterloader"), while healthcare workers are out of the room behind a protective barrier. The Company believes this method is impractical, because the use of gamma radiation subjects patients and healthcare workers to excessive radiation exposure and the use of an afterloader does not fit easily into the cath lab. The Company is also aware of at least one company developing a beta radiation tipped guidewire, perhaps to be used in conjunction with an afterloader.

Novoste is also aware of at least one company developing a radioactive stent. In theory, such a stent would address both elastic recoil and vascular remodeling and inhibit longer term hyperplasia. However, this method retains the problems inherent in leaving a permanent implant in the coronary artery. In addition, this approach might not effectively treat areas of the artery beyond the ends of the stent, areas which have been known to be restenotic. Finally, because it is a permanent implant, a radioactive stent would likely require the use of a radiation source with a short half-life. As a result, a hospital would have difficulty keeping an inventory of stents that have sufficient radioactivity at the time of implant.

The Novoste Business Strategy

The Company's objective is to become the leader in the commercialization of intravascular radiation devices for the treatment of restenosis. Elements of the Company's strategy include:

Achieve First to Market Position in the United States. Novoste intends to be the first to market in the United States an intracoronary radiation device to treat coronary restenosis. The Company has completed enrollment in a human clinical trial in the United States under an IDE granted by the FDA to determine the clinical safety of the Beta-Cath System for use in coronary arteries. The Company expects to file for a second IDE study, to determine the clinical efficacy of the Beta-Cath System, prior to March 31, 1997.

Establish Beta Radiation Therapy as the Standard Therapy to Prevent Restenosis. The Company's strategy is to introduce the Beta-Cath System into the cath lab as standard therapy to reduce the frequency of restenosis following PTCA, either on a stand-alone basis or in conjunction with coronary stenting. The Company seeks to establish interventional cardiologists as the primary providers of this therapy and plans to target top tier medical institutions and

leading cardiologists for sale of the Beta-Cath System. In addition, the Company intends to conduct intensive physician training seminars to familiarize the cardiologists with the use of the Beta-Cath System.

International Commercialization. The Company seeks to obtain required regulatory approvals as early as possible, particularly in countries with favorable regulatory environments. The Company anticipates marketing the Beta-Cath System in Canada and Europe through international distributors or corporate partners prior to its receipt of pre-marketing approval in the United States. A human clinical safety study, similar to the initial study recently completed at Emory University Hospital and Rhode Island Hospital, was commenced at a single site in Canada on February 19, 1997, and an additional study is expected to commence in The Netherlands in April 1997.

Establish Radiation Therapy for Peripheral Vascular Applications. Restenosis is common following angioplasty of the peripheral arteries. In addition, a similar phenomena frequently occurs in veins adjacent to an arterial-venous shunt used for patients undergoing hemodialysis for end stage renal disease. The Company intends to leverage its core catheter and localized radiation technologies to expand its product offerings to other vascular markets where cell proliferation is of clinical significance.

Protect and Enhance Proprietary Technology. The Company believes that its patent position may offer a significant competitive advantage. The Company has received a Notice of Allowance covering key aspects of the Beta-Cath System. The Company has also filed a counterpart application under the Patent Cooperation Treaty preserving the Company's right to file applications in the European Patent Office and certain other countries. The Company intends to obtain further protection of its proprietary technology and to defend its intellectual property rights against infringement.

Clinical Trial and Regulatory Status

In June 1995 the Company applied for an IDE to conduct a human clinical trial to determine the short-term clinical safety of the Beta-Cath System for use in the coronary arteries, and received such approval 29 days later. The IDE was based upon the Company's animal studies, conducted at Emory University Hospital under the direction of Dr. Spencer King and his colleagues Drs. Ron Waksman, Ian Crocker and Keith Robinson. These studies have supported the conclusion that intraluminal radiation, and particularly localized beta radiation, may be effective in reducing the frequency of restenosis whether used alone or as a combination therapy with coronary stenting. The Company has sponsored three such studies, the results of which have been published in three articles in Circulation, a primary cardiology journal. The objectives of the first two sets of animal experiments were to evaluate the effect of intraluminal gamma and beta radiation on neointimal cell formation in pig coronary arteries following balloon overstretch injury, a widely accepted method of modeling the restenosis response, and to determine whether the results would be similar using beta or gamma radiation. In both experiments, arteries treated with beta or gamma radiation equally demonstrated significantly decreased neointimal formation compared with control arteries, and a dose-response relationship was demonstrated. The objective of the third set of experiments was to determine whether intravascular radiation prior to stent implantation would also impact neointimal formation. Both gamma radiation and beta radiation were used with equal effectiveness to reduce the levels of neointimal formation after stent implantation.

As approved in July 1995, the IDE authorized the Company to conduct a single site human clinical trial at Emory University Hospital on a total of 15 patients, each of whom had a single vessel de novo (previously untreated) lesion. In April 1996 the IDE was amended to authorize the Company to conduct a parallel feasibility study utilizing substantially the same protocol on a total of 8 patients at a second site at Rhode Island Hospital in Providence. The IDE protocol provided that the patients be treated with standard PTCA

and immediately thereafter with intravascular radiation using the Beta-Cath System. A follow-up review of the patient 30 days after treatment and a follow-up angiogram six months after the initial treatment are being performed to observe the treated artery. The IDE had four objectives: (i) to examine the safety of different dosing parameters; (ii) to evaluate the feasibility of the Beta-Cath System to deliver beta radiation to the coronary arteries; (iii) to confirm the operational specifications of the Beta-Cath System; and (iv) to compare the incidence of restenosis following PTCA coupled with the Beta-Cath System to results of a comparable trial showing the incidence of restenosis following PTCA alone.

As of December 31, 1996 the enrollment at both sites had been completed and a total of 23 patients had been treated. As of February 4, 1997, 16 of the 23 patients enrolled into the study had returned for their six month follow-up visit. Of these 16 patients, two have required an additional procedure at the original treatment site. On February 19, 1997, the Company commenced a similar feasibility study in Canada and expects to commence an additional study in The Netherlands in April 1997. The Company anticipates commencing a multicenter, triple-blinded, randomized human clinical trial in the United States in 1997, subject to FDA approval of an additional IDE. There can be no assurance that these or other trials will demonstrate the safety or efficacy of the Beta-Cath System.

Product Development

Research and development activities are performed by a 20 person product development team. The Company has also retained consultants to assist in many research and development activities, including design of the Beta-Cath System, designing, conducting and monitoring the clinical trials relating to the Beta-Cath System and advising on key aspects of radiation health physics and dosimetry. On June 27, 1996 the Company signed an agreement with a medical diagnostic engineering, development and design company to provide products and services to be used in the Company's product development. The agreement calls for aggregate payments of approximately $1.3 million through April 1997, of which $277,000 was paid in 1996.

The focus of the Company's current development efforts is to design future

generation components of the Beta-Cath System. The commercial design of the delivery catheter will have a smaller outer diameter and be more flexible than the design currently being used in clinical trials. Likewise, the transfer device will be modified to have a more ergonomic design and to incorporate additional safety features. Future development efforts will focus on modifying the Beta-Cath System for use in peripheral vascular applications and potentially in arterial-venous shunt applications. There can be no assurance that the Company will be successful in developing these or other products.

Research and development expenses for the years ended December 31, 1996, 1995, and 1994 were approximately $4.6 million, $2.1 million, and $1.4 million, respectively.

In addition to the resources dedicated to the product development process, the Company has an internal regulatory affairs and clinical monitoring staff, which has responsibility for establishing, monitoring, collecting and analyzing data relating to clinical trials and regulatory approvals for the Beta-Cath System in the United States and abroad.

Marketing and Distribution

The Company anticipates marketing the Beta-Cath System through a direct sales force in the United States and through a combination of international distributors and corporate marketing partners outside the United States. If marketing approval is obtained, the Company plans to focus its United States marketing efforts on a top tier of approximately 200 hospitals where the Company believes a vast majority of the PTCA procedures in the United States are performed, and on leading cardiologists at those institutions. Through this effort the Company initially aims to identify well-respected clinical supporters for the Beta-Cath System and to leverage their reputation in the clinical community to generate wider demand. The Company

will also conduct physician training seminars to educate physicians about the Beta-Cath System. The Company believes that it can market the Beta-Cath System to these hospitals and cardiologists with a moderately sized direct sales organization, initially consisting of the Vice President of Marketing and Sales and approximately 8 to 10 sales representatives, augmented by a small number of clinical specialists. The Company's business and future operating results will depend in significant part upon its ability to attract and retain skilled sales and marketing personnel. Competition for such personnel is intense, and there can be no assurance that the Company will be successful in attracting or retaining such personnel. The Company's inability to attract and retain skilled sales and marketing personnel, as needed, could materially adversely affect the Company's business, financial condition and results of operations. In addition, the Company plans to utilize distributors and/or one or more corporate marketing partners to market products outside the United States. The Company believes such distribution or corporate partnering arrangements will be cost-effective, will be implemented more quickly than a direct sales force established by the Company in such countries and will enable the Company to capitalize on local marketing expertise in such countries.

The Company intends to select one or more established market leaders in the radiation isotope business to inventory and deliver the radiation sources and to provide related training, delivery, testing and disposal services to the purchasing hospital. Novoste does not intend to inventory or deliver the radiation sources used in the Beta-Cath System. There can be no assurance that the Company will be able to secure any arrangements with international distributors, corporate marketing partners or radiation isotope providers on satisfactory terms or at all.

Manufacturing and Materials

Near term the Company will focus its manufacturing resources on the production of the Beta-Cath System. The Company anticipates that it will manufacture the delivery catheter component of the Beta-Cath System directly and manufacture the transfer device jointly with third parties. The radiation source trains are being supplied by a third party. The Company intends to manufacture its products at its 25,600 square foot facility in Norcross, Georgia. The Company believes that, if marketing approvals of the Beta-Cath System are obtained, it will be able to utilize its existing facility and the expertise of its management to manufacture commercial quantities of the catheter-based components of the Beta-Cath System at a reasonable cost. However, to date, the Company has not yet commercialized any of its products and its manufacturing activities have consisted of building a small number of prototypes of the Beta-Cath System for use in pre-clinical and clinical trials, and the Company does not have experience in manufacturing the Beta-Cath system in commercial quantities.

The Company currently executes all critical assembly operations in controlled environment rooms in which bacterial and airborne particulate levels are monitored. The Company believes that its current space will be sufficient to serve its needs through at least 1998. The Company could rely on some outside

sources for catheter components and from time to time the Company could experience shortages of certain supplied materials that could significantly affect its ability to produce enough product to satisfy market demand. As the Company grows, it will be required to scale-up its production and to increase its manufacturing capacity.

Any products of the Company, for which FDA clearances or approvals have been obtained, must be manufactured in accordance with Good Manufacturing Practices ("GMP") regulations which would impose certain procedural and documentation requirements upon the Company with respect to manufacturing and quality assurance activities. The Company will rely on independent suppliers for certain components of the Beta-Cath System. Such components are either standard throughout the industry or will be built to the Company's specifications. All suppliers of such components also must be in compliance with GMP regulations.

The Company has obtained all of its requirements of radiation source materials pursuant to an exclusive agreement (the "Supply Agreement") with a single supplier, Bebig Isotopentechnik und Umweltdiagnostik GmbH, a German corporation (the "Supplier"). Under the Supply Agreement, as amended on November 15, 1996, the Company agreed to advance the supplier a monthly investment grant of 100,000 Deutsche Mark (approximately $65,000) for a period of 15 months from November 1996 through March 1998 to build and equip a production site for the exclusive production of radioactive materials for the Company. The supplier has agreed to manufacture radiation source "trains" at an agreed upon base price. The Supplier is required to comply with various regulatory requirements with respect to the supply of radiation sources.

Under the Supply Agreement, which has an initial term ending in the year 2000 and renews automatically for one year unless notice of termination is given six months prior to the end of each calendar year, the supplier has agreed not to sell, lease, license or otherwise transfer radioactive sources of a similar isotope to any other party for use in the treatment of restenosis. The Company, in turn, has agreed not to purchase, lease, or otherwise acquire directly or indirectly more than 30% of its annual requirement for radioactive sources of "like" isotope for use in the treatment of restenosis from any other party.

Although the Supply Agreement permits the Company to use an alternative source for 30% of its annual isotope requirements, the Company believes that because of the technical expertise and capital investment required to manufacture the radiation source materials, it would be extremely difficult and expensive to find an alternate source of supply in the event that the Supplier is unable to provide the materials. In addition, portions of the process used to manufacture the materials may be proprietary to the Supplier, who has no obligation to make any of its know-how or technology available to any potential alternate source of supply.

The Company holds an option to purchase those tangible and intangible assets of the supplier used or useful in producing the radioactive isotopes sold to the Company by the supplier in connection with the Beta-Cath System. The option is exercisable at any time on or prior to August 22, 2002, for $5,000,000, 50% of which is payable upon exercise and the balance in 12 equal consecutive monthly installments following such exercise, and provides that the $90,000 payment made to obtain the option and the aforementioned investment grants of 1.5 million Deutsche Marks, to the extent paid at the time of exercise, will be credited against the purchase price of the assets. Upon the exercise of the option, the supplier is obligated for a period of up to three months, to assign personnel to assist the Company in facilitating the transfer of the assets, both for purposes of technical training and operations and for administrative and regulatory matters relating to licensing and governmental approvals. Nevertheless, the exercise of such option and the transfer of the required technology and expertise to the Company or an alternative source would be costly, time consuming, and uncertain of success.

While the Company anticipates that the radiation source materials it purchases from the Supplier will be able to be used for numerous patients, the inability of the Supplier to provide radiation source materials would limit the Company's ability to increase its business beyond its then existing inventory of such radiation source material. As a result of the foregoing, any failure or disruption in the ability of the Supplier to provide the radiation source materials could have a material adverse effect on the business, financial condition and results of operation of the Company.

Competition

Competition in the medical device industry, and specifically the markets for cardiovascular devices and devices to improve the outcome of coronary revascularization procedures, is intense. Guidant Corporation, Boston Scientific Corporation, Medtronic Inc. and Johnson & Johnson, among others, are developing devices to improve the outcome of coronary revascularization procedures. Many companies are developing therapies to reduce the frequency of restenosis. Johnson & Johnson, among others, currently markets coronary stents which have

been successful in reducing the frequency of restenosis. Other companies, including a private company Isostent, have various radiation therapy products under development to reduce

restenosis. In addition, drugs, gene therapy and other minimally invasive catheter-based procedures are currently being developed. Many of the Company's competitors and potential competitors have substantially greater capital resources than does the Company and also have greater resources and expertise in the areas of research and development, obtaining regulatory approvals, manufacturing and marketing. There can be no assurance that the Company's competitors and potential competitors will not succeed in developing, marketing and distributing technologies and products that are more effective than those developed and marketed by the Company or that would render the Company's technology and products obsolete or noncompetitive. Additionally, there is no assurance that the Company will be able to compete effectively against such competitors and potential competitors in terms of manufacturing, marketing and sales.

Any product developed by the Company that gains regulatory clearance or approval will have to compete for market acceptance and market share. An important factor in such competition may be the timing of market introduction of competitive products. Accordingly, the relative speed with which the Company can develop products, gain regulatory approval and reimbursement acceptance and supply commercial quantities of the product to the market are expected to be important competitive factors. In addition, the Company believes that the primary competitive factors for products addressing restenosis include safety, efficacy, ease of use, reliability, suitability for use in cath labs, service and price. The Company also believes that physician relationships, especially relationships with leaders in the interventional cardiology community, are important competitive factors. Although the Company is the first company in the United States to have initiated an FDA-approved human clinical trial of a radiation system for reducing the frequency of restenosis, there can be no assurance that the Company will be first to market such a system in the United States or to market such a system effectively.

Patents and Proprietary Technology

The Company's policy is to protect its proprietary position by, among other methods, filing United States and foreign patent applications. On February 25, 1997 the Company received a Notice of Allowance from the U.S. Patent and Trademark Office ("USPTO"), indicating that the Company's first patent application for its Beta-Cath system has been allowed for issuance as a United States patent. Typically, a United States patent issues within a few months of its Notice of Allowance. The Company has filed a counterpart application under the Patent Cooperation Treaty preserving the Company's right to file applications in the European Patent Office and certain other countries. The Company also holds seven issued United States patents and one issued foreign patent, and has nine United States patent applications pending and has filed, or will file, counterpart applications in several foreign countries with respect to other products. The Company employs a full time manager of intellectual property to prepare invention records and to coordinate the prosecution of new intellectual property.

There can be no assurance that the claims under the Company's pending U.S. patent applications covering certain aspects of the Beta-Cath System will be allowed, or if allowed, will offer any protection to the Company. In addition, there can be no assurance that the Company's United States and foreign patents or other pending applications will offer any protection or that they will not be rejected, challenged, reexamined, invalidated or circumvented. In addition, there can be no assurance that competitors will not obtain patents that will prevent, limit or interfere with the Company's ability to make, use or sell its products in either the United States or international markets.

The Company received a letter from NeoCardia, L.L.C. ("NeoCardia") dated July 7, 1995 in which NeoCardia notified the Company that NeoCardia is the exclusive licensee of U.S. Patent No. 5,199,939 (the "Dake Patent") and requested that the Company confirm that its products did not infringe the claims of the Dake Patent. The Company had previously concluded based upon advice of patent counsel that the Company's proposed Beta-Cath System would not infringe any valid claim of the Dake Patent. On August 22, 1995, on behalf of the Company, its patent counsel responded that the Company did not infringe the Dake Patent.

The USPTO is currently reexamining the Dake Patent and on such reexamination preliminarily rejected all claims of the Dake Patent. In accordance with the reexamination procedure, in April 1996 the holder of the Dake Patent submitted a response to the USPTO reasserting that the claims of the Dake Patent are valid and submitting additional claims as well. A second reexamination request was

subsequently filed with the USPTO and the request was accepted. Both reexamination requests have now been combined and are being reviewed by the same examiner. Under the reexamination, the USPTO will again consider the patentability of the claims and may confirm the patentability of the original claims, allow new or amended claims which narrow or broaden the original claims, or reject the claims once again. The holder of the Dake Patent has the right to appeal any final rejection of its patent claims and the outcome of the reexamination procedure cannot be predicted. Any or all claims of the Dake Patent and new claims requested may be rejected or may be accepted and confirmed. The validity of patent claims which survive a reexamination procedure may be more difficult to challenge in a later dispute than claims which have never been reexamined based upon the same prior art.

There can be no assurance that the Company's products will not infringe any original, amended or new claims of the Dake Patent which survive the reexamination proceeding, or that NeoCardia will not sue the Company for patent infringement and obtain damages from the Company and/or injunctive relief restraining the Company from commercializing the Beta-Cath System, or that the Company will not be required to obtain a license from NeoCardia, any of which could have a material adverse effect on the Company's business, financial condition and results of operations or could result in cessation of the Company's business.

The medical device industry has been characterized by extensive litigation regarding patents and other intellectual property rights and companies in the medical device industry have employed intellectual property litigation to gain a competitive advantage. There can be no assurance that the Company will not become subject to patent infringement claims or litigation or interference proceedings declared by the USPTO to determine the priority of inventions. The defense and prosecution of intellectual property suits, USPTO interference proceedings and related legal and administrative proceedings are both costly and time-consuming. Litigation may be necessary to enforce patents issued to the Company, to protect trade secrets or know-how owned by the Company or to determine the enforceability, scope and validity of the proprietary rights of others. Any litigation or interference proceedings will result in substantial expense to the Company and significant diversion of effort by the Company's technical and management personnel. An adverse determination in litigation or interference proceedings to which the Company may become a party could subject the Company to significant liabilities to third parties or require the Company to seek licenses from third parties or require the Company to redesign its products or processes to avoid infringement or prevent the Company from selling its products in certain markets, if at all. Although patent and intellectual property disputes regarding medical devices have often been settled through licensing or similar arrangements, costs associated with such arrangements may be substantial and could include ongoing royalties. Furthermore, there can be no assurance that the necessary licenses would be available to the Company on satisfactory terms, if at all, or that the Company could redesign its products or processes to avoid infringement. Any adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent the Company from manufacturing and selling its products, which would have a material adverse effect on the Company's business, financial condition and results of operations.

Patent applications in the United States are maintained in secrecy until patents issue and patent applications in foreign countries are maintained in secrecy for a period after filing. Accordingly, there can be no assurance that current and potential competitors or other third parties have not or will not file applications for, or have not or will not receive, patents and will not obtain additional proprietary rights relating to materials or processes used or proposed to be used by the Company.

The Company has developed certain of its patent and proprietary rights relating to the Beta-Cath System in conjunction with Emory University Hospital, a leader in the use of intravascular radiation therapy. To obtain the exclusive rights to commercialize the Beta-Cath System for the treatment of restenosis, the Company entered into a license agreement with Emory, under which Emory assigned to the Company all of Emory's rights to one pending U.S. patent application, as to which Emory made no representation or warranty with respect to its ownership thereof, and licensed other technology thereunder relating to the Beta-Cath System, but made only limited representations as to the ownership of such other technology. Under the agreement Emory will be entitled to royalty payments based upon net sales of the Beta-Cath System. The term of the agreement runs through the later of (i) the expiration of the last patent covered by the agreement to expire or (ii) January 2016 (unless earlier terminated as provided in the agreement). Any inventions developed jointly by personnel of the Company and Emory during the term of the license agreement are owned jointly by the Company and Emory. If the agreement were terminated by Emory as a result of the Company's failure to pay such royalties or any other breach of its obligations under such agreement, the Company's rights to use jointly owned patents (including any patent covering the continuation-in-part application which has been filed) would become non-exclusive, it would have no rights to practice

future patents owned exclusively by Emory and the Company could be required by Emory to cooperate in licensing the pending U.S. patent application and its 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, including Spencer B. King, III, M.D., have assigned their rights in the technology, if any, to Novoste and/or Emory.

In addition, the Company has entered into a license agreement with Dr. King pursuant to which Dr. King 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 of $5,000,000 to be paid to Dr. King, in exchange for the right granted thereunder to the Company to use his name in connection with sales and marketing of the Beta-Cath System.

The Company typically obtains 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 the Company during the course of the individual's relationship with the Company, is to 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 the Company in the event of unauthorized use, transfer or disclosure of such information or inventions. Furthermore, no assurance can be given that competitors will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to the Company's proprietary technology, or that the Company can meaningfully protect its rights in unpatented proprietary technology.

Government Regulation

United States

The Company's Beta-Cath System is regulated in the United States as a medical device. As such, the Company is subject to extensive regulation by the FDA and in some instances by foreign governments. The FDA regulates the clinical testing, manufacture, labeling, 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 premarket clearance or premarket approval for devices, withdrawal of marketing approvals, a recommendation by the FDA that the Company 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 by the Company.

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 efficacy. Under FDA regulations Class I devices are subject to general controls (for example, labeling, premarket notification and adherence to GMPs) and Class II devices are subject to general and special controls (for example, performance standards, patient registries, and FDA guidelines). Generally, Class III devices are those that must receive premarket approval by the FDA after evaluation of their safety and efficacy (for example, life-sustaining, life-supporting and implantable devices, or new devices that have not been found substantially equivalent to legally marketed devices). The Beta-Cath System is a Class III device which will require pre-market approval ("PMA") by the FDA prior to its commercialization.

A PMA application must be supported by valid scientific evidence which typically includes extensive data, including preclinical and human clinical trial data to demonstrate safety and efficacy of the device. If human clinical trials of a device are required and the device presents a "significant risk," the sponsor of the trial (usually the manufacturer or the distributor of the device) is required to file an IDE application with the FDA prior to commencing human clinical trials. The IDE application must be supported by data, typically including the results of animal and laboratory testing. If the IDE application is approved by the FDA and one or more appropriate Institutional Review Boards ("IRBs"), human clinical trials may begin at a specific number of investigational sites with a specific number of patients, as approved by the FDA.

The PMA application must also contain the results of all relevant bench tests, laboratory and animal studies, a complete description of the device and its components, and a detailed description of the methods, facilities and controls used to manufacture the device. In addition, the submission must include the proposed labeling, advertising literature and training methods (if required). Upon receipt of a PMA application, the FDA makes a threshold determination as to whether the application is sufficiently complete to permit a substantive review. If the FDA determines that the PMA application is sufficiently complete to

permit a substantive review, the FDA will accept the application for filing and begin an in-depth review of the PMA. An FDA review of a PMA application generally takes one to two years from the date the PMA application is accepted for filing, but may take significantly longer. The review time is often significantly extended by the FDA asking for more information or clarification of information previously submitted. During the review period an advisory committee, primarily comprised of clinicians, will likely be convened to review and evaluate the application and provide recommendations to the FDA as to whether the device should be approved. The FDA is not bound by those recommendations. Toward the end of the PMA review process, the FDA generally will conduct an inspection of the manufacturer's facilities to ensure that the facilities are in compliance with the applicable GMP requirements.

If the FDA's evaluations of both the PMA application and the manufacturing facilities are favorable, the FDA will either issue an approval letter or an "approvable letter" containing a number of conditions which must be satisfied in order to secure the final approval of the PMA. When and if those conditions have been fulfilled to the satisfaction of the FDA, the agency will issue a PMA approval letter authorizing commercial marketing of the device for certain indications. If the FDA's evaluation of the PMA application or manufacturing facilities is not favorable, the FDA will deny approval of the PMA application or issue a "not approvable letter." The FDA may also determine that additional clinical trials are necessary, in which case PMA approval could be delayed for several years while additional clinical trials are conducted and submitted in an amendment to the PMA. The PMA process can be expensive, uncertain and lengthy, and a number of devices for which FDA approval has been sought by other companies have never been approved for marketing.

To date the Company has obtained an IDE for a feasibility clinical trial to collect data necessary to gain FDA approval to begin a multi-center, randomized, prospective clinical trial needed to support a PMA application. There can be no assurance as to when, or if, the Company will complete clinical trials of its Beta-Cath System or that data from such trials, if completed, will be adequate to support approval of a PMA. Furthermore, there can be no assurance that the Company will be able to obtain PMA approval on a

timely basis, or at all, and delays in the receipt of, or failure to receive, such approvals would have a material adverse effect on the Company's business, financial condition and results of operations, and could result in cessation of the Company's business.

Any products manufactured or distributed by the Company pursuant to FDA clearances or 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 certain state agencies. The FDA Act requires devices to be manufactured in accordance with GMP regulations which impose certain procedural and documentation requirements upon the Company with respect to manufacturing and quality assurance activities. The FDA has proposed changes to the GMP regulations that would, among other things, require design controls and maintenance of service records, which if finalized, would likely increase the cost of complying with GMP requirements.

Because the Beta-Cath System utilizes radiation sources, its manufacture, distribution, transportation, import/export, use and disposal will also be subject to federal, state and/or local laws and regulations relating to the use and handling of radioactive materials. Specifically, after PMA approval is obtained, approval by the U.S. Nuclear Regulatory Commission ("NRC"), or an equivalent state agency, of the Company's radiation sources for certain medical uses will be required to commercially distribute the radiation sources to licensed recipients in the United States. In addition, the Company and/or its supplier of radiation sources must obtain a specific license from the NRC to commercially distribute such radiation sources as well as comply with all applicable regulations. The Company and/or its supplier of radiation sources must also comply with NRC and U.S. 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. In addition, hospitals may be required to obtain or expand their licenses to use and handle beta radiation prior to receiving radiation sources for use in the Beta-Cath System. Comparable radiation regulatory requirements and/or approvals are anticipated in markets outside the United States. If any of the foregoing approvals are significantly delayed or not obtained, the Company's business, financial condition and results of operations could be materially adversely affected.

The Company is 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. There can be no assurance that the Company will not be required to incur significant costs to comply with such laws and

regulations now or in the future or that such laws or regulations will not have a material adverse effect upon the Company's ability to do business.

Changes in existing requirements or adoption of new requirements or policies could adversely affect the ability of the Company to comply with regulatory requirements. Failure to comply with regulatory requirements could have a material adverse effect on the Company's business, financial condition or results of operations. There can be no assurance that the Company will not be required to incur significant costs to comply with laws and regulations in the future or that laws and regulations will not have a material adverse effect upon the Company's business, financial condition or results of operations.

International

Sales of the Beta-Cath System outside the United States are subject to regulatory requirements that vary from country to country. The time required to obtain approval for sale in foreign countries may be longer or shorter than that required for FDA approval and the requirements may differ. In addition, there may be foreign regulatory barriers other than premarket approval (including regulations concerning the distribution, use and handling of the radiation sources), and the FDA must approve exports of devices that require a PMA but are not yet approved domestically. The current rules provide that, in order to obtain FDA export approval, the Company must provide the FDA with documentation related to the medical

device. On February 19, 1997 the Company commenced a feasibility study in Canada and expects to commence an additional study in The Netherlands in April 1997. In Europe, commencing in 1998 the Company will be required to obtain certifications necessary to enable the CE mark to be affixed to the Beta-Cath System, to market the Beta-Cath System throughout the European Union. Additionally, to market products in Europe, the Company is required to maintain ISO 9001/EN 46001 certification subject to periodic surveillance audits.

Other countries in which the Company intends to market the Beta-Cath System may adopt regulations in the future that could prevent the Company from marketing its Beta-Cath System in those countries. In addition, the Company may be required to spend significant amounts of capital in order to respond to requests for additional information by foreign regulatory bodies or may otherwise be required to spend significant amounts of capital in order to obtain foreign regulatory approvals. Any such events could substantially delay or preclude the Company from marketing the Beta-Cath System in foreign countries.

Third-Party Reimbursement

The Beta-Cath System, if approved for commercial sale, will be purchased primarily by hospitals. Hospitals and physicians bill various third-party payors, such as government health programs, private health insurance plans, managed care organizations and other similar programs, for the health care services provided to their patients. The FDA has classified the Beta-Cath System as an experimental device and accordingly its use in the human clinical trials will not be reimbursable under the Medicare program or by private insurers until the PMA approval is achieved, if ever. The classification of the Beta-Cath System as experimental will materially increase the costs of conducting clinical trials in the United States, and such costs could have a material adverse effect on the Company's business, financial condition and results of operations. Such classification may cause the Company to conduct the majority of its clinical trials outside the United States. Relying on foreign clinical trials may subject the Company to certain risks, including the necessity to obtain FDA approval to export the products from the United States, the risk that the FDA may not accept data from certain foreign countries, the difficulty in identifying clinical sites able to conform to FDA requirements, foreign medical regulations and foreign radiation regulations. Even if the Beta-Cath System were to receive approval for marketing by the FDA, there can be no assurance that third-party payors will cover the Beta-Cath System, or, if covered, that third-party payors will not place certain restrictions on the circumstances in which coverage will be available. In addition, payors may deny reimbursement if they determine that a product was not used in accordance with established payor protocol regarding cost-effective treatment methods or was used for an unapproved indication. Third-party payors are also increasingly challenging the prices charged for medical products and services and in some instances have put pressure on medical device suppliers to lower their prices. The Company is unable to predict what changes will be made in the reimbursement methods used by third-party health care payors. There can be no assurance that the Beta-Cath System will be considered cost effective by third-party payors, that reimbursement for the Beta-Cath System will be available or, if available, that payors' reimbursement levels will not adversely affect the Company's ability to sell the Beta-Cath System on a profitable basis. In addition, the cost of health care has risen significantly over the past decade and there have been and may continue to be proposals by legislators, regulators and third-party payors to curb these costs. Failure by hospitals and physicians to obtain reimbursement from third-party payors, changes in third-party payors' policies toward reimbursement for the

Beta-Cath System or legislative action could have a material adverse effect on the Company's business, financial condition and results of operations.

Product Liability and Insurance

The business of the Company entails the risk of product liability claims. Although the Company has not experienced any product liability claims to date, there can be no assurance that such claims will not be asserted or that the Company will have sufficient resources to satisfy any liability resulting from such claims through 1996. Through December 31, 1996 the Company maintained product liability insurance with coverage of an annual aggregate maximum of $2 million. Effective January 1997 this insurance was

increased to $4 million. There can be no assurance that product liability claims will not exceed such insurance coverage limits, that such insurance will continue to be available on commercially reasonable terms or at all, or that a product liability claim would not materially adversely affect the business, financial condition or results of operations of the Company.

Employees and Consultants

As of December 31, 1996 the Company directly employed 35 full-time individuals. Most of the Company's employees have prior experience with medical device or pharmaceutical companies. The Company believes it maintains good relations with its employees. None of the Company's employees is represented by a union or covered by a collective bargaining agreement. The Company's success will depend in large part upon its ability to attract and retain qualified employees. The Company faces competition in this regard from other companies, research and academic institutions and other organizations.

The Company maintains continuing relationships with a number of independent consultants that have contributed to the development of the Company's products and work on specific development projects. These relationships are integral to the continued success of the Company and the generation of new products from the research and development departments.

Executive Officers of the Company

The executive officers of the Registrant, who are elected by the board of directors, are as follows:

Name	Age	Position
Thomas D. Weldon	41	President, Chief Executive Officer and Director
Charles E. Larsen	45	Senior Vice President, Chief Technical Officer and Director
David N. Gill	42	Vice President-Finance, Chief Operating Officer, Chief Financial Officer and Treasurer
Thomas K. Brooks	40	Vice President, Sales, Marketing and Business Development
Cheryl R. Johnson	34	Vice President, Corporate Planning and Secretary
Joan M. Macdonald, Ph.D.	39	Vice President, Regulatory and Clinical Affairs
Jonathan J. Rosen, Ph.D.. (1)	49	Vice President, Product Development

(1) Resigned as an officer effective February 28, 1997.

Thomas D. Weldon. Mr. Weldon co-founded the Company and has served as its President and Chief Executive Officer and as a Director since its capitalization in May 1992. Mr. Weldon co-founded and was President, Chief Executive Officer and a Director of Novoste Puerto Rico Inc. ("Novoste Puerto Rico"), a manufacturer of disposable cardiovascular medical devices, from 1987 to May 1992, prior to its sale. Previous responsibilities included management positions at Arthur Young & Company and Key Pharmaceuticals. Mr. Weldon received a B.S. in Industrial Engineering from Purdue University and an M.B.A. in Operations and Systems Management from Indiana University.

Charles E. Larsen. Mr. Larsen co-founded the Company and has served as its Senior Vice President and as a Director since its capitalization in May 1992. Since February 28, 1997, Mr. Larsen has been Chief Technical Officer of the Company, having served from May 1992 through February 1997 as its Chief Operating Officer. Mr. Larsen co-founded and was Vice President and Director of Novoste Puerto Rico from 1987 to May 1992. From 1983 through 1987, Mr. Larsen was a manager of manufacturing engineering at Cordis Corporation. Mr. Larsen received a B.S. in Mechanical Engineering from New Jersey Institute of Technology.

David N. Gill. Mr. Gill has served as the Company's Vice President of Finance, Chief Financial Officer and Treasurer since July 1996 and as Chief Operating Officer since February 28, 1997. From August 1995 to June 1996, Mr. Gill served as Chief Financial Officer of SPEA Software AG. From 1992 to 1995 Mr. Gill served as President and Director of Dornier Medical Systems, Inc. and from 1990 to 1992 as its Vice President of Finance. Mr. Gill received an M.B.A. from Emory University and a B.S. degree in Accounting from Wake Forest University.

Thomas K. Brooks. Mr. Brooks has served as the Company's Vice President, Sales, Marketing and Business Development since January 1995. From 1986 through December 1994, Mr. Brooks served in various sales, marketing, and business development positions with Boston Scientific Corporation, a manufacturer of medical devices, most recently as manager of new business development. From 1983 through 1986, Mr. Brooks held various sales positions for Ethicon Endo-Surgery Division of Johnson & Johnson. Mr. Brooks received a B.A. in Business Administration from Monmouth College.

Cheryl R. Johnson. Ms. Johnson joined the Company in July 1992 as Director of Marketing and Business Development and Secretary and has served as Director of Administration and Business Development of the Company since January 1996. From August 1989 to June 1992, Ms. Johnson worked in planning and business development capacities at BOC Health Care, most recently as its business development manager. Ms. Johnson received an M.B.A. from the Kellogg School at Northwestern University and a B.S. degree in Chemical Engineering from the Georgia Institute of Technology.

Joan M. Macdonald, Ph.D. Dr. Macdonald joined the Company in January 1994, as its Director of Regulatory Affairs, and has been its Vice President, Regulatory and Clinical Affairs since January 1996. From September 1990 through September 1993, Dr. Macdonald worked for CIBA Vision Corporation, a manufacturer of ophthalmic products, having served most recently as Director, Worldwide Regulatory Strategy. Dr. Macdonald received a Ph.D. degree in physiology from the Medical College of Wisconsin, and M.S. and B.S. degrees in Zoology from the University of Wisconsin and has currently completed more than 50% of the course work for an M.P.H. degree at Emory University.

Jonathan J. Rosen, Ph.D. Dr. Rosen has served as Vice President, Product Development of the Company since July 1992. From March 1990 until joining the Company, Dr. Rosen was President and Director of CDX Corporation, a publicly-traded medical device company. From 1979 through March 1990, Dr. Rosen served in various senior management product development capacities at Johnson & Johnson. Dr. Rosen received the following degrees: a Ph.D. in Biomaterials Science from Case Western Reserve University, an M.S. in Business Policy from Columbia University, and an M.S. in Materials Science and a B.S.E. in Metallurgical Engineering from the University of Michigan. Mr. Rosen resigned as an officer of the Company effective February 28, 1997.

Additional Risk Factors

LIMITED OPERATING HISTORY. The Company has a limited history of operations. Since its inception in May 1992 the Company has been primarily engaged in research and development of its Beta-Cath System. The Company has generated only limited revenue and does not have experience in manufacturing, marketing or selling its products in quantities necessary for achieving profitability. There can be no assurance that the Company's product systems will be commercialized or that the Company will achieve significant revenues from either international or United States sales. In addition, there can be no assurance that the Company will achieve or sustain profitability in the future.

HISTORY OF LOSSES AND EXPECTATION OF FUTURE LOSSES. The Company has experienced significant operating losses since inception and as of December 31, 1996 had an accumulated deficit of $13.4 million. The development and further commercialization of the Company's current products and other new products, if any, will require substantial development, clinical, regulatory, manufacturing and

other expenditures. The Company expects its operating losses to continue for at least the next two years as the Company continues to expand its product development, clinical trials, and marketing efforts.

FLUCTUATIONS IN OPERATING RESULTS. The Company's results of operations may fluctuate significantly from quarter to quarter and will depend upon numerous factors, including product development efforts, actions relating to regulatory and reimbursement matters, progress of clinical trials, the extent to which the Company's products gain market acceptance, and competition.

DEPENDENCE ON BETA CATH SYSTEM. The Company anticipates that for the foreseeable

future it will be solely dependent on the successful development and commercialization of the Beta-Cath System. The Beta-Cath System will require further development, as well as regulatory clearance or approval, before it can be marketed in the United States or internationally. There can be no assurance that the Company's development efforts will be successful or that the Beta-Cath System will be shown to be safe or effective, cleared or approved by regulatory authorities, capable of being manufactured in commercial quantities at acceptable costs, approved by payors for reimbursement or successfully marketed. In addition, there can be no assurance that demand for the Beta-Cath System will be sufficient to allow profitable operations. Failure of the Beta-Cath System to be successfully commercialized would have a material adverse effect on the Company's business, financial condition and results of operations.

LIMITED SALES AND MARKETING EXPERIENCE. At present the Company has no sales and a limited marketing and sales capability. The Company intends to sell its products in the United States directly and outside the United States through international distributors and corporate partners. There can be no assurance that the Company will be able to recruit and train adequate sales and marketing personnel to successfully commercialize the Beta-Cath System in the United States. The inability to recruit or retain suitable international distributors or corporate partners could also have a material adverse effect on the Company's business, financial condition and results of operations. The Company intends to select one or more established market leaders in the radiation isotope business to inventory and deliver the radiation sources and provide related training, testing and support services to hospitals in both the United States and international markets. The inability to recruit or retain one or more such entities for this purpose could have a material adverse effect on the Company's business, financial condition and results of operations.

RISK OF INADEQUATE FUNDING. The Company anticipates that its operating losses will continue through at least 1998 because it plans to expend substantial resources in funding clinical trials in support of regulatory approvals, and continues to expand research and development and marketing activities. Novoste believes that current cash balances and short-term investments, together with interest thereon, will be sufficient to meet the Company's operating and capital requirements through calendar 1997. However, the Company's future liquidity and capital requirements will depend upon numerous factors, including the progress of the Company's clinical research and product development programs; the receipt of and the time required to obtain regulatory clearances and approvals; the resources required to gain approvals; the resources the Company devotes to the development, manufacture, and marketing of its products; the resources required to hire and develop a direct sales force in the United States, develop distributors internationally, and to expand manufacturing capacity; facilities requirements; market acceptance and demand for its products; and other factors. Novoste may in the future seek to raise additional funds through bank facilities, debt or equity offerings or other sources of capital. There can be no assurance that additional financing, if required, will be available on satisfactory terms, or at all.

DEPENDENCE UPON KEY PERSONNEL. The Company is dependent upon a number of key management and technical personnel. The loss of the services of one or more key employees could have a material adverse effect on the Company. The Company's success will also depend on its ability to attract and retain additional highly qualified management and technical personnel. The Company faces intense competition for qualified personnel, many of whom are often subject to competing employment offers, and there can be no assurance that the Company will be able to attract and retain such personnel. Furthermore, the Company relies on the services of several medical and scientific consultants, all of whom are employed

on a full-time basis by hospitals or academic or research institutions. Such consultants are therefore not available to devote their full time or attention to the Company's affairs.

POSSIBLE VOLATILITY OF STOCK PRICE. The stock market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Company's Common Stock. In addition, the market price of the shares of Common Stock is likely to be highly volatile. Factors such as fluctuations in the Company's operating results, announcements of technological innovations or new products by the Company or its competitors, FDA and international regulatory actions, actions with respect to reimbursement matters, developments with respect to patents or proprietary rights, public concern as to the safety of products developed by the Company or others, changes in health care policy in the United States and internationally, changes in stock market analyst recommendations regarding the Company, other medical device companies or the medical device industry generally and general market conditions may have a significant effect on the market price of the Common Stock.

Item 2. PROPERTIES

The Company leases approximately 25,600 square feet of office and laboratory space in an office park in Norcross, Georgia under a five-year lease expiring in 2000. All of the Company's operations (other than clinical research activities and services of its consultants) are conducted in that facility. The Company believes that its facility is adequate to serve its needs through at least 1998, but additional facilities may be needed thereafter to commercialize the Beta-Cath System.

Item 3. LEGAL PROCEEDINGS

None.

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

Not applicable.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock has been traded on the Nasdaq National Market (Nasdaq symbol: NOVT). The number of record holders of the Company's Common Stock at February 28, 1997 was 137, excluding beneficial owners of shares registered in nominee or street name. The Company has not paid any dividends since its inception, other than the distribution of the Shareholder Right described in Note 6 of the Notes to the Financial Statements, and does not intend to pay any dividends in the foreseeable future.

The range of high and low closing sale prices for the Common Stock is as follows:

Quarter Ended	High	Low
June 30, 1996 (from May 23, 1996)	$ 15.50	$ 8.75
September 30, 1996	$ 13.75	$ 7.00
December 31, 1996	$ 16.75	$11.875

On February 28, 1997, the last reported sale price for the Common Stock was $16.25.

Item 6. SELECTED FINANCIAL DATA

The following table sets forth selected statement of operations and balance sheet data for the fiscal years ended December 31, 1996, 1995, 1994, and 1993, and for the period from inception (May 22, 1992) through December 31, 1992 and for the period from inception through December 31, 1996. The selected financial data for each such fiscal year listed below has been derived from the financial statements of the Company for those years, which have been audited by Ernst & Young LLP, independent auditors, whose report on the Company's financial statements as of December 31, 1996 and 1995, for each of the three years in the period ended December 31, 1996 and for the period from inception (May 22, 1992) through December 31, 1996 is included elsewhere herein. Certain prior years' expense amounts have been reclassed in the Statement of Operations for 1995, 1994, 1993, for the period from inception through December 31, 1992 and for the period from inception through December 31, 1996. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the Financial Statements and related Notes and other financial information included herein.

<TABLE>
<CAPTION>

	Year Ended December 31,				Period from inception (May 22, 1992) through December 31,	Period from inception (May 22, 1992) through December 31,
	1996	1995	1994	1993	1992	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:						
Revenues	$ --	$ 17	$ 72	$ --	$ 200	291
Costs and expenses:						
Research and development	4,647	2,089	1,404	545	202	8,887
General and administrative	1,575	466	526	785	735	4,088
Marketing	581	659	291	--	--	1,532

Loss from operations	(6,803)	(3,197)	(2,149)	(1,330)	(737)	(14,216)
Net interest income (expense)	864	(21)	(47)	5	9	810
Net loss	$ (5,939)	$ (3,218)	$ (2,196)	$ (1,325)	$ (728)	$(13,406)
Net loss per share (1)	$ (0.88)	$ (0.69)	$ (0.54)	$ (0.38)	$ (0.24)	
Shares used to compute net loss per share (1)	6,748	4,671	4,031	3,443	3,030	

(1) See Note 1 of the Notes to the Financial Statements for an explanation of the method used to determine the number of shares to compute net loss per share.

	December 31,				
	1996	1995	1994	1993	1992
Balance Sheet Data:					
Working capital (deficit)	$ 26,849	$ (906)	$ (1,267)	$ (149)	$ 455
Total assets	29,255	2,057	982	1,583	1,157
Total liabilities	821	1,739	1,396	976	306
Deficit accumulated during development stage	(13,406)	(7,467)	(4,249)	(2,053)	(728)
Total shareholders' equity (deficit)	28,434	318	(413)	608	851

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements contained in this Form 10-K that are not historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding the expectations, beliefs, intentions or strategies regarding the future. The Company intends that all forward-looking statements be subject to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the Company's views as of the date they are made with respect to future events and financial performance, but are subject to many uncertainties and risks which could cause the actual results of the Company to differ materially from any future results expressed or implied by such forward-looking statements. Examples of such uncertainties and risks include, but are not limited to, whether the Beta-Cath System, the Company's primary product in development, will prove safe and effective; whether and when the Company will obtain approval of the Beta-Cath System from the United States Food and Drug Administration (FDA) and corresponding foreign agencies; the Company's need to achieve manufacturing scale-up in a timely manner, and its need to provide for the efficient manufacturing of sufficient quantities of its products; the Company's dependence on the Beta-Cath System as the primary source of future revenue; the lack of an alternative source of supply for the radiation source materials used in the Beta-Cath System; the Company's patent and intellectual property position; the Company's need to develop the marketing, distribution, customer service and technical support and other functions critical to the success of the Company's business plan; the effectiveness and ultimate market acceptance of the Beta-Cath System; limitations on third party reimbursement; and competition between rival developers of restenosis reduction products. Additional risk factors include those discussed in the section entitled "Item 1 - Business" as well as those that may be set forth in reports filed by the Company from time to time on Forms 10-Q and 8-K. The Company does not undertake any obligation to update any forward-looking statements.

Overview

Novoste, incorporated in January 1987, was first capitalized and commenced operations in May 1992. To date the Company has been engaged primarily in research and development efforts and clinical trials in interventional cardiology, electrophysiology and critical care products. Commencing in 1994 the Company has devoted its efforts to developing the Beta-Cath System, an intraluminal beta radiation catheter delivery system designed to reduce the frequency of restenosis subsequent to percutaneous transluminal coronary angioplasty ("PTCA"). The Beta-Cath System applies localized beta radiation to the site of the vascular injury caused by a PTCA procedure and is designed to inhibit long-term cell proliferation ("hyperplasia") and vascular remodeling, each primary causes of restenosis. The Beta-Cath System was developed at Emory University Hospital in collaboration with certain physicians, including its

Director of Interventional Cardiology, Dr. Spencer B. King, III.

The research, manufacture, sale and distribution of medical devices such as the Company's Beta-Cath System are subject to numerous regulations imposed by governmental authorities, principally the U.S. Food and Drug Administration ("FDA") and corresponding state and foreign agencies. The regulatory process is lengthy, expensive and uncertain. FDA approval of a Pre Market Approval ("PMA") application is required before any Beta-Cath System can be marketed in the United States. Securing FDA approvals will require submission to the FDA of extensive clinical data and technical information. The Company is conducting Phase I human clinical trials at Emory and Rhode Island Hospital under an Investigational Device Exemption ("IDE") granted by the FDA to determine the clinical safety of the Beta-Cath System for use in coronary arteries. Patient enrollment for the clinical trial at Emory was completed on July 31, 1996 and the enrollment at Rhode Island was completed on October 25, 1996. The six-month follow-up has not been completed on all patients. The Company anticipates commencing human clinical safety studies at a single site in Canada and The Netherlands by the end of April 1997.

For the period since its capitalization to December 31, 1996 the Company has earned minimal non-recurring revenues from the sale of patent and option rights and license and contract fees and experienced significant losses in each period. At December 31, 1996 the Company had an accumulated deficit of approximately $13.4 million. Further, Novoste expects to continue to incur significant operating losses through at least 1998 and expects cumulative losses to increase significantly as the Company continues to initiate new research and development projects, conduct its clinical trials in the United States, Canada and Europe, seek regulatory approval or clearance for its products, expand its sales and marketing efforts in contemplation of product introduction and market development and increase its administrative activities to support growth of the Company.

There can be no assurance that the Company's research and development efforts will be successfully completed. Additionally, as clinical testing has only recently commenced, there can be no assurance that the Beta-Cath System will be safe and effective. There can be no assurance that the Beta-Cath System will be approved by the FDA or any foreign government agency or that the Beta-Cath System or any other product developed by Novoste will be successfully introduced or attain any significant level of market acceptance. There can be no assurance that the Company will ever achieve either significant revenues from sales of its Beta-Cath System or ever achieve or sustain profitability.

Results of Operations

FISCAL YEARS ENDED DECEMBER 31, 1996 AND 1995

Net loss for the year ended December 31, 1996 was $5,939,000, or ($0.88) per share, as compared to $3,218,000, or ($0.69) per share, for the year ended December 31, 1995. The increase in net loss in the year ended December 31, 1996 compared to the year earlier is due to increased spending for research and development and general and administrative expenses related to the Company's development of its Beta-Cath System, offset by increased interest income earned from the investment of the net proceeds of the initial public offering in May 1996.

Revenues. No revenues were earned in the year ended December 31, 1996 as compared to $16,507 of miscellaneous sales in the year ended December 31, 1995.

Research and Development Expense. Research and development expenses increased 122% to $4,647,000 for the year ended December 31, 1996 from $2,089,000 for the year ended December 31, 1995. These increases were primarily a result of continued product development and the Company's Phase I clinical trials of the Beta-Cath System, which were initiated in 1996. The Company expects research and development expenses to continue to increase in the future as the Company initiates Phase II clinical trials of its Beta-Cath System both in the U.S. and selected foreign countries.

General and Administrative Expense. General and administrative expenses increased 238% to $1,575,000 for the year ended December 31, 1996 from $466,000 for the year ended December 31, 1995. These increases were primarily a result of increased personnel, higher salaries, accrued severance and increased costs associated with being a public company such as director and officers liability insurance. The Company expects general and administrative expenses to increase in the future in support of a higher level of operations and to support obligations associated with being a public company.

Marketing Expense. Marketing expenses decreased 12% to $581,000 for the year ended December 31, 1996 from $659,000 for the year ended December 31, 1995 due to a start-up bonus and relocation allowance paid in 1995 to a new management employee. The Company expects sales and marketing expenses to increase in the future in support of a direct sales force in the United States and international distributors to market the product.

Interest Income and Expense. Net interest income was $863,000 for the year ended December 31, 1996 whereas net interest expense of $21,000 was incurred during the year ended December 31, 1995. The increase in interest income were primarily due to investing the proceeds of the Company's initial public offering in cash equivalents and short-term investments.

FISCAL YEARS ENDED DECEMBER 31, 1995 AND 1994

Net loss for the year ended December 31, 1995 was $3,218,000, or ($0.69) per share, as compared to $2,196,000, or ($0.54) per share, for the year ended December 31, 1994. The increase in net loss in the year ended December 31, 1995 compared to the year earlier is due to increased spending for research and development and general and administrative expenses related to the Company's development of its Beta-Cath System.

Revenues. Revenues decreased to $17,000 in 1995 from $72,000 in 1994 as the Company did not receive any contract or license fee revenue in 1995.

Research and Development Expense. Research and development expenses increased 49% to $2,089,000 for the year ended December 31, 1995 from $1,404,000 for the year ended December 31, 1994. This increase in expenses was due to the hiring of additional personnel, an increase in outside consulting and services attributable to the development of the Beta-Cath System, and the support of pre-clinical studies.

General and Administrative Expense. General and administrative expenses decreased 11% to $466,000 for the year ended December 31, 1995 from $526,000 for the year ended December 31, 1994. There were no significant changes in any one expense category.

Marketing Expense. Marketing expenses increased 126% to $659,000 for the year ended December 31, 1995 from $291,000 for the year ended December 31, 1994 due to additions to the Company's management to support increased marketing efforts.

Interest Income and Expense. Net interest expense decreased 54% to $21,000 for the year ended December 31, 1995 from $46,000 for the year ended December 31, 1994. This was due to increased interest income during the year ended December 31, 1995 from amounts invested in money market accounts and certain government securities arising from additional equity financing.

Liquidity and Capital Resources

The Company financed its activities since inception up to May 29, 1996, the date of the Company's initial public offering, through private placements of its Common Stock, Class B Common Stock and promissory notes. Since inception through December 31, 1996, the Company obtained funds aggregating approximately $38.1 million in net proceeds from the issuance of Common Stock and Class B Common

Stock (including approximately $30.6 million in net proceeds from its initial public offering which closed in May 1996), and approximately $1.8 million in net proceeds from the issuance of convertible promissory notes.

During the year ended December 31, 1996 and 1995, the Company used cash to fund operations of $4.8 million and $2.7 million, respectively. Cash used to fund operations since inception was approximately $10.5 million. The increases in cash used in operations were due primarily to higher expenses associated with increased research and development activities, initiation of marketing and sales activities and increased general and administrative expenses to support increased operations. The Company's expenditures for equipment and improvements have aggregated $1.8 million since inception. Future cash needs for operating activities are anticipated to be higher than historical levels because of the development, manufacturing scale-up and commercialization of the Beta-Cath System, subject to the factors discussed above.

The Company's principal source of liquidity at December 31, 1996 consisted of cash, cash equivalents and short-term investments of $27.5 million. The Company did not have any credit lines available or outstanding borrowings at December 31, 1996. On June 27, 1996 the Company signed an agreement with a medical diagnostic engineering, development, and design company to provide products and services to be used in the Company's product development. The agreement provides for aggregate payments of $1.3 million through April 30, 1997 of which $277,000 was paid in 1996. This commitment will be funded through existing cash balances.

The Company anticipates that its operating losses will continue through at least

1998 because it plans to expend substantial resources in funding clinical trials in support of regulatory approvals, and continues to expand research and development and marketing activities. Novoste believes that current cash balances and short-term investments, together with interest thereon, will be sufficient to meet the Company's operating and capital requirements through calendar 1997. However, the Company's future liquidity and capital requirements will depend upon numerous factors, including the progress of the Company's clinical research and product development programs; the receipt of and the time required to obtain regulatory clearances and approvals; the resources required to gain approvals; the resources the Company devotes to the development, manufacture and marketing of its products; the resources required to hire and develop a direct sales force in the United States, develop distributors internationally, and to expand manufacturing capacity; facilities requirements; market acceptance and demand for its products; and other factors. Novoste may in the future seek to raise additional funds through bank facilities, debt or equity offerings or other sources of capital. There can be no assurance that additional financing, if required, will be available on satisfactory terms, or at all.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, with the report of the independent auditors, listed in Item 14, are included in this Annual Report on Form 10-K.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING FINANCIAL DISCLOSURE

Not applicable.

PART III

Certain information required by Part III is omitted from this Report on Form 10-K in that the Registrant will file a definitive proxy statement within 120 days after the end of its fiscal year pursuant to Regulation 14A with respect to the 1997 Annual Meeting of Stockholders (the "Proxy Statement") to be held on June 20, 1997 and certain information included therein is incorporated herein by reference.

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item relating to directors is incorporated by reference in the information under the caption Election of Directors in the Proxy Statement. See also Item 1 - Business - "Executive Officers of the Company."

Item 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the information under the caption Executive Compensation in the Proxy Statement.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the information under the caption Security Ownership of Certain Beneficial Owners and Management in the Proxy Statement.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item in incorporated by reference to the information under the caption Certain Relationships and Related Transactions in the Proxy Statement.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) The following financial statements of the Company and Report of Ernst & Young LLP, Independent Auditors are included in this report:

Report of Independent Auditors

Balance Sheets as of December 31, 1996 and 1995

Statements of Operations for the Years Ended December 31, 1996, 1995, and 1994 and from Inception (May 22, 1992) through December 31, 1996

Statements of Stockholders' Equity from Inception (May 22, 1992) through December 31, 1996

Statements of Cash Flows for the Years Ended December 31, 1996, 1995, and 1994 and from Inception (May 22, 1992) through December 31, 1996

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Novoste Corporation

We have audited the accompanying balance sheets of Novoste Corporation (a Development Stage Company) (the "Company") as of December 31, 1996 and 1995, and the related statements of operations, shareholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 1996 and for the period from inception (May 22, 1992) through December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 financial position of the Company as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 and for the period from inception (May 22, 1992) through December 31, 1996 in conformity with generally accepted accounting principles.

Ernst & Young LLP

Atlanta, Georgia
February 1, 1997

NOVOSTE CORPORATION
(A Development Stage Company)

BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31, 1996	1995
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	$ 19,954,827	$ 817,587
Short-term investments	7,588,693	--
Prepaid expenses	126,349	14,628
Total current assets	27,669,869	832,215
Property and equipment, net	1,128,031	932,681
License agreements, net	153,396	166,934
Other assets	303,642	125,388
	$ 29,254,938	$ 2,057,218
Liabilities and stockholders' equity		
Current liabilities:		
Fixed rate convertible promissory notes with related parties	$ --	$ 1,038,450
Accounts payable	155,946	217,543
Accrued expenses and taxes withheld	665,175	482,584
Total current liabilities	821,121	1,738,577
Shareholders' equity:		

Preferred stock, $.01 par value, 5,000,000 shares authorized at December 31, 1996, no shares issued and outstanding; none authorized at December 31, 1995		
Common stock, $.01 par value, 25,000,000 and 14,000,000 shares authorized at December 31, 1996 and 1995, respectively; 8,257,967 and 2,482,622 shares issued	82,580	24,826
Class B common stock, $.01 par value, none authorized and outstanding at December 31, 1996 and 6,000,000 shares authorized, 1,611,269 shares issued and outstanding at December 31, 1995	--	16,113
Additional paid-in capital	41,772,791	7,760,175
Deficit accumulated during the development stage	(13,405,714)	(7,466,633)
	28,449,657	334,481
Less treasury stock, 5,280 shares of common stock, at cost	(15,840)	(15,840)
Total stockholders' equity	28,433,817	318,641
	$ 29,254,938	$ 2,057,218

</TABLE>
See accompanying notes

NOVOSTE CORPORATION
(A Development Stage Company)

Statements of Operations

<TABLE>
<CAPTION>

	Year ended December 31,			From inception (May 22, 1992) through December 31,
	1996	1995	1994	1996
<S>	<C>	<C>	<C>	<C>
Revenues:				
Miscellaneous sales	$ --	$ 16,507	$ 71,777	$ 290,887
Operating expenses:				
Research and development	4,646,583	2,088,822	1,404,429	8,887,032
General and administrative	1,574,678	465,670	525,656	4,087,541
Marketing	581,280	659,361	291,470	1,532,111
	6,802,541	3,213,853	2,221,555	14,506,684
Loss from operations	(6,802,541)	(3,197,346)	(2,149,778)	(14,215,797)
Interest income	950,791	15,427	768	991,842
Interest expense	(87,331)	(36,107)	(46,679)	(181,759)
Net loss	$(5,939,081)	$(3,218,026)	$ (2,195,689)	$(13,405,714)
Net loss per share	$ (0.88)	$ (0.69)	$ (0.54)	
Weighted average shares outstanding	6,748,492	4,671,147	4,031,307	

See accompanying notes.
</TABLE>

NOVOSTE CORPORATION
(A Development Stage Company)

STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

For the period from inception (May 22, 1992) through December 31, 1996

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Exchange of stock for license agreement at $.25 per share	746,894	$ 7,469	--	$ --	$ 179,255	$ --	$ --	$ 186,724
Sale of stock at $1.00 per share	820,000	8,200	--	--	811,800	--	--	820,000
Sale of stock at $3.00 per share	86,667	867	--	--	259,133	--	--	260,000
Exercise of stock options at $.25 per share	205,000	2,050	--	--	49,200	--	--	51,250
Issuance of stock for consulting services, 117,500 shares at $.25 per share, 88,500 shares at $1.00 per share and 37,585 shares at $3.00 per share	243,585	2,435	--	--	228,195	--	--	230,630
Issuance of stock to employees for settlement of obligation for consulting services, at $3.00 per share	10,000	100	--	--	29,900	--	--	30,000
Net loss	--	--	--	--	--	(727,688)	--	(727,688)
Balance at December 31, 1992	2,112,146	21,121	--	--	1,557,483	(727,688)	--	850,916
Sale of stock at $3.20 per share, net of $138,932 of offering costs.....	331,250	3,312	--	--	917,756	--	--	921,068
Exercise of stock options at $.25 to $1.00 per share	67,875	679	--	--	23,790	--	--	24,469
Issuance of stock for consulting services, at $3.00 per share	50,862	509	--	--	152,077	--	--	152,586
Repurchase of stock at $3.00 per share	(5,280)	--	--	--	--	--	(15,840)	(15,840)
Net loss	--	--	--	--	--	(1,325,230)	--	(1,325,230)
Balance at December 31, 1993	2,556,853	25,621	--	--	2,651,106	(2,052,918)	(15,840)	607,969
Sale of stock at $3.20 per share	312,500	3,125	--	--	996,875	--	--	1,000,000
Exercise of stock options at $.25 to $1.00 per share	35,500	355	--	--	12,270	--	--	12,625
Issuance of stock for consulting services, at $3.20 per share	50,626	506	--	--	161,494	--	--	162,000
Net loss	--	--	--	--	--	(2,195,689)	--	(2,195,689)
Balance at December 31, 1994	2,955,479	29,607	--	--	3,821,745	(4,248,607)	(15,840)	(413,095)
Sale of stock at $3.75 per share, net of $191,274 of offering costs.....	--	--	986,269	9,863	3,497,372	--	--	3,507,235
Exercise of stock options at $.25 per share	9,300	93	--	--	2,232	--	--	2,325
Issuance of stock for consulting services, at $3.20 per share	27,813	278	--	--	88,724	--	--	89,002
Issuance of stock for compensation to an employee, at $3.20 per share.	16,000	160	--	--	51,040	--	--	51,200
Conversion of debt to common	93,750	938	--	--	299,062	--	--	300,000
Exchange of common for Class B common	(625,000)	(6,250)	625,000	6,250	--	--	--	--
Net loss	--	--	--	--	--	(3,218,026)	--	(3,218,026)
Balance at December 31, 1995	2,477,342	$ 24,826	1,611,269	$16,113	$7,760,175	$(7,466,633)	$(15,840)	$ 318,641

</TABLE>

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995 ...	2,477,342	$24,826	1,611,269	$ 16,113	$ 7,760,175	$ (7,466,633)	$ (15,840)	$ 318,641
Issuance of stock for consulting services 2,422 shares at $6.00 per share, 33,520 shares at $6.38 per share, 678 shares at $9.50 per share, and 435 shares at $9.375 per share ...	37,066	371	--	--	407,667	--	--	408,038

Issuance of stock for deferred compensation to employees at $3.20 per share	102,945	1,029	--	--	328,395	--	--	329,424
Conversion of debt to common stock	497,349	4,974	--	--	1,860,109	--	--	1,865,083
Exchange of Class B for common stock	1,611,269	16,113	(1,611,269)	(16,113)	--	--	--	--
Exercise of stock warrants at $4.00 to $4.50 per share	62,104	621	--	--	267,597	--	--	268,218
Cashless exercise of warrants ..	889,912	8,899	--	--	(8,899)	--	--	--
Issuance of stock in initial public offering at $14.00 per share, net of issuance costs of $2,973,746	2,400,000	24,000	--	--	30,602,254	--	--	30,626,254
Exercise of stock options at $3.00 to $3.20 per share	174,700	1,747	--	--	555,493	--	--	557,240
Net loss	--	--	--	--	--	(5,939,081)	--	(5,939,081)
Balance at December 31, 1996 ...	8,252,687	$82,580	--	$ --	$41,772,791	$(13,405,714)	$ (15,840)	$ 28,433,817

</TABLE>

See accompanying notes

NOVOSTE CORPORATION
(A Development Stage Company)

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year ended December 31,			From inception (May 22, 1992) through December 31,
	1996	1995	1994	1996
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities				
Net loss	$(5,939,081)	$(3,218,026)	$(2,195,689)	$(13,405,714)
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation and amortization	316,082	227,373	204,373	877,875
Issuance of stock for services or compensation	408,038	140,202	162,000	947,318
Change in assets and liabilities:				
Prepaid expenses and other	(111,721)	34,041	(18,866)	(133,808)
Accounts payable	(61,597)	95,386	48,249	155,946
Accrued expenses and taxes withheld	577,098	59,230	33,677	1,059,682
Net cash used by operations	(4,811,181)	(2,661,794)	(1,766,256)	(10,498,701)
Cash flows from investing activities				
(Purchase) sale of short-term investments	(7,588,693)	-	194,280	(7,588,693)
Purchase of property and equipment, net	(449,730)	(484,346)	(510,939)	(1,752,426)
Other	(226,418)	(113,779)	-	(356,037)
Net cash used by investing activities	(8,264,841)	(598,125)	(316,659)	(9,697,156)
Cash flows from financing activities				
Proceeds from issuance of notes payable	2,561,700	1,358,450	550,000	4,770,150
Repayment of notes payable	(1,800,150)	(870,000)	-	(2,970,150)
Proceeds from issuance of common stock	31,183,494	3,509,560	1,012,625	38,082,466
Exercise of warrants	268,218			268,218
Net cash provided by financing activities	32,213,262	3,998,010	1,562,625	40,150,684
Net increase (decrease) in cash and cash equivalents	19,137,240	738,091	(520,290)	19,954,827
Cash and cash equivalents at beginning of period	817,587	79,496	599,786	-
Cash and cash equivalents at end of period	$19,954,827	$ 817,587	$ 79,496	$19,954,827
Supplemental disclosures of cash flow information				
Cash paid for interest	$ 101,312	$ 38,741	$ 25,084	$ 165,137
Conversion of fixed rate promissory notes to related parties and accrued interest to common				

stock	$1,865,083	$1,865,083
Conversion of deferred compensation to common stock	$ 329,424	$ 329,424

See accompanying notes.
</TABLE>

NOVOSTE CORPORATION
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

Organization and Basis of Presentation

Novoste Corporation (the "Company") was incorporated on January 8, 1987 and remained dormant until May 22, 1992 (date of inception) at which time it was capitalized. The Company is a development stage enterprise that is engaged in developing the Beta-Cath System, an intraluminal beta radiation catheter delivery system designed to reduce restenosis subsequent to percutaneous transluminal coronary angioplasty.

The majority of the Company's efforts to date have been in the organization of the Company, establishing its management team, raising capital and initiating product development. The Company's initial public offering became effective on May 23, 1996 and closed on May 29, 1996 with the issuance of 2,400,000 shares of Common Stock and net proceeds (after underwriting discounts) of $31,248,000 before related expenses of approximately $622,000. All revenues received to date have been from the sale of certain patent rights, option payments made by a potential strategic partner to the Company in exchange for the sole right for the potential partner to enter into future agreements with the Company, and contract fees. Substantially all of the Company's products are in various stages of development. To achieve profitable operations, the Company must successfully complete the development and clinical trials of its products, obtain required regulatory approvals and achieve market acceptance. There can be no assurance that these efforts will be successful.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Net Loss Per Share

The net loss per share is computed based on the weighted average number of common shares outstanding after giving effect to certain adjustments described below. Common equivalent shares are not included in the per share calculations where the effect of their inclusion would be antidilutive, except that, in accordance with Securities and Exchange Commission requirements, common and common stock equivalent shares issued during the twelve-month period preceding the initial public offering in May 1996 have been included in the calculation through March 31, 1996 as if they were outstanding for all periods, using the treasury stock method and the actual initial public offering price of $14.00 per share.

Historical net loss per share information presented in accordance with generally accepted accounting principles is as follows:

	Years ended December 31		
	1996	1995	1994
Net loss per share	$ (0.91)	$ (0.87)	$ (0.77)
Shares used in computing historical net loss per share	6,543,129	3,679,361	2,836,896

Cash 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 that are classified as short-term (mature in more than 90 days but less than one year). Such investments are classified as held-to-maturity, as the Company has the ability and intent to hold them until maturity. Investments held-to-maturity are carried at amortized cost, adjusted for the amortization or accretion of premiums or discounts without recognition of gains or losses that are deemed to be temporary. Premiums and discounts are amortized or accreted over the life of the related instruments as an adjustment to yield using the straight-line method, which approximates the effective interest method. Interest income is recognized when earned. Fair value approximates carrying value for all cash equivalents and investments.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method based on the estimated useful lives of the related assets ranging from 5 to 7 years. Leasehold improvements are amortized over the remaining term of the related lease using the straight-line method. Repairs and maintenance are expensed as incurred.

Property and equipment is comprised of the following:

	1996	1995
Furniture and fixtures	$ 303,958	$ 232,112
Office equipment	356,269	220,851
Laboratory equipment	134,735	98,001
Leasehold improvements	454,016	334,162
Production equipment	482,334	412,382
	1,731,312	1,297,508
Less: Accumulated depreciation and amortization	(603,281)	(364,827)
	$ 1,128,031	$ 932,681

Other Assets

License agreements are amortized on a straight-line basis over periods ranging from fifteen to twenty years. The amortization periods are based on the lives of the license agreements or the approximate remaining lives of the related patents, whichever is appropriate. Accumulated amortization on license agreements at December 31, 1996 and 1995 totaled $65,368 and $43,569, respectively.

At December 31, 1996 other assets includes $90,000 paid to a German supplier for an option, exercisable through August 25, 2002, to purchase certain assets of the vendor for $5,000,000. Other assets also include $130,720 advanced to the same vendor. For additional discussion of these amounts see Note 3 "Commitments and Concentrations".

Research and Development

All research and development costs are charged to operations as incurred.

Patent Costs

Legal fees and other direct costs incurred in obtaining and protecting patents are expensed as incurred.

Stock Based Compensation

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 value of the shares at the date of grant. The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25") and related Interpretations in accounting for its employee stock options. Under APB 25, no compensation expense is recognized for stock option grants for which the terms are fixed. Compensation expense is recognized for increases in the estimated fair value of common stock for any stock options with variable terms.

In October 1995 the FASB issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("Statement 123"), which changes the accounting for stock based compensation to non-employees and provides an alternative to APB 25 in accounting for stock-based compensation to employees. However, the Company elected to continue to account for stock-based compensation to employees in accordance with APB 25 and to disclose the impact of the alternative accounting (see Note 6).

Reclassification

Certain prior year expense amounts have been reclassified in the Statements of Operations for 1995 and 1994 and for the period from inception through December 31, 1996 to conform with current year classifications.

2. Consulting Agreements

The Company has agreements with the members of its Scientific Advisory Board, various consultants and others with terms ranging from one to five years. Substantially all of these agreements provide for stock grants on the

agreement dates with such shares valued at the fair market value on the date of grant and include certain registration rights.

During 1996, 1995 and 1994 approximately $46,000, $21,300, and $50,000, respectively, were charged to operations as amortization of the deferred compensation capitalized under these agreements ($187,751 from inception through December 31, 1996).

3. Commitments and Concentrations

Commitments

The Company is committed under operating leases for its facility and various office equipment. Rent expense was approximately $143,192, $116,400, and $62,400 for 1996, 1995 and 1994, respectively ($416,392 from inception through December 31, 1996). The total future minimum rental payments are as follows:

1997	$174,097
1998	174,097
1999	167,692
2000	64,553
	$580,439

The Company has 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 of $5,000,000, to be paid in exchange for the right granted thereunder to the Company to use his name in connection with sales and marketing of the Beta-Cath System.

On January 30, 1996 the Company entered into a license agreement whereby the licensor assigned its claim to certain of the Company's technology back to the Company for royalties based on net sales (as defined in the agreement) of products derived from such technology, subject to certain minimum royalties. The royalty agreement term is consistent with the life of the related patent and applies to assignments of the patent technology to a third party. The royalty agreement provides for a reduction of the royalty fees and term of the agreement if the patent for the technology is not received within three years of execution of the agreement.

On June 27, 1996 the Company signed an agreement with a medical diagnostic engineering, development, and design company to provide products and services to be used in the Company's product development. The agreement provides for aggregate payments of $1.3 million through April 30, 1997 of which $277,000 was paid in 1996.

On November 15, 1996 an agreement was signed under which the Company agreed to advance a German supplier a monthly investment grant of 100,000 Deutsche Mark (approximately $65,000) for a period of 15 months from November 1996 through March 1998 to build and equip a production site for the exclusive production of radioactive materials to be supplied to the Company. At December 31, 1996 advances aggregated $131,000 under this agreement. All grant advances, and the amount paid for the option described in Note 1 are included in other assets and will be credited toward the purchase price of the assets upon exercise of the option. Absent the

Company's decision to exercise the option, all amounts paid to the vendor will be amortized over the three year remaining life of the agreement once production of commercial volumes of radioactive materials commences.

Concentrations of Suppliers

Significant proportions of key components and processes relating to the Company's products are purchased from single sources due to technology, availability, price, quality, and other considerations. Key components and processes currently obtained from single sources include isotopes, catheters, protective tubing for catheters, proprietary connectors, and certain plastics used in the design and manufacture of the transfer device. In the event a supply of a key single-sourced material or component were delayed or curtailed, the Company's ability to produce the related product in a timely manner could be adversely affected. The Company attempts to mitigate these risks by working closely with key suppliers regarding the Company's product needs and the maintenance of strategic inventory levels.

4. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for income tax purposes. Significant components of the Company's deferred tax assets for federal and state income taxes are as follows:

	December 31, 1996	December 31, 1995
Deferred tax assets:		
Net operating loss carryforwards	$ 5,095,822	$ 2,697,752
R&D tax credit carryforwards	219,840	127,069
Other	102,272	140,504
	5,417,934	2,965,325
Valuation allowance	(5,417,934)	(2,965,325)
	$ --	$ --

At December 31, 1996 and 1995 no deferred tax assets were recorded as their future benefit is not assured. No income taxes were paid for 1996, 1995 or 1994.

The Company has approximately $13,375,000 of net operating losses for federal income tax purposes available to offset future taxable income. Such losses expire $470,000 in 2007, $1,335,000 in 2008, $2,140,000 in 2009, $3,120,000 in 2010, and $6,310,000 in 2011 and are subject to certain limitations in the event of a change in ownership. Approximately $574,000 of the net operating loss carryforwards will result in a credit to contributed capital when recognized. Additionally, the Company has approximately $220,000 in research and development tax credits which expire $24,000 in 2008, $47,000 in 2009, $56,000 in 2010, and $93,000 in 2011 unless utilized earlier.

5. Short-Term Debt

As of December 31, 1995 the fixed rate convertible promissory notes with related parties bore interest at the rate of 8% and were payable to certain shareholders, together with accrued interest, on June 1, 1996. At any time prior to the payment of these notes, the holders had the option to convert all or any portion of the outstanding principal balance (plus accrued interest) into Class B common stock at the rate of $3.75 per share. The conversion price of $3.75 per share was subject to adjustment in the event the Company issued or sold, or was deemed to have issued or sold, any of its common stock for consideration of less than $3.75 per share. In connection with the placement of this indebtedness, the Company issued to a third party a warrant for the purchase of 9,395 shares of common stock at $3.75 per share exercisable through December 31, 2000. The carrying amounts of the promissory notes approximated their fair values at December 31, 1995. Subsequent to December 31, 1995, the Company issued to certain other shareholders $761,550 of additional fixed rate convertible promissory notes with the same terms.

On May 28, 1996 fixed rate convertible promissory notes payable to related parties in the amount of $1,800,000 plus accrued interest of $65,083 were converted into 497,349 shares of Common Stock. On May 31, 1996 a portion of the proceeds from the initial public offering was used to pay in full fixed rate promissory notes to related parties totaling $1,500,150 and a note payable to a bank in the amount of $300,000. At December 31, 1996 there are no loans or debt outstanding.

On June 15, 1995 the Company entered into a line-of-credit arrangement for short-term debt with a bank under which the Company could borrow up to $300,000 at the prime rate plus one percent. The line-of-credit, which expired on June 15, 1996, was subject to commitment fees of .65% of the unused line-of-credit and borrowings thereunder were guaranteed up to $100,000 each by three officer/directors of the Company. No borrowings were outstanding at December 31, 1995 under this line-of credit.

6. Shareholders' Equity

Recapitalization

On May 28, 1996 all of the 1,611,269 outstanding shares of Class B Common Stock were converted on a one-for-one basis into shares of Common Stock and accrued salaries of $320,624 were converted into 100,195 shares of Common Stock. In addition, on May 28, 1996 the holders of warrants for 1,261,899 shares made cashless exercises thereof to purchase an aggregate of 889,912 shares of Common Stock (after giving effect to the conversion on a one-for-one basis of shares of Class B Common Stock issued upon exercise of such warrants). Holders of additional warrants exercised such warrants in full to purchase 62,104 shares of Common Stock for $268,218 on or prior to May 28, 1996.

On May 28, 1996 the Company filed an amendment to its Articles of Incorporation whereby the number of authorized shares of Common Stock was increased from 14,000,000 to 25,000,000, the Class B Common Stock was eliminated and 5,000,000 shares of Preferred Stock were authorized.

Shareholder Rights Plan

On October 25, 1996 the Company's Board of Directors declared a dividend of one Right for each share of Common Stock held of record at the close of business on November 25, 1996. The Rights are generally not exercisable until 10 days after an announcement by the Company that a person has acquired at least 15% of the Company's Common Stock. Each Right, should it become exercisable, will entitle the owner to buy 1/100th of a share of new Series A participating preferred stock at an exercise price of $85. The Rights, which do not have any voting rights, may be redeemed by the Company at a price of $.01 per Right at any time prior to a person's or group's acquisition of 15% or more of the Company's common stock.

In the event the rights become exercisable as a result of the acquisition of at least 15% of the Company's Common Stock, each Right will entitle the owner, other than the acquiring person, to buy at the Rights' then current exercise price a number of shares of Common Stock with a market value equal to twice the exercise price. In addition, unless the acquiring person owns more than 50% of the outstanding shares of Common Stock, the Board of Directors may elect to exchange all outstanding Rights (other than those owned by such acquiring person or affiliates thereof) at an exchange ratio of one share of Common Stock per Right. The Rights expire on November 25, 2006 unless they are earlier exercised, redeemed, or exchanged. As a result of the adoption of the Shareholders' Rights Plan, 1,000,000 shares of authorized preferred stock have been reserved and designated as Series A Participating Preferred Stock.

Stock Option Plan

The Company's Board of Directors adopted on May 26, 1992 the Novoste Corporation Stock Option Plan (the "Plan") under which options designated as either incentive or non-qualified stock options may be issued to employees, officers, directors, consultants and independent contractors of the Company or any parent, subsidiary or affiliate of the Company. Options granted under the Plan are at prices not less than the fair market value on the date of grant and may be exercised for a period of ten years from the date of grant. Options granted under the Plan have vesting periods ranging from immediately to four years. On August 20, 1996 the Plan was amended subject to shareholder approval to include a provision for options to accelerate and become immediately and fully exercisable upon a 50% or more change in control as defined in the Amended and Restated Stock Option Plan. The Company has reserved 2,500,000 shares of Common Stock for issuance under the Plan. As of December 31, 1996 there are 248,350 shares available for issuance.

On August 20, 1996 the Stock Option and Compensation Committee of the Board of Directors of the Company adopted a Non-Employee Director Stock Option Plan, subject to shareholder approval. Concurrently, stock options covering 52,500 shares were granted, which vest over a three year period and exercises thereof are contingent upon the individuals' continued service as directors. The Company has reserved 100,000 shares of Common Stock for issuance under the Plan.

Activity under the Plans are summarized as follows:

	Number of Share	Price Per Shares	Weighted-Average Price
Outstanding at January 1, 1994	1,330,125	$ .25 - 3.20	
Options granted	166,000	3.00 - 3.20	

Options exercised	(35,500)	.25 - 1.00	
Options canceled	(16,000)	3.20	
Outstanding at December 31, 1994	1,444,625	.25 - 3.20	
Options granted	359,750	3.20	
Options exercised	(9,300)	.25	
Outstanding at December 31, 1995	1,795,075	.25 - 3.20	
Options granted	209,250	8.00 -14.00	$ 10.23
Options exercised	(174,700)	3.00 - 3.25	3.19
Options forfeited	(17,850)	3.25	3.20
Outstanding at December 31, 1996	1,811,775	$ .25 -14.00	2.29
Exercisable at December 31, 1996	1,267,937	$ .25 - 3.20	$ 0.74

The following table summarizes information concerning currently outstanding and exercisable options:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ .25-$ 3.20	1,602,525	6.3	$ 1.25	1,267,937	$ .74
$ 8.00-$ 9.75	143,250	9.6	8.85	--	--
$12.25-$14.00	66,000	9.6	13.22	--	--
	1,811,775	6.8	$ 2.29	1,267,937	$ .74

On May 20, 1996 the Company amended an option to purchase 100,000 shares of Common Stock at $3.20 per share of which options for 75,000 shares had not yet become exercisable. As amended, options to purchase such 75,000 shares become exercisable at the annual rate of 25,000 shares beginning May 20, 1997, subject to acceleration upon the achievement of three specified milestones at the rate of 25,000 shares per milestone. The Company is recording total non-cash compensation expense of $810,000 ratably over the three year period ending May 19, 1999, subject to acceleration if the specified milestones are met at earlier dates; $168,750 was expensed in 1996 relating to these options.

Pro forma information regarding net loss and net loss per share is required by Statement 123, which also requires that the information be determined as if the Company had accounted for its employee stock options granted

subsequent to December 31, 1994 under the fair value method prescribed by that Statement. The fair value for options granted prior to the initial public offering was estimated at the date of grant using the Minimum Value pricing model. The fair value for options granted subsequent to the initial public offering was estimated at the date of grant using the Black-Scholes option pricing model. The following weighted-average assumptions were used in the appropriate models for 1996 and 1995: risk-free interest rates of 6.69% and 6.32%, respectively; no dividend yields; volatility factor of the expected market price of the Company's common stock of 0.928 in 1996 (not applicable in 1995); and a weighted-average expected life of the option of 6 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, the Black-Scholes option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	1996	1995
Pro forma net loss	$ (6,175,817)	$ (3,317,068)
Pro forma net loss per share	$ (0.92)	$ (0.71)
Weighted-average fair value of		

options granted	$	1.01	$	6.97

Because Statement 123 is applicable only to options granted subsequent to December 31, 1994, its pro forma effect will not be fully reflected until 1999.

7. Employee Benefit Plan

Effective January 1, 1997, the Company adopted a Defined Contribution 401(k) Plan in which all employees who are at least 21 years of age are eligible to participate. Contributions of up to 15% of compensation to the 401(k) Plan will be made by employees through salary withholdings. Company contributions are discretionary.

Beta-Cath(TM) is a trademark of Novoste Corporation.

14 (a) 2. FINANCIAL STATEMENT SCHEDULES

All schedules have been omitted because they are not applicable or not required.

14 (a) 3. EXHIBITS

See Index to Exhibits on page 46.

15. RECENT SALES OF UNREGISTERED SECURITIES

On June 28, 1996, Registrant issued 678 shares of Common Stock to Ian Crocker, M.D., for consulting services rendered in the second quarter of 1996 valued at $6,450 (or $9.50 per share).

On August 30, 1996, Registrant issued 435 shares of Common Stock to Ian Crocker, M.D., for consulting services rendered in the third quarter of 1996 valued at $4,300 (or $9.875 per share).

The foregoing transactions of Registrant were exempt from registration under the Securities Act of 1933, as amended, under Section 4(2) thereunder, and all stock certificates issued in connection therewith were legended to reflect their restricted status.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 10, 1997.

NOVOSTE CORPORATION

By: s/Thomas D. Weldon

Thomas D. Weldon
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 10, 1997.

s/Norman R. Weldon --- Norman R. Weldon, PhD.	Chairman of the Board and Director
s/Thomas D. Weldon --- Thomas D. Weldon	President, Chief Executive Officer and Director (Principal Executive Officer)
s/David N. Gill --- David N. Gill	Vice President-Finance and Chief Financial Officer (Principal Financial and Accounting Officer)
s/Charles E. Larsen --- Charles E. Larsen	Director
s/J. Stephen Holmes --- J. Stephen Holmes	Director
s/Richard M. Johnston	Director

Richard M. Johnston		
s/Pieter J. Schiller		Director
Pieter J. Schiller		
s/Jack R. Kelly, Jr.		Director
Jack R. Kelly, Jr.		
s/William E. Whitmer		Director
William E. Whitmer		
s/Stephen I. Shapiro		Director
Stephen I. Shapiro		

INDEX TO EXHIBITS

Exhibit Numbers	Description
3.1	Articles of Incorporation of Registrant, as amended.(1)
3.2	Form of Amended and Restated Articles of Incorporation of Registrant filed on May 28, 1996.(1)
3.2(a)	Copy of First Amendment to Amended and Restated Articles of Incorporation of Novoste Corporation filed with the Department of State of the State of Florida on November 1, 1996.(2)
3.3(a)	Copy of Amended and Restated By-Laws of Registrant adopted December 20, 1996.
4.1	Form of Specimen Common Stock Certificate of Registrant.(1)
4.2	Registration Rights Agreement, dated July 28, 1995, by and among Registrant, Norman R. Weldon, Thomas D. Weldon, Charles E. Larsen, the Hillman Investors (as defined therein), Noro-Moseley Partners-III, L.P. and Advanced Technology Ventures IV, L.P.(1)
4.3	Registration Rights Agreement, dated April 26, 1995, between Registrant and ABS Employees' Venture Fund Limited Partnership.(1)
4.4	Registration Rights Agreement, dated September 20, 1995, between Registrant and Karen C. Vinjamuri.(1)
4.5	Stock Purchase Warrant, dated September 24, 1993, between Registrant and The Kriegsman Group.(1)
4.6	Stock Purchase Warrant, dated March 24, 1994, between Registrant and The Kriegsman Group.(1)
4.7	Stock Purchase Warrant, dated August 1995, between Registrant and The Kriegsman Group.(1)
4.9	Consulting Agreement, dated July 30, 1992, between Registrant and Spencer B. King III, M.D.(1)
4.10	Consulting Agreement, dated February 1, 1996, between Registrant and Spencer B. King III, M.D.(1)
4.11	Consulting Agreement, dated February 1, 1993, between Registrant and Harry A. Kopelman, M.D.(1)
4.12	Consulting Agreement, dated October 4, 1992, between Registrant and Robert Langer.(1)
4.13	Consulting Agreement, dated July 30, 1992, between Registrant and John B. Martin.(1)
4.14	Consulting Agreement, dated November 4, 1992, between Registrant and Raphael Meloul.(1)
4.15	Consulting Agreement, dated June 30, 1992, between Registrant and David O. Williams, M.D.(1)
4.16	Form of Fixed Rate Promissory Notes by Registrant, in the aggregate principal amount of $1,500,150, at the interest rate of 8.0% compounded annually.(1)
4.17(a)	Form of Rights Agreement, dated as of October 25, 1996, between Novoste Corporation and American Stock Transfer & Trust Company, which includes as Exhibit B thereto the Form of Right Certificate. Pursuant to the Rights Agreement, the Right Certificates will not be mailed until after the earlier of (i) the first date of a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding Common Shares, or (ii) 10 business days following the commencement of, or announcement of an intention to commence, a tender or exchange offer the consummation of which would result in a person or group beneficially owning 15% or more of such outstanding Common Shares.(2)
4.17(b)	Summary of Rights to Purchase Preferred Shares of Novoste Corporation.(2)

*10.1	Copy of Stock Option Plan of Registrant, as amended as of February 28, 1997, subject to shareholder approval.
+10.2	License Agreement, dated January 30, 1996, between Emory University and Registrant.(1)
+10.3	Clinical Research Study Agreement, dated January 30, 1996, by Emory University And Registrant.(1)
+10.4	License Agreement, dated January 31, 1996, between Spencer B. King III, M.D. and Registrant.(1)
+10.5	Restenosis Therapy Project Development and Supply Agreement, dated November 28, 1994, with Registrant, relating to the supply of radioactive beta isotopes.(1)
10.6	Option to Purchase Assets Agreement dated August 22, 1995, with Registrant relating to the purchase of assets of Registrant's supplier of radioactive beta isotopes.(1)
10.7	License/Product Supply Agreement, dated as of May 11, 1992, by and among Sumitomo Bakelite Co., Ltd., Sumitomo Plastics America, Inc., Norman R. Weldon, Thomas D. Weldon, Charles E. Larsen and Registrant.(1)
10.8	Lease, dated July 9, 1992, between Weeks Master Partnership, L.P. and Registrant, as amended.(1)
10.9(a)	Agreement, dated June 15, 1995, between NationsBank of Georgia, N.A. and Registrant, superseding the indebtedness originally evidenced by documents dated September 1994.(1)
10.9(b)	Continuing and Unconditional Guaranty dated September 15, 1994, by Charles Larsen.(1)
10.9(c)	Continuing and Unconditional Guaranty dated September 15, 1994, by Thomas D. Weldon.(1)
10.9(d)	Continuing and Unconditional Guaranty, dated June 15, 1995, by Norman R. Weldon.(1)
++10.10	Frame Agreement with Bebig Isotopentechnik und Umweltdiagnostik GmbH regarding purchases and investment grant
*10.11	Agreement and Release dated November 4, 1996, between Registrant and Jonathan J. Rosen, Ph.D.
*10.12	Copy of Non-Employee Director Stock Option Plan, subject to shareholder approval.
11	Computation of Per Share Earnings.
23.1	Consent of Ernst & Young LLP relating to the Registrant's Registration Statement on Form S-8 (File No. 333-12717).
27	Financial Data Schedule.

\+ Portions have been omitted and filed separately with the Securities and Exchange Commission pursuant to an order granting confidential treatment.

++ Portions have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(1) Filed as same numbered Exhibit to the Registrant's Registration Statement on Form S-1 (File No. 333-4988).

(2) Filed as same numbered Exhibit to the Registrant's Registration Statement on Form 8-A filed on November 5, 1996.

* Constitutes a compensatory plan, contract or arrangement.

SECOND AMENDED AND RESTATED BY-LAWS

OF

NOVOSTE CORPORATION

ARTICLE I

ARTICLES OF INCORPORATION AND PROVISIONS OF LAW

These By-Laws, the powers of the Corporation and of its directors and shareholders and all matters concerning the conduct and regulation of the business of the Corporation shall be subject to such provisions in regard thereto, if any, as are provided by law or set forth in the Amended and Restated Articles of Incorporation ("Articles of Incorporation"). All references herein to the Articles of Incorporation shall be construed to mean the Articles of Incorporation of the Corporation as from time to time amended.

ARTICLE II

OFFICES

SECTION 2.01. Principal Office. The principal office of the Corporation shall be located in the City of Norcross in the State of Georgia or such other place within or without the State of Georgia as may be determined by the Board of Directors from time to time.

SECTION 2.02. Other Offices. The Corporation may also have an office or offices at such other place or places either within or without the State of Florida as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE III

MEETINGS OF SHAREHOLDERS

SECTION 3.01. Place of Meetings. All meetings of the shareholders of the Corporation shall be held at the principal office of the Corporation or at such other place, within or without

the State of Florida, as shall be fixed by the Board of Directors and specified in the respective notices or waivers of notice of said meetings.

SECTION 3.02. Annual Meetings. The annual meeting of the shareholders (the "Annual Meeting") for the election of directors and for the transaction of such other business as may come before the meeting shall be held at 10:00 o'clock in the forenoon, local time, on the first Wednesday in May of each year,

if not a legal holiday, and, if a legal holiday, then on the next succeeding business day not a legal holiday. If the Annual Meeting is not held on the day herein provided therefor, the Board of Directors in its discretion may fix another date thereafter for the holding of such Annual Meeting. The purposes for which an Annual Meeting is to be held, in addition to those prescribed by law or these By-Laws, may be specified by a majority of the Board of Directors, the Chairman, the President or a shareholder or shareholders holding of record at least ten percent (10%) in voting power of the outstanding shares of the Corporation entitled to vote at such meeting.

SECTION 3.03. Special Meetings. A special meeting of the shareholders for any purpose or purposes, unless otherwise prescribed by statute, may be called at any time by the President, the Chairman, by order of the Board of Directors or by a shareholder or shareholders holding of record at least ten percent (10%) in voting power of the outstanding shares of the Corporation entitled to vote at such meeting. Business transacted at any special meeting of shareholders shall be limited to the purposes stated in the notice of meeting therefor.

SECTION 3.04. Notice of Meetings. Notice of each meeting of the shareholders shall be given to each shareholder of record entitled to vote at such meeting at least ten (10) days but not more than seventy (70) days before the day on which meeting is to be held. Such notice shall be given by delivering a written or printed notice thereof personally or by mail. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the shareholder at the post office address of such shareholder as it appears upon the stock record books of the Corporation, or at such other address as such shareholder shall have provided to the Corporation for such purpose. No publication of any notice of a meeting of shareholders shall be required. Every such notice shall state the time and place of the meeting, and, in case of a special meeting, shall state the purpose or purposes thereof. Notice of any meeting of shareholders shall not be required to be given to any shareholder

who shall attend such meeting in person or by proxy or who shall waive notice thereof in the manner hereinafter provided. Notice of any adjourned meeting of the shareholders shall not be required to be given.

SECTION 3.05. Quorum. At each meeting of the shareholders, a majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of business. In the absence of a quorum, a majority of the shares so represented at such meeting, or, in the absence of all the shareholders entitled to vote, any officer entitled to preside or to act as secretary at such meeting, may adjourn the meeting from time to time without further notice. At any such adjourned meeting at which a quorum shall be presented or represented, any business may be transacted which might have been transacted at the meeting as originally

noticed. The absence from any meeting of shareholders holding a sufficient number of shares required for action on any given matter shall not prevent action at such meeting upon any other matter or matters which properly come before the meeting, if shareholders holding a sufficient number of shares required for action on such other matter or matters shall be present. The shareholders present or presented at any duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

SECTION 3.06. Voting. Each shareholder of the Corporation shall, whether the voting is by one or more classes voting separately or by two or more classes voting as one class, be entitled to one vote in person or by proxy for each share of the Corporation registered in the name of the shareholder on the books of the Corporation. The Corporation shall not vote directly or indirectly any shares held in its own name. Any vote of shares may be given by the shareholder entitled to vote such shares in person or by proxy appointed by an instrument in writing. At all meetings of the shareholders at which a quorum is present, all matters (except where other provision is made by law or by these By-Laws) shall be decided by the affirmative vote of holders of a majority of the shares present in person or represented by proxy and entitled to vote thereat.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 4.01. General Powers. The property, affairs and business of the Corporation shall be managed by the Board of Directors, and the Board shall have, and may exercise, all of the

powers of the Corporation, except such as are conferred by these By-Laws upon the shareholders.

SECTION 4.02 Number, Classes, Vacancies and Terms of Office.

a. The number of directors of the Corporation constituting the entire Board of Directors shall be not less than six or more than twelve. The Board of Directors shall determine from time to time the number of directors who shall constitute the entire Board of Directors. Any such determination made by the Board of Directors shall continue in effect unless and until changed by the Board of Directors, but no such changes shall affect the term of any directors then in office. No director need be a shareholder.

b. The Board of Directors shall be divided into three classes, Class I, Class II and Class III, the number of and class for each director to be determined by the Board of Directors (with the number of directors in each class being as nearly equal as possible). No class shall include less than two nor

more than four directors. Any vacancy on the Board of Directors that results from an increase in the number of directors and any other vacancy on the Board may be filled by the affirmative vote of a majority of the remaining directors then in office whether or not a quorum is present, or by the affirmative vote of the holders of a majority of the shares of capital stock present in person or represented by proxy at a duly convened meeting of shareholders (excluding for purposes of calculating the number of votes cast, broker non-votes and abstentions). Any increase or decrease in the number of directors shall be so apportioned among the classes as to make all classes as nearly equal in number as possible. Directors elected to fill a newly created directorship or other vacancies shall be classified and hold office as provided by statute.

c. The terms of office of the respective classes of directors initially classified shall be as follows: (1) Class I shall expire at the Annual Meeting of shareholders to be held in 1997; (2) Class II shall expire at the Annual Meeting of shareholders to be held in 1998; and (3) Class III shall expire at the Annual Meeting of shareholders to be held in 1999. At each Annual Meeting of shareholders after the aforementioned initial classification, the successors to directors whose terms shall then expire shall be elected to serve from the time of election and qualification until the third Annual Meeting following election and until a successor shall have been duly elected and shall have qualified.

SECTION 4.03. Election of Directors. Subject to any provisions in the Articles of Incorporation providing for cumulative voting, at each meeting of the shareholders for the election of directors at which a quorum is present, the persons receiving the greatest number of votes shall be the directors, and each shareholder entitled to vote at such election shall have a right to vote, in person or represented by proxy, for as many nominees as the number of directors in such class as determined by the Board of Directors and to cast for each such nominee as many votes as the number of shares which such shareholder is entitled to vote, without the right to cumulate such votes.

SECTION 4.04. Quorum and Manner of Acting. A majority of the total of the number of directors at the time in office shall constitute a quorum for the transaction of business at any meeting, and except as otherwise provided by these By-Laws, the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time without further notice until a quorum be had. The directors shall act only as a Board, and the individual directors shall have no power as such.

SECTION 4.05. Place of Meetings. The Board of Directors may hold its meetings at any place within or without the State of Florida as it may from time to time determine or shall be specified or fixed in the respective notices or waivers or notice thereof.

SECTION 4.06. Annual Meetings. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual election of directors on the same day and at the same place at which such election of directors was held. Notice of such meeting need not be given. Such meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors or in a consent and waiver of notice thereof signed by all the directors.

SECTION 4.07. Regular Meetings. Regular meetings of the Board of Directors shall be held at such places and at such times as the Board shall from time to time by vote determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at the same hour on the next succeeding business day not a legal holiday. Notice of regular meetings need not be given.

SECTION 4.08. Special Meetings; Notice. Special meetings of the Board of Directors shall be held whenever called by the President or Chairman or by not less than twenty-five percent (25%) of the member of the Board of Directors. Notice of each such meeting shall be given by, or at the order of, the Secretary or the person calling the meeting to each director by mailing the same addressed to the director's residence or usual place of business, or personally by delivery or by telegraph, cable or telephone, at least two (2) days before the day on which the meeting is to be held. Every such notice shall state the time and place of the meeting but need not state the purpose thereof except as otherwise in these By-Laws expressly provided.

SECTION 4.09 Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 4.10. Telephone Meetings. Meetings of the Board of Directors, regular or special, may be held by means of a telephone conference circuit and connection to such circuit shall constitute presence at such meeting.

SECTION 4.11. Removal of Directors. Any director may be removed, either with or without cause, at any time, by the affirmative vote of the holders of record of a majority of the issued and outstanding shares entitled to

vote for the election of directors of the Corporation given at a special meeting of the shareholders called and held for the purpose.

SECTION 4.12. Resignation. Any director of the Corporation may resign at any time by giving written notice to the Board of Directors or to the Chairman of the Board or to the Secretary of the Corporation. The resignation of any director shall take effect at the time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 4.13. Limitation of Director Liability.

a. No director shall be personally liable for monetary damages to the Corporation or any other person for any statement, vote, decision, or failure to act, regarding corporate management or policy, by a director, unless: (a) the director breached or failed to perform his duties as a director; and (b) the director's breach of, or failure to perform, those duties constitutes i) a violation of the criminal law, unless the director had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe his conduct was unlawful, ii) a transaction from which the director derived an improper personal benefit, either directly or indirectly, iii) a circumstances under which the liability provisions of Section 607.0834 of the Florida Business Corporation Act are applicable, iv) in a proceeding by or in the right of the Corporation to procure a judgment in its favor or by or in the right of a shareholder, conscious disregard for the best interest of the Corporation, or willful misconduct, or v) in a proceeding by or in the right of someone other than the Corporation or a shareholder, recklessness or an act or omission which was committed in bad faith or with malicious purpose or in a manner exhibiting wanton and willful disregard of human rights, safety, or property.

b. For purposes of this Section 4.13, the term "recklessness" means the action, or omission to act, in conscious disregard of a risk: (c) known, or so obvious that it should have been known, to the director; and (d) known to the director, or so obvious that it should have been known, to be so great as to make it highly probable that harm would follow from such action or omission.

ARTICLE V

COMMITTEES

SECTION 5.01. Appointment. A majority of the full Board of Directors by resolution may designate two or more of its members to constitute an Executive Committee and one or more other committees to serve at the pleasure of the Board of Directors. The designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any

member thereof, of any responsibility imposed by law.

SECTION 5.02. Authority. A committee shall have and may exercise all of the authority of the Board of Directors except to (a) the extent, if any, that such authority shall be limited by the resolution of the Board of Directors constituting such committee,

(b) approve or recommend to shareholders actions or proposals required by the Florida Business Corporation Act to be approved by shareholders, (c) fill vacancies on the Board of Directors or any committee thereof, (d) adopt, amend or repeal these By-Laws, (e) authorize or approve the reacquisition of shares unless pursuant to a general formula or method specified by the Board of Directors, or (f) authorize or approve the issuance or sale or contract for the sale of shares, or determine the designation and relative rights, preferences, and limitations of a voting group of shareholders except that the Board of Directors may authorize a committee (or a senior executive officer of the Corporation) to do so within limits specifically prescribed by the Board of Directors.

SECTION 5.03. Tenure and Qualifications. Each member of a committee shall hold office until the next regular annual meeting of the Board of Directors following designation and until a successor is designated as a member of such committee and is elected and qualified or until the death or resignation or removal of such member in the manner herein provided.

SECTION 5.04. Meetings. Regular meetings of a committee may be held without notice at such times and places as such committee may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon not less than two (2) days' notice stating the place, date and hour of the meeting, which notice may be written or oral, and if mailed, shall be deemed to be delivered when deposited in the United States mail addressed to the member of such committee at such member's business address. Any member of a committee may waive notice of any meeting and no notice of any meeting need be given to any member thereof who attends in person. The notice of a meeting of a committee need not state the business proposed to be transacted at the meeting. A majority of the full Board of Directors by resolution may designate one or more directors as alternate members of any such committee who may act in the place and stead of any absent member or members at any meeting of such committee.

SECTION 5.05. Telephone Meetings. Meetings of a committee may be held by means of a telephone conference circuit and connection to such circuit shall constitute attendance at such meeting.

SECTION 5.06. Quorum. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of a committee shall be authorized by the affirmative vote of a majority

of the members present at a meeting at which a quorum is present.

SECTION 5.07. Vacancies. Any vacancy in a committee may be filled by a resolution adopted by a majority of the full Board of Directors.

SECTION 5.08. Resignations and Removal. Any member of a committee may be removed at any time with or without cause by the affirmative vote of a majority of the directors present at any meeting at which a quorum is present. Any member of a committee may resign from a committee at any time by giving written notice to the Board of Directors or to the Chairman of the Board or to the Secretary of the Corporation. The resignation of any member of a committee shall take effect at the time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 5.09. Procedure. A committee may elect a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these By-Laws. It shall keep regular minutes of its proceedings and report the same to the Board of Directors for its information at the meeting thereof held next after the proceedings shall have been taken.

ARTICLE VI

WAIVER OF NOTICE; WRITTEN CONSENT

SECTION 6.01. Waiver of Notice. Notice of the time, place and purpose of any meeting of the shareholders, Board of Directors or a committee may be waived in writing by any shareholder or director either before or after such meeting. Attendance in person, or in case of a meeting of the shareholders, by proxy, at a meeting of the shareholders, Board of Directors or a committee shall be deemed to constitute a waiver of notice thereof.

SECTION 6.02. Written Consent of Directors. Unless otherwise restricted by the Articles of Incorporation or these ByLaws, any action required or permitted to be taken at any meeting of the Board of Directors or a committee may be taken without a meeting if a consent in writing, setting forth the action so to be taken, shall be signed before or after such action by all of the directors, or all of the members of such committee, as the case may be. Such written consent shall be filed with the records of the Corporation.

ARTICLE VII

OFFICERS

SECTION 7.01. Number. The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, and such other officers as the Board of Directors may from time to time appoint, including additional Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers. One person may hold the offices and perform the duties of any two or more said officers.

SECTION 7.02. Election, Qualification and Term of Office. Each officer shall be elected annually by the Board of Directors, or from time to time to fill any vacancy, and shall hold office until a successor shall have been duly elected and qualified, or until the death, resignation or removal of such officer in the manner hereinafter provided.

SECTION 7.03. Removal. Any officer may be removed by the vote of a majority of the whole Board of Directors at a special meeting called for the purpose, whenever in the judgement of the Board of Directors the best interest of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Election or appointment of an officer or agent shall not of itself create contract status.

SECTION 7.04. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors or to the Chairman, the President or the Secretary. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

SECTION 7.05. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

SECTION 7.06. Chairman of the Board. The Chairman of the Board shall be a director and shall preside at all meetings of the Board of Directors and shareholders. Subject to determination by the Board of Directors, the Chairman shall have general executive powers and such specific powers and duties as from time to time may be conferred or assigned by the Board of Directors.

SECTION 7.07. The President. The President shall be the chief executive officer of the Corporation and shall have general direction of the affairs of the Corporation. In addition, the President shall perform such other duties and have such other

responsibilities as the Board of Directors may from time to time determine. In the absence of the Chairman of the Board, the President shall preside at all meetings of the shareholders.

SECTION 7.08. The Vice Presidents. The Vice Presidents in the order determined by the Board of Directors, shall in the absence or disability of the President, perform the duties and exercise the powers of the President and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

SECTION 7.09. The Vice President/Finance. The Vice President/Finance shall have charge and custody of, and be responsible for, all funds and securities of the Corporation, and deposit all such funds to the credit of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these By-Laws; disburse the funds of the Corporation under the general control of the Board of Directors, based upon proper vouchers for such disbursements; receive, and give receipts for, moneys due and payable to the Corporation from any source whatsoever, render a statement of the condition of the finances of the Corporation at all regular meetings of the Board of Directors, and a full financial report at the Annual Meeting of shareholders, if called upon to do so; and render such further statements to the Board of Directors, the Chairman and the President as they may respectively require concerning all transactions as Vice President/Finance or the financial condition of the Corporation. The Vice President/Finance shall also have charge of the books and records of account of the Corporation, which shall be kept at such office or offices of the Corporation as the Board of Directors shall from time to time designate; be responsible for the keeping of correct and adequate records of the assets, liabilities, business and transactions of the Corporation; at all reasonable times exhibit the books and records of account to any of the directors of the Corporation upon application at the office of the Corporation where such books and records are kept; be responsible for the preparation and filing of all reports and returns relating to or based upon the books and records of the Corporation kept under the direction of the Vice President/Finance; and, in general, perform all the duties incident to the office of Vice President/Finance and such other duties as from time to time may be assigned by the Board of Directors, the Chairman, or the President.

SECTION 7.10. The Secretary. The Secretary shall record or cause to be recorded in books provided for the purpose all the proceedings of the meetings of the Corporation, including the shareholders, the Board of Directors and all committees of which a

secretary shall not have been appointed; shall see that all notices are duly given in accordance with the provisions of these By-Laws and as required by law; shall be custodian of the records (other than financial) and of the seal of the Corporation; and in general, shall perform all duties incident as may, from time to time, be assigned by the Board of Directors, the Chairman or the President.

SECTION 7.11. The Assistant Secretaries. At the request, or in the absence or disability of the Secretary, the Assistant Secretary designated by

the Secretary or the Board of Directors shall perform all the duties of the Secretary and, when so acting, shall have all the powers of the Secretary. The Assistant Secretaries shall perform such other duties as may, from time to time, be assigned by the Board of Directors, the Chairman, the President or the Secretary.

SECTION 7.12. The Treasurer and Assistant Treasurers. At the request, or in the absence or disability of the Vice President/Finance, the Treasurer designated by the Vice President/Finance or the Board of Directors shall perform all the duties of the Vice President/Finance, and when so acting, shall have all the powers of the Vice President/Finance. The Assistant Treasurers shall perform such other duties as may, from time to time, be assigned by the Board of Directors, the Chairman, the President or the Vice President/Finance.

SECTION 7.13. General Powers. Each officer shall, subject to these By-Laws, have, in addition to the duties and powers herein set forth, such duties and powers as are commonly incident to the respective office, and such duties and powers as the Board of Directors shall from time to time designate.

SECTION 7.14. Bonding. Any officer, employee, agent or factor shall give such bond with such surety or sureties for the faithful performance of his or her duties as the Board of Directors may, from time to time, require.

ARTICLE VIII

INDEMNIFICATION

a. Each person (including here and hereinafter, the heirs, executors, administrators, or estate of such person) (a) who is or was a director or officer of the Corporation, (b) who is or was an agent or employee of the Corporation other than an officer and as to whom the Corporation has agreed to grant such indemnity, or (c) who is or was serving at the request of the Corporation as its representative in the position of a director, officer, agent or

employee of another corporation, partnership, joint venture, trust or other enterprise and as to whom the Corporation has agreed to grant such indemnity, shall be indemnified by the Corporation as of right to the fullest extent permitted or authorized by current or future legislation or by current or future judicial or administrative decision (but, in the case of any such future legislation or decision, only to the extent that it permits the Corporation to provide broader indemnification rights than permitted prior to such legislation or decision), against any fine, liability, cost or expense, including attorneys' fees, asserted against him or incurred by him in his capacity as such director, officer, agent, employee, or representative, or arising out of his status as such director, which indemnification shall not be exclusive of other rights to which those seeking an indemnification may be entitled. The Corporation may

maintain insurance, at its expense, to protect itself and any such person against any such fine, liability, cost or expense, whether or not the Corporation would have the legal power to directly indemnify him against such liability.

b. Costs, charges and expenses (including attorneys' fees) incurred by a person referred to in a. of this Article VIII in defending a civil or criminal suit, action or proceeding shall be paid by the Corporation in advance of the final disposition thereof upon receipt, in the case of an officer or director, of an undertaking to repay all amounts so advanced in the event it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized by this Article VIII, and upon satisfaction of such other conditions as are required by current or future legislation (but, with respect to future legislation, only to the extent that it provides conditions less burdensome than those previously provided). Such costs, charges and expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors may deem appropriate.

c. If this Article VIII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each person described in a. of this Article VIII to the fullest extent permitted by any applicable portion and to the fullest extent permitted by law.

ARTICLE IX

EXECUTION OF DOCUMENTS

SECTION 9.01. Contract, etc., How Executed. Unless the Board of Directors shall otherwise determine, the (i) Chairman of the Board, President, or any Vice President, and (ii) any other officer of the Corporation, acting jointly, may enter into any contract or execute any contract or other instrument, the execution of which is not otherwise specifically provided for, in the name and on behalf of the Corporation. The Board of Directors, except as in these By-Laws otherwise provided, may authorize any other or additional officer or officers, agent or agents, of the Corporation to enter into any contract or execute and deliver any contract or other instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances. Unless authorized so to do by these By-Laws or by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement, or to pledge its credit, or to render it liable pecuniarily for any purpose or to any amount.

SECTION 9.02. Checks, Drafts, etc. All checks, drafts, bill of exchange or other orders for the payment of money, obligations, notes, or other evidences of indebtedness, bill of lading, warehouse receipts and insurance

certificates of the Corporation, shall be signed or endorsed by such officer or officers, employee or employees, of the Corporation as shall from time to time be determined by resolution of the Board of Directors.

ARTICLE X

BOOKS AND RECORDS

SECTION 10.01. Place. The books and records of the Corporation, including the stock record books, shall be kept at such places within or without the State of Florida, as may from time to time be determined by the Board of Directors.

SECTION 10.02. Addresses of Shareholders. Each shareholder shall designate to the Secretary of the Corporation an address at which notices of meetings and all other corporate notices may be served upon or mailed, and if any shareholder shall fail to designate such address, corporate notices may be served by mail directed to the shareholder's last know post office address, or by transmitting a notice thereof to such address by telegraph, cable, or telephone.

ARTICLE XI

SHARES AND THEIR TRANSFER

SECTION 11.01. Certificates for Shares. Every owner of shares of the Corporation shall be entitled to have a certificate certifying the number of shares owned by such owner in the Corporation and designating the class of shares to which such shares belong, which shall otherwise be in such form, in conformity to law, as the Board of Directors shall prescribe. Each such certificate shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary of the Corporation.

SECTION 11.02. Record. A record shall be kept of the name of the person, firm or corporation owning the shares of the Corporation issued, the number of shares represented by each certificate, and the date thereof, and, in the case of cancellation, the date of cancellation. The person in whose name shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

SECTION 11.03. Transfer of Shares. Transfers of shares of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by such holder's attorney thereunto authorized, and on the surrender of the certificate or certificates for such shares properly endorsed or accompanied by a properly executed stock power.

SECTION 11.04. Closing of Transfer Books; Record Dates. Insofar as

permitted by law, the Board of Directors may direct that the stock transfer books of the Corporation be closed for a period not exceeding seventy (70) days preceding the date of any meeting of shareholders or the date for the payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of shares of the Corporation shall go into effect, or for a period not exceeding seventy (70) days in connection with obtaining the consent of shareholders for any purpose; provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may, insofar as permitted by law, fix in advance a date, not exceeding seventy (70) days preceding the date of any meeting of shareholders or the date for the payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of shares of the Corporation shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting or any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any change, conversion or exchange of shares of the Corporation, or to give such consent, and in each such case shareholders and only such shareholders as shall be shareholders of record on the date so

fixed shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercisesuch rights or to give such consent, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after any such record date fixed as aforesaid.

SECTION 11.05. Lost, Destroyed or Mutilated Certificates. In case of the alleged loss or destruction or the mutilation of a certificate representing shares of the Corporation, a new certificate may be issued in place thereof, in the manner and upon such terms as the Board of Directors may prescribe.

ARTICLE XII

SEAL

The Board of Directors may provide for a corporate seal which shall be in the form of a circle and shall bear the name of the Corporation and the state and year of incorporation.

ARTICLE XIII

FISCAL YEAR

Except as from time to time otherwise provided by the Board of Directors, the fiscal year of the Corporation shall be the year or other fiscal period ending on the last day of December of each year.

ARTICLE XIV

AMENDMENTS

All By-Laws of the Corporation shall be subject to alteration or repeal, and new By-Laws may be adopted either by the vote of a majority of the outstanding shares of the Corporation entitled to vote in respect thereof, or by the vote of the Board of Directors, provided that in each case notice of the proposed alteration or repeal or of the proposed new By-Laws be included in the notice of the meeting at which such alteration, repeal or adoption is acted upon, and provided further that any such action by the Board of Directors may be changed by the shareholders, except that no such change shall affect the validity of any actions theretofore taken pursuant to the By-Laws as altered, repealed or adopted by the Board of Directors.

NOVOSTE CORPORATION
AMENDED AND RESTATED STOCK OPTION PLAN

Amended and Restated August 20, 1996 and as Amended February ___, 1997

1. PURPOSE. This Stock Option Plan ("Plan") is established to provide incentives for selected persons to promote the financial success and progress of Novoste Corporation ("Company") by granting such persons options to purchase shares of common stock of the Company.

2. DEFINITION OF "NON-EMPLOYEE DIRECTOR". As defined by Regulation 240.16b-3 under the Securities Exchange Act of 1934, as amended ("Exchange Act"), a "Non-Employee Director" is a person not currently an officer of the Company or a parent or subsidiary, who does not receive compensation either directly or indirectly as a consultant of the Company (except for an amount not required to be disclosed under Item 404(a) of Regulation S-K, e.g., not more than $60,000), does not have an interest in a transaction requiring disclosure under Item 404(a) of Regulation S-K, and is not engaged in a business relationship which would require disclosure under Item 404(b) of Regulation S-K (e.g., where the director has a ten percent or more equity interest in an entity which makes or receives payments in excess of five percent of the Company's or that entity's consolidated gross revenues).

3. ADOPTION OF PLAN; STOCK OPTION AND COMPENSATION COMMITTEE. This Plan shall be effective on the date that it is adopted by the Stock Option and Compensation Committee ("Committee") of the Board of Directors of the Company. The Committee shall at all times be composed only of two or more Non-Employee Directors. The Committee shall have and may exercise any and all of the powers relating to the administration of this Plan and the grant of options hereunder as are set forth herein.

4. ADMINISTRATION.

(a) This Plan shall be administered by the Committee.

(b) The Committee shall have the authority to (i) exercise all of the powers granted to it under this Plan, (ii) construe, interpret and implement this

Plan and any Grants (as defined below) executed pursuant to Section 8 hereof, (iii) prescribe, amend and rescind rules and regulations relating to this Plan, (iv) make all determinations necessary or advisable in administering this Plan and (v) correct any defect, supply any omission and reconcile any inconsistency in this Plan.

(c) The determination of the Committee on all matters relating to this Plan or any Grant shall be final, binding and conclusive.

(d) No member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any award thereunder.

5. TYPES OF OPTIONS AND SHARES. Options granted under this Plan ("Options") may be either (a) incentive stock options ("ISOs") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended ("Code"), or (b) nonqualified stock options ("NQSOs"), as designated at the time of grant. The shares of stock that may be purchased upon exercise of Options granted under this Plan ("Shares") are shares of the common stock of the Company.

6. NUMBER OF SHARES. The maximum number of Shares that may be issued pursuant to Options granted under this Plan is 2,500,000 Shares. Such number of Shares shall be subject to adjustment as provided in this Plan. If any Option is terminated in whole or in part for any reason without being exercised in whole or in part, the Shares thereby released from such Option shall be available for purchase under other Options subsequently granted under this Plan. At all times during the term of this Plan, the Company shall reserve and keep available such number of Shares as shall be required to satisfy the requirements of outstanding Options under this Plan.

7. ELIGIBILITY. Options may be granted only to such employees, officers, consultants and independent contractors of the Company or any Parent, Subsidiary or Affiliate of the Company (as defined below) as the Committee shall select from time to time in its sole discretion ("Optionees"), provided that only employees of the Company or a Parent or Subsidiary of the Company shall be eligible to receive ISOs. An Optionee may be granted more than one

Option under this Plan. As used in this Plan, the following terms shall have the following meanings:

(a) "Parent" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if at the time of the granting of the Option, each of such corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(b) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(c) "Affiliate" means any corporation that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with another corporation, where "control" (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to cause the direction of the management and policies of the corporation, whether through the ownership of voting securities, by contract or otherwise.

8. TERMS AND CONDITIONS OF OPTIONS. The Committee shall determine whether each Option is to be an ISO or a NQSO, the number of Shares for which the Option shall be granted, the exercise price of the Option, the periods during which the Option may be exercised, and all other terms and conditions of the Option, subject to the following terms and conditions:

(a) Form of Option Grant. Each Option granted under this Plan shall be evidenced by a written Stock Option Grant ("Grant") in such form (which need not be the same for each Optionee) as the Committee shall from time to time approve, which Grant shall comply with and be subject to the terms and conditions of this Plan.

(b) Exercise Price. The exercise price of an Option shall be not less than the Fair Market Value (as defined herein) in

the case of an ISO, or 85% of the Fair Market Value in the case of a NQSO, of the Shares at the time that the Option is granted. The term "Fair Market Value" means the closing sale price for a Share on the immediately preceding trading date as reported on The Nasdaq National Market or, if no closing sale price shall have been made on such relevant date, on the next preceding day on which there was a closing sale price; provided, however, that if no closing sale price shall have been made within the ten business days preceding such relevant date, or if deemed appropriate by the Committee for any other reason, the Fair Market Value of such Shares shall be as determined by the Committee. In no event shall the Fair Market Value of any Share be less than its par value.

(c) Exercise Period. Options shall be exercisable within the times or upon the events determined by the Committee as set forth in the Grant; provided, however, that no Option shall be exercisable after the expiration of ten years from the date the Option is granted and is subject to earlier termination in the event of the death or the voluntary or involuntary termination of the Optionee as set forth herein; provided, further, that no ISO granted to a Ten Percent Shareholder (as defined by Section 422 of the Code) shall be exercisable after the expiration of five years from the date the ISO is granted.

(d) Limitations on ISOs. The aggregate Fair Market Value (determined as of the time an Option is granted) of stock with respect to which ISOs are exercisable for the first time by an Optionee during any calendar year (under

this Plan or under any other incentive stock option plan of the Company or any Parent or Subsidiary of the Company) shall not exceed $100,000.

(e) Limitations on ISOs and NQSOs. Notwithstanding anything herein, the maximum aggregate number of Shares with respect to which Options, whether ISOs or NQSOs, may be granted to any person or entity eligible therefor under this Plan within any one calendar year is 100,000 Shares.

(f) Date of Grant. The date of grant of an Option shall be the date on which the Committee makes the determination to grant such Option unless otherwise specified by the Committee. The Grant representing the Option shall be delivered to the Optionee within a reasonable time after the granting of the Option.

9. EXERCISE OF OPTIONS.

(a) Notice. Options may be exercised only by delivery to the Company of a written notice and exercise agreement in a form approved by the Committee, stating the number of Shares being purchased, the restrictions imposed on the Shares and such representations and agreements regarding the Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws, together with payment in full of the exercise price for the number of Shares being purchased.

(b) Payment. Payment for the Shares may be made (i) in cash, (ii) by surrender of Shares having a Fair Market Value equal to the exercise price of the Option or (iii) by any combination of the foregoing where approved by the Committee in its sole discretion; provided, however, in the event of payment for the Shares by method (ii) above, the Shares so surrendered, if originally issued to the Optionee upon exercise of an Option(s) granted by the Company, shall have been held by the Optionee for more than six months.

(c) Withholding Taxes. Prior to issuance of the Shares upon exercise of an Option, the Optionee shall pay or make adequate provision for any federal, state or local withholding obligations of the Company, if applicable.

(d) Limitations on Exercise. Notwithstanding the exercise periods set forth in the Grant, exercise of an Option shall always be subject to the following limitations:

(i) An Option shall not be exercisable unless such exercise is in compliance with the Securities Act of 1933, as amended ("Securities Act"), and all applicable state securities laws, as they are in effect on the date of exercise.

(ii) The Committee may specify a reasonable minimum number of

Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent the Optionee from exercising the Option for the full number of Shares as to which the Option is then exercisable.

10. DEATH OR VOLUNTARY OR INVOLUNTARY TERMINATION. Should an Optionee die, become disabled, retire or cease to be employed by or associated with the Company for any other reason, all Options held by the Optionee shall lapse immediately following the last day that the Optionee is employed by or associated with the Company except that should an Optionee die the time during which the Option may be exercised shall be extended three months for an Optionee that held ISOs and six months for an Optionee that held NQSOs. In all other cases the Committee, in its discretion, may extend the time during which the Option may be exercised; provided, however, the maximum period of an extension that may be allowed shall be three months for an Optionee that held ISOs and six months for an Optionee that held NQSOs. During any such extension of the expiration date by the Committee, the Option may be exercised only for the number of Shares for which it could have been exercised on such termination date, subject to any adjustment under Section 12 herein.

11. PRIVILEGES OF STOCK OWNERSHIP. No Optionee shall have any of the rights of a shareholder with respect to any Shares subject to an Option until the Option has been validly exercised. No adjustment shall be made for dividends or distributions or other rights for which the record date is prior to the date of exercise, except as provided in this Plan.

12. ADJUSTMENT OF OPTION SHARES. In the event that the number of outstanding Shares is changed by a stock dividend, stock split, reverse stock split, combination, reclassification or similar change in the capital structure of the Company without consideration, the number of Shares available under this Plan and the number of Shares subject to outstanding Options and the exercise price per share of such Options shall be proportionately adjusted, subject to any required action by the Committee, Board of Directors or shareholders of the Company and compliance with applicable securities laws; provided, however, that no certificate or scrip representing fractional shares shall be issued upon exercise of any Option and any resulting fractions of a Share shall be ignored.

13. NO OBLIGATION TO EMPLOY. Nothing in this Plan or any Option granted under this Plan shall confer on any Optionee any right to continue in the employ of the Company or any Parent, Subsidiary or Affiliate of the Company or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate of the

Company to terminate the Optionee's employment at any time, with or without

cause.

14. COMPLIANCE WITH LAWS. The grant of Options and the issuance of Shares upon exercise of any Options shall be subject to and conditioned upon compliance with all applicable requirements of law, including without limitation compliance with the Securities Act, compliance with all applicable state securities laws and compliance with the requirements of any stock exchange on which the Shares may be listed. The Company shall be under no obligation to register the Shares with the Securities and Exchange Commission or to effect compliance with the Securities Act or with the registration or qualification requirement of any state securities laws or stock exchange.

15. RESTRICTIONS ON SHARES. At the discretion of the Committee, the Company may reserve to itself or its assignee(s) in the Grant (a) a right of first refusal to purchase any Shares that an Optionee (or a subsequent transferee) may propose to transfer to a third party and (b) a right to repurchase any or all Shares held by an Optionee upon the Optionee's termination of employment or service with the Company or a Parent, Subsidiary or Affiliate of the Company for any reason within a specified time as determined by the Committee at the time of grant at (i) the Optionee's original purchase price, (ii) the Fair Market Value of such Shares as determined by the Committee in good faith or (iii) a price determined by a provision set forth in the Grant.

16. CHANGE OF CONTROL. Notwithstanding any contrary terms in the Grant of Options hereunder, in the event of a Change of Control (as defined herein), all outstanding Options shall accelerate and become immediately fully exercisable. For purposes of this Plan, a "Change In Control" shall mean (i) the sale or other disposition to a person, entity or group (as such term is defined in Rule 13d-5 under the Exchange Act) of 50% or more of the Company's consolidated assets, (ii) the acquisition of 50% or more of the outstanding Shares by a person or group (as such term is defined in Rule 13d-5) or (iii) if the majority of the Company's Board of Directors consists of persons other than Continuing Directors (as defined herein). The term "Continuing Director" shall mean any member of the Company's Board of Directors on the effective date of this Plan and any other member of the Board of Directors who shall be recommended or elected to succeed or become a Continuing

Director by a majority of the Continuing Directors who are then members of the Board of Directors. The aggregate Fair Market Value (determined at the time an Option is granted) of ISOs which first become exercisable in the year of such dissolution, liquidation, merger, sale of stock or sale of assets cannot exceed $100,000. Any remaining accelerated Options shall be NQSOs.

17. AMENDMENT OR TERMINATION OF PLAN. The Committee may at any time terminate or amend this Plan in any respect (including, but not limited to, any form of Grant, agreement or instrument to be executed pursuant to this Plan); provided, however, that shareholder approval shall be required to be obtained by

the Company if required to comply with the provisions of Section 162(m) of the Code, or the listed company requirements of The Nasdaq National Market or of a national securities exchange on which the Shares are traded, or other applicable provisions of state or federal law or self-regulatory agencies; provided, further, that no amendment of this Plan may adversely affect any then outstanding Options or any unexercised portions thereof without the written consent of the Optionee.

18. TERM OF PLAN. No Option shall be granted pursuant to this Plan on or after May 26, 2002, but Options theretofore granted may extend beyond that date and the terms of this Plan shall continue to apply to such Options and to any Shares acquired upon exercise thereof.

19. APPLICABLE LAW. The validity, interpretation and enforcement of this Plan shall be governed in all respects by the laws of the State of Florida and the United States of America.

20. ISSUANCE OF SHARES. The Shares, when issued and paid for pursuant to the Options granted hereunder, shall be issued as fully paid and non-assessable Shares.

21. NON-TRANSFERABILITY OF ISOs. No ISO granted pursuant to the Plan shall be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner otherwise than by will or by the laws of descent or distribution and an ISO may be exercised during the lifetime of the Optionee only by such Optionee.

22. TRANSFERABILITY OF NQSOs. A NQSO may be sold, pledged, assigned, hypothecated, transferred or disposed of as determined by the Committee and as set forth in a Grant with an Optionee.

[TO BE TYPED ON LETTERHEAD
OF NOVOSTE CORPORATION]

INCENTIVE STOCK OPTION AWARD

Date of Grant	[DATE]
Recipient	[NAME]
Number of Shares	[NUMBER]

Purchase Price per Share	[PRICE-PER-SHARE]
Total Purchase Price	[NUMBER] x [PRICE-PER-SHARE]

Dear [NAME]:

We are pleased to inform you that, as a key employee of Novoste Corporation, you are hereby granted an option to purchase shares of Novoste Common Stock, par value $.01 per share, in the amount and at the price per share stated above. This option is granted pursuant to the Novoste Corporation Amended and Restated Stock Option Plan, a copy of which is attached. This option is exercisable for a period of ten years from the date of the grant as stated above.

The right to exercise your option will vest per the following schedule:

From the date of the grant for one year	No part of the option grant shall vest
More than one but less than two years after the date of the grant	25% of the option grant shall vest
More than two but less than three years after the date of the grant	50% of the option grant shall vest
More than three but less than four years after the date of the grant	75% of the option grant shall vest
More than four years after the date of the grant	100% of the option grant shall vest

You may purchase all shares that are vested at any time prior to the expiration of the option by delivering full payment to the Corporate Secretary. You may purchase all or part of the shares which are vested; however, you may not make partial purchases in increments of less than 100 shares.

This option cannot be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent and distribution. Only you may exercise this option during your lifetime.

Sincerely,

Thomas D. Weldon
President and CEO

Frame Agreement regarding Purchases and Investment Grant

between

Novoste Corporation
4350/C International Boulevard
Norcross, GA 30093/3027

represented by the president and CEO Thomas D.Weldon

hereinafter

- customer -

and

der Bebig Isotopentechnik und Umweltdiagnostik GmbH
Robert-Rossel-Stra(beta)e 10, 13125 Berlin

represented by the managing director Dr. Andreas Eckert

hereinafter

- supplier -

Preamble

1. The customer produces medical appliances and has developed a catheter for the inhibition and prevention of proliferative responses of a vessel or duct to interventional therapy ("Restenosisgerat").

2. The supplier produces radioactive strontium 90-sources (Bebig product code Sr.O. SO3), which are applicable to the "Restenosisgerat". These isotopes are subject of the following supply contract. They are being delivered in units as "seed-train".

3. On November 28, 1994 the parties concluded a frame agreement, part of which among other things was the delivery of seed-trains, which are subject of this contract of sale. This frame agreement remains valid except where otherwise provided in the present contract. On August 22, 1995 the parties concluded an option contract. This contract also remains valid.

I.
Contract concerning Grants

ss. 1
Payment Liability

1. The customer pays a monthly investment grant amounting to 100.000,- DM, i.e. a total of 1.5 DM million, on the next 15 months following the signing of this contract.

2. The customer remits this investment grant until the third day of each month to the account no. 0000424648 with the Commerzbank, Bankleitzahl 120 400 00.

ss. 2
Use of Grants

1. The grant will be used for the building of a production site in Berlin for the product to be supplied, namely radioactive strontium-90 seed-trains. To this end the supplier will rent a part of building which will exclusively be used for the production of the said product; he will then effect the necessary renovation works and supply this part of a building with the production machinery required. The machinery should guarantee a capacity of at least * seed-trains per year by December 31, 1997.

2. The supplier agrees not to pledge, hypothecate, encumber or sell the assets purchased with the grant in any way. The part of the building rented and all the equipment

* Denotes confidential portions of this agreement that have been omitted and filed separately with the Securities and Exchange Commission.

purchased with the grant specified in ss. 1 shall be used exclusively for the production of materials as stated in this contract for the sole benefit of the customer. No other companies products are to be manufactured with the equipment purchased through the grant, neither are products for other companies to be manufactured in the same part of the building. The supplier will make sure that all approvals necessary to use the part of the building for the production of radioactive materials will be assigned.

3. The rental contract must state explicitly that the production site will be used as a radioactivity laboratory (C-laboratory). The rental contract for the part of the building must also hold a provision stating that the lease maybe assigned to third parties.

ss. 3
Time Schedule for the Investments

1. According to ss. 2 the investments are effected in adherence with the

following time schedule:

Leasing a suitable building	until February 1, 1997
Renovation of the building including installation of a laser	until May 1, 1997
Obtaining the necessary authorizations	until October 1, 1997
Start of production	December 31, 1997

2. The supplier will produce * seed-trains in 1997 as specified in ss. 10. These seed-trains may be produced in another production site until the new facilities are operative. Starting in 1998 the new production site must have an annual capacity of at least * pieces.

3. The supplier has to inform the customer immediately if he cannot adhere to the above time schedule. In case of delays of more than one month the customer is entitled to stop the investment grants until the next step of investment is realised.

* Denotes confidential portions of this agreement that have been omitted and filed separately with the Securities and Exchange Commission.

ss. 4
Repayment Obligation

If the machinery is not put into operation by December 31, 1997 the customer is entitled to claim for repayment of the total amount of investment grants paid so far, plus 5 % interest. This repayment obligation must take into account that the value of the equipment purchased through the grant is reduced each year by 20% starting in 1998 to reflect the passage of time.

ss. 5
Information and Controlling Rights

1. The supplier is obliged to account quarterly for the use of the funds received and for the progress of the investments. For this purpose he has to give written proof to the customer of the funds used, their purpose, the recipient of the funds as well as their date of payment.

2. The customer may appoint an independent certified public accountant to verify the above costs by auditing the account books and other documents of the supplier.

3. The supplier has to draw up a register indicating the number and the type of the production machinery; this register has to represent the actual state by the end of the last month in question.

ss. 6
Insurance

The supplier is obliged to conclude all appropriate, customary and necessary insurances for the continuance of the production site including a business interruption insurance (use and occupancy insurance). The insurance sum must be corresponding to the sale value of the respective production volume, at least * US-$. Beneficiary of insurance must be the customer. The respective insurance policy must be delivered to the customer within one month after the first payment according to I ss. 1.1. If the insurance contract can not provide such a condition the supplier assigns all claims and benefits from the insurance to the customer irrevocably by this contract. The customer hereby declares the acceptance of this assignment.

ss. 7
Crediting against Purchasing Price

The parties of this contract concluded an option contract as of August 22, 1995; which grants a seven years option for the customer to buy all of the supplier's tangible and intangible assets including customers' lists, instructions, patents and licences, which are used or can be used for the production of isotopes. The purchasing price amounts to 5 million US-$. If the customer makes use of this option, the investment grant agreed upon within this contract amounting to 1.5 million DM will be credited against the purchasing price. This option is also granted for any existing or future subsidiary of the customer.

* Denotes confidential portions of this agreement that have been omitted and filed separately with the Securities and Exchange Commission.

II.
Frame Supply Contract

ss. 8
Quantity to be supplied

1. The customer has a supposed demand of isotopes of approx. * seed-trains in 1997 and approx. * seed-trains in each of the following years.

2. The supplier hereby takes over the obligation to cover the annual need up to the amount mentioned above, upon receipt of order from the customer; delivery can be effected in parts. The customer, however, is not obliged to accept the delivery unless formally ordered.

ss. 9
Price

The price of the first * seed-trains per year is * per seed-train ex works. This price is binding until December 31, 2000. Prices can be negotiated for any seed-train ordered beyond the quantity of * per year after December 31, 1997. The customer is also entitled to negotiate new prices if this agreement inhibits a marketing of the product with a price able to meet the competition. From January 1 1998 on prices of units exceeding the amount of * per year are subject to negotiation.

After December 31, 2000 the parties agree upon a new price. Prices will only increase if the supplier gives proof of circumstances that justify such an increase.

* Denotes confidential portions of this agreement that have been omitted and filed separately with the Securities and Exchange Commission.

ss. 10
Terms of Delivery

1. Delivery is effected upon ordering the partial quantity in question; the delivery period should be six months following receipt of order. The supplier is obliged to observe the quality standard as attached to the customers orders.

2. The parties have agreed on the following delivery schedule for 1997:

   4 seed-trains per week starting on January 1997 until a quantity of * is received.

3. Should the supplier fall behind his delivery schedule by more than 15 %, the customer shall have the right to withhold the monthly investment grant specified in I. ss. 1 until such a time that the supplier is back on schedule.

4. Should it be established that the supplier will not be able to resume the delivery of the products, which is presumed to be the case if delivery has been discontinued for a period longer than 6 months, the customer is entitled to a claim for repayment of the total amount of investment grants paid so far according to I. ss. 4. This clause is not valid if the discontinuation of delivery is due to an omission of orders.

5. All prices are ex works Berlin. With shipment, all property rights and all risks of ownership are passed to the customer. The containers necessary for shipment of the isotopes will be provided by the customer at his own cost.

ss. 11
Payment

Payment has to be effected within two weeks after the customer has received an invoice from supplier and should be made to an account of the supplier with a bank in Germany.

* Denotes confidential portions of this agreement that have been omitted and filed separately with the Securities and Exchange Commission.

ss. 12
Cancellation

1. The frame supply contract is firm until November 30, 2000. After that date it can be cancelled regularly requiring a six months notice by the end of each calendar year.

2. Notwithstanding this, the parties are entitled to give notice to quit for cause.

3. If the supplier gives notice to quit for cause for a reason outside the customer's range of responsibility, or if the customer gives notice to quit for cause for a reason within the suppliers range of possibility, the supplier is obliged to repay the investment grant according to I. ss. 4.

4. The frame supply contract terminates if the customer makes use of its option right according to I. ss. 7. Partial deliveries ordered until the day the customer exercises its option right, still have be delivered and paid in accordance with this contract.

ss. 13
Exclusivity

By frame contract dated November 28, 1994 the parties have agreed that Novoste is not to purchase, lease or otherwise acquire directly or indirectly a radioactive source of like isotope for use in the treatment of restenosis from any other supplier or party.

This obligation of the customer is replaced by the following:

The customer agrees not to buy more than 30 % of the annual requirement according to ss. 8 of this contract from a third party. The customer is obliged

to inform the supplier immediately after such an order is placed. The supplier remains not entitled to deliver to any other party.

III.
General Conditions

ss. 14
Governing Law and Place of Jurisdiction

German law has to be applied to this contract. All disputes arising in connection with the present contract shall be finally settled under the rules of conciliation and arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules.

ss. 15
General Business Conditions

Neither the customer's selling conditions nor the supplier's delivery conditions can be applied to this frame contract and to the single orders effected accordingly.

ss. 16
Modifications

All modifications and additions to this contract shall be in writing. This also applies to this condition.

ss. 17
Invalid Conditions

If single conditions of this contract become invalid, this does not affect the remaining conditions. The invalid condition then has to be replaced by a condition which best matches its economic and legal purpose.

Norcross, the	Berlin, the .....
----------	----------
Novoste Corporation	Bebig Isotopentechnik und Umweltdiagnostik GmbH

AGREEMENT AND RELEASE

This AGREEMENT AND RELEASE (this "Agreement") is made this ____ day of November, 1996 between JONATHAN J. ROSEN, PH.D., an individual residing at 1407 Tree Ridge Parkway, Alpharetta, Georgia 30202 ("Employee"), and NOVOSTE CORPORATION, a Florida corporation with offices at 4350-C International Boulevard, Norcross, Georgia 30093 ("Novoste").

WHEREAS, the parties desire to set forth their agreement regarding the resignation of Employee as an employee and officer of Novoste and certain related matters;

NOW, THEREFORE, the parties hereby agree as follows:

1. Employment.

Novoste will continue to employ Employee as its Vice President, Product Development, and Employee will continue to work for Novoste in such capacity, through February 28, 1997. Through such date, Novoste will continue to pay Employee his current semimonthly salary of $5416.67 and provide Employee with such medical insurance, life insurance, disability insurance and similar benefits as Employee currently receives. Effective as of such date, Employee hereby voluntarily resigns as an employee and Vice President, Product Development of (and from any other position or office he may hold in) Novoste.

Novoste and Employee each acknowledge and agree that Employee shall be entitled to receive any bonus earned by Employee through December 31, 1996 (but no bonus with respect to any period thereafter) under the terms of the 1996 Incentive Plan of Novoste (i.e., a bonus equal to 10% of the 1996 Milestone Pools aggregating $170,000 which are actually distributed to management under such Plan, or a maximum bonus of $17,000). Novoste agrees to promptly cause a change in the beneficiary of the life insurance policy currently maintained by Novoste with respect to Employee from Novoste to Nancy A. Rosen. Novoste further agrees to continue to pay the premiums of such policy through the end of its current term (i.e., January 12, 1997), at which time Novoste agrees to cooperate in the assignment to Employee of such policy (provided that such assignment is allowed by the insurer named in such policy).

2. Computer Equipment.

Novoste hereby transfers to Employee all of Novoste's right, title and interest in and to the computer equipment currently used by Employee which is described on Exhibit A hereto.

3. Consultancy.

a. Novoste agrees to engage Employee as a consultant for a

sixteen-month period commencing March 1, 1997 and ending June 30, 1998. During such sixteen-month period, Employee shall provide such consulting services to Novoste at mutually convenient times, whether in person, by telephone, written or electronic communication or otherwise, as Novoste shall reasonably request from time to time. Such consulting services shall include, but not be limited to, (i) services relating to regulatory matters such as assisting Novoste with submissions to the FDA or other regulatory authorities and responses to comments or inquiries from such regulatory authorities and (ii) computer-related services such as graphic design, video development and animation.

b. Novoste shall pay to Employee the following amounts as consulting fees on the successive dates indicated below (or next business day should any of such dates not fall on a business day for Novoste):

$50,000	On the eighth day following execution and delivery hereof
$30,000	On the eighth day following execution and delivery of the 2/28/97 Extension of Release
$10,000	On March 31, 1997
$30,000	On June 30, 1997
$30,000	On September 30, 1997
$30,000	On the eighth day following execution and delivery of the 6/30/98 Extension of Release

4. "Lock-Up".

Employee agrees that he will not, directly or indirectly, sell, offer for sale, sell short, contract to sell, pledge, grant any option to purchase, or otherwise dispose of any shares of common stock of Novoste (including, without limitation, any such shares issued or issuable upon the exercise of stock options) from the date of this Agreement through June 30, 1998 other than up to an aggregate of 50,000 such shares during the three-month period from March 1, 1997 through May 31, 1997 and thereafter only up to an aggregate of 20,000 such shares in any given calendar month during the period from June 1, 1997 through June 30, 1998. Without limiting any obligations of Employee under this Agreement or applicable law, the Company represents to Employee that the shares of its common stock issuable upon exercise of Employee's stock

options described in Section 5b are covered by a Form S-8 Registration Statement filed with the SEC.

5. Release.

a. For purposes of this Agreement, an "Affiliate" of Novoste shall mean any person, corporation, partnership, firm, association, trust or other

entity, directly or indirectly through one or more intermediaries, controlling, controlled by or under common control with Novoste or any such person.

b. In consideration of the transfer of computer equipment to Employee under Section 2 hereof and other good and valuable consideration, Employee, for and on behalf of himself, his heirs, distributees, executors, administrators, legal representatives and assigns hereby WAIVES, RELEASES AND FOREVER DISCHARGES AND ACQUITS Novoste and each of its Affiliates and the officers, directors, shareholders, partners, employees, agents, attorneys and representatives of each of Novoste and each of its Affiliates, past, present and future, and the heirs, distributees, executors, administrators, legal representatives, successors and assigns of each of the foregoing (Novoste and all of such persons and entities being collectively referred to as the "Releasees") from any and all actions, causes of action, suits, debts, demands and claims (including, without limitation, amounts for attorneys' fees and expenses), known or unknown, asserted or unasserted, which Employee ever had, now has or hereafter can, shall or may have against any of the Releasees arising at any time directly or indirectly out of, or in any way connected with Employee's employment with Novoste and/or any other association, relationship or dealing with any of the Releasees from the beginning of such employment (or, if earlier, such other association, relationship or dealing) to the date of this Agreement, including, but not limited to:

(1) claims arising out of federal, foreign, state or local employment discrimination laws, regulations or ordinances, such as for sex, age, race, color, national origin, marital status, sexual orientation or preference, disability, religion, handicap or status as a Vietnam or special disabled veteran, including without limitation, the Federal Age Discrimination in Employment Act, as amended ("ADEA") (subject to the right of revocation set forth in Section 7b), the Employee Retirement Income Security Act, the Family and Medical Leave Act of 1993 and the Georgia Fair

Employment Practices Act, in each case to the extent applicable to Novoste and Employee;

(2) claims for wrongful or abusive discharge arising at law or in equity;

(3) claims for implied or express contracts, personal injury or tort claims or claims arising under public policy;

(4) claims for workers compensation, claims for continued pay, accrued vacation pay or any other claim for wages, compensation, fringe benefits or reinstatement to employment, including but not limited to claims for bonuses or deferred or incentive compensation;

(5) claims relating to any capital stock or other securities

issued by Novoste;

(6) any other claim, of any kind, nature or description whatsoever, at law or in equity, which Employee or his heirs, distributees, executors, administrators, legal representatives, successors or assigns had, now have or hereafter can, shall or may have, for, upon or by reason of any matter, cause or thing whatsoever;

provided, however, that nothing in this Section 5 shall be construed as discharging any obligations of Novoste expressly provided for under this Agreement or (with respect to the stock options currently held by Employee to purchase an aggregate of 139,875 shares of common stock of Novoste at $.25 per share and 7,500 such shares at $3.20 per share) the Amended and Restated Stock Option Plan of Novoste (the "Stock Option Plan").

6. Extensions of Release; Non-Competition Agreement; Breaches.

a. In consideration of the payments to be paid to Employee under Section 3 and other good and valuable consideration, Employee agrees to execute and deliver to Novoste, (i) within seven days after February 28, 1997 and June 30, 1998, a notarized version of the form of Extension of Release attached hereto as Exhibit B (dated as of February 28, 1997 or June 30, 1998, as the case may be) and (ii) simultaneously with the execution hereof, a non-competition and confidentiality agreement in the form attached hereto as Exhibit C (the "Non-Competition Agreement").

b. Without limiting any other rights or remedies of Novoste under this Agreement or the Surviving Agreements (including without limitation the right to seek damages in arbitration pursuant to Section 10a hereof and equitable relief under the Non-Competition Agreement), in the event of any breach by Employee of this Agreement or any of the Surviving Agreements (as defined in Section 7f), Novoste shall not be entitled to refrain from making any payments to Employee hereunder (other than the $30,000 consulting fee due on the eighth day following execution and delivery of the 6/30/98 Extension of Release) unless and until such breach shall have been determined to have occurred by an arbitrator pursuant to Section 10a hereof or, if applicable, a court of competent jurisdiction.

7. Certain Acknowledgements.

Employee acknowledges and agrees that:

a. Employee shall have no authority and shall take no action to bind or to incur any expense for or on behalf of, or to act in any other manner for or on behalf of, Novoste during the sixteen-month consulting period set forth in Section 3 hereof, without the prior written approval of the President or Chief

Financial Officer of Novoste.

b. subject to the provisions set forth in the next two sentences, this Agreement constitutes a knowing and voluntary waiver of all rights or claims he may have against Novoste under ADEA, including, but not limited to, all claims of age discrimination in employment and all claims of retaliation in violation of ADEA. For a period of seven (7) days following his execution of this Agreement, Employee may revoke this Agreement by written notice to such effect to Novoste. In the event of such revocation, this Agreement shall be null and void ab initio as to all parties. Accordingly, this Agreement shall not become enforceable until the expiration of such seven-day period occurs without any such revocation by Employee.

c. Novoste must offer Employee an opportunity to consider the provisions of this Agreement for up to twenty-one (21) days. Employee acknowledges and agrees that he has had ample time in which to consider, and review with an attorney of his choosing, this Agreement prior to its execution by him.

d. the Stock Option Plan provides that Employee must exercise options granted to him thereunder prior to the last day of his employment (i.e., February 28, 1997) in order to avoid forfeiture of such options. Employee has been advised to consult with his tax advisor concerning the tax treatment of any exercise of such options, and any sale or other transfer of shares of common stock issued upon any such exercise, and agrees to notify promptly the Chief Financial Officer of Novoste regarding any sale or other transfer by Employee of any shares issued upon any such exercise which occurs within one year from the date of such exercise.

e. any payments, benefits or other consideration provided by Novoste to Employee under the terms of this Agreement do not constitute an admission by Novoste that it has, had, or has violated any legal or other obligation to Employee or has violated any law respecting Employee's employment. Employee further understands and agrees that all payments made hereunder are subject to any and all applicable withholding for income taxes, FICA and other such deductions.

f. nothing in this Agreement shall limit Employee's obligations under any of the lock-up agreement dated March 25, 1996 executed by Employee in favor of Novoste and the underwriters of its initial public offering, the Stock Option Plan, the Non- Competition Agreement or the conflict of interest or business conduct agreements dated June 2, 1992 (all of the foregoing being collectively referred to as the "Surviving Agreements"). Employee acknowledges and agrees that he is bound by the terms and conditions of each of the Surviving Agreements and that each shall remain in full force and effect until terminated in accordance with its terms.

8. No Disparagement; Letter of Reference.

Employee agrees not to make any disparaging or derogatory comments to any person or entity, whether in writing or orally, about Novoste, any aspect of its business, or its officers, directors, employees, or agents and Novoste agrees not to make any disparaging or derogatory comments to any person or entity, whether in writing or orally, about Employee or any aspect of his performance. The parties acknowledge that it is their intention to prepare a mutually satisfactory letter of reference relating to Employee for use in providing information to persons or entities seeking to employ or engage Employee.

9. Notices.

All notices under this Agreement shall be in writing and shall be either personally delivered (including delivery by express couriers such as Federal Express) or sent by prepaid certified mail, return receipt requested, addressed to the party to which notice is to be given at the address set forth at the beginning of this Agreement for such party, or to such other address as such party may have fixed by notice given in accordance with the terms hereof. Any notice sent as aforesaid shall be deemed given and effective upon the earlier of (i) delivery to the address provided for herein and (ii) the date falling three days after notice of attempted delivery has been left at the address to which a notice to the intended recipient is to be sent hereunder.

10. Arbitration; Governing Law; Severability

a. In the event of any dispute between the parties hereunder or otherwise arising out of or relating to this Agreement or the Surviving Agreements (other than the Non-Competition Agreement), the parties hereto covenant and agree that such dispute will be resolved only by arbitration, conducted in Atlanta, Georgia by the American Arbitration Association ("AAA"), pursuant to its Employment Dispute Resolution Rules, as the same may be amended from time to time. Each party hereto agrees to participate therein diligently and in good faith. The determination made in any such arbitration shall be binding on the parties hereto and may be entered for judgment in any court of competent jurisdiction. The arbitrator shall award to the prevailing party, if any (as determined by the arbitrator), all of such party's Costs and Fees (as defined in the next sentence); provided, however, that unless and until the arbitrator shall make such award, Novoste and Employee shall share equally the fees and expenses of the arbitrator and administrative fees of the arbitration and shall bear its own other Costs and Fees itself. As used in this Section, the term "Costs and Fees" shall refer to all reasonable pre-award expenses of the arbitration, including the arbitrator's fees, administrative fees, travel expenses, out-of-pocket expenses such as copying and telephone, court costs, witness fees and attorneys' fees.

b. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Georgia.

c. If any provision of this Agreement shall be determined by an arbitrator pursuant to Section 10a or a court of competent jurisdiction to be invalid or unenforceable, in whole or in part, this Agreement shall be deemed amended to delete or modify, as necessary, the offending provision and to alter the balance of this Agreement in order to render this Agreement valid and enforceable to the fullest extent permitted under applicable law.

11. Complete Agreement; Modification

Without limiting Section 7f, this Agreement constitutes the complete understanding between Employee and Novoste with respect to the subject matter hereof and supersedes any and all prior agreements between them with respect thereto. This Agreement may not be modified unless such modification is set forth in a writing signed by the party against whom or which enforcement of such modification is sought.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the date first above written.

NOVOSTE CORPORATION

_____ By:_____
JONATHAN J. ROSEN Thomas D. Weldon
President

STATE OF GEORGIA)
) ss.:
COUNTY OF GWINNETT)

On this _____ day of November, 1996, before me personally came Jonathan J. Rosen, to me known to be the individual described in and who executed the foregoing instrument and he did duly acknowledge to me that he executed same.

Notary Public

My commission expires:_____

STATE OF GEORGIA)
) ss.:
COUNTY OF GWINNETT)

On the _____ day of November, 1996, before me personally came Thomas D. Weldon, to me known, who, being by me duly sworn, did depose and say that he is the President of Novoste Corporation, the corporation described in and which executed the foregoing instrument, and that he signed his name thereto on behalf of said corporation.

_____
Notary Public

My commission expires: _____

EXHIBIT A

DESCRIPTION OF COMPUTER EQUIPMENT

See attached list of computer equipment.

EXHIBIT B

EXTENSION OF RELEASE

[Insert February 28, 1997 or June 30, 1998]

Novoste Corporation
4350-C International Blvd.
Norcross, Georgia 30093

Ladies and Gentlemen:

Reference is made to the Agreement and Release, dated November ___,

1996, between Novoste Corporation and the undersigned. The phrase originally reading "the date of this Agreement" in Section 5b of such Agreement and Release is hereby amended to read "[Insert February 28, 1997 or June 30, 1998]" (without modifying any other provision of such agreement).

Sincerely,

Jonathan J. Rosen, Ph.D.

STATE OF GEORGIA)
) ss.:
COUNTY OF GWINNETT)

On this ____ day of _____, 199_, before me personally came Jonathan J. Rosen, to me known to be the individual described in and who executed the foregoing instrument and he did duly acknowledge to me that he executed same.

_____
Notary Public

My commission expires: _____

EXHIBIT C

NON-COMPETITION AGREEMENT

See attached form of non-competition agreement.

NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

OF

NOVOSTE CORPORATION

Adopted August 20, 1996 and as Amended February ___, 1997

1. Purpose of Plan.

The purpose of this Non-Employee Director Stock Option Plan ("Plan") is to provide additional incentives to Non-Employee Directors (as defined below) of Novoste Corporation ("Company") to promote the financial success and progress of the Company by granting such persons options to purchase shares of the Company's Common Stock ("Common Stock"). The options to purchase shares of Common Stock under this Plan shall not qualify under Section 422 of the Internal Revenue Code of 1986, as amended.

2. Definition of "Non-Employee Director".

As defined by Regulation 240.16b-3 under the Securities Exchange Act of 1934, as amended ("Exchange Act"), a "Non-Employee Director" is a person not currently an officer of the Company or a parent or subsidiary, who does not receive compensation either directly or indirectly as a consultant of the Company (except for an amount not required to be disclosed under Item 404(a) of Regulation S-K, e.g., not more than $60,000), does not have an interest in a transaction requiring disclosure under Item 404(a) of Regulation S-K, and is not engaged in a business relationship which would require disclosure under Item 404(b) of Regulation S-K (e.g., where the director has a ten percent or more equity interest in an entity which makes or receives payments in excess of five percent of the Company's or that entity's consolidated gross revenues).

3. Adoption of Plan.

This Plan shall be effective on the date that it is adopted by the Board of Directors of the Company ("Board"). The Board shall have and may exercise any and all of the powers relating to the administration of this Plan and the grant of options hereunder as are set forth herein.

4. Administration.

(a) This Plan shall be administered by the Board.

(b) The Board shall have the authority to (i) exercise all of the powers granted to it under this Plan, (ii) construe, interpret and implement this Plan and any Stock Option Agreements executed pursuant to Section 8 hereof, (iii) prescribe, amend and rescind rules and regulations relating to this Plan, (iv) make all

determinations necessary or advisable in administering this Plan and (v) correct any defect, supply any omission and reconcile any inconsistency in this Plan.

(c) The determination of the Board on all matters relating to this Plan or any Stock Option Agreement shall be final, binding and conclusive.

(d) No member of the Board shall be liable for any action or determination made in good faith with respect to this Plan or any award thereunder.

5. Eligibility.

Individuals who are Non-Employee Directors of the Company shall be eligible to participate in this Plan. Each Non-Employee Director to whom an option is granted hereunder is referred to as an "Optionee."

6. Shares Subject to this Plan.

The maximum number of shares of Common Stock that may be issued pursuant to options granted under this Plan to all Optionees is 100,000 shares, which shares may, at the discretion of the Board, be either authorized but unissued shares or shares previously issued and reacquired by the Company. Such number of shares shall be subject to adjustment as provided in this Plan. If any option is terminated or unpurchased in whole or in part for any reason without being exercised in whole or in part, the shares thereby released from such option shall be available for purchase under other options subsequently granted under this Plan. At all

times during the term of this Plan, the Company shall reserve and keep available such number of shares of Common Stock as shall be required to satisfy the requirements of outstanding options under this Plan.

7. Granting of Options; Effective Date.

Until the expiration or sooner termination of this Plan, the Board, at any time and from time to time, may grant options to Non-Employee Directors for such number of shares, at such option price, and subject to the terms and provisions of this Plan. The date on which the grant of an option is authorized by the Board shall be the effective date of grant for all purposes, notwithstanding the fact that written acceptance by the Optionee of such grant may take place thereafter.

8. Terms and Conditions of Options.

All options granted under this Plan shall be evidenced by a written

Stock Option Agreement (which may incorporate the provisions of this Plan by reference and which shall be in such form as the Board shall approve) signed by the President of the Company and the Optionee. All options shall be granted subject to the following terms and conditions:

(a) Exercise Price. The exercise price per share with respect to each option shall not be less than the Fair Market Value of a share of Common Stock on the date of grant.

(b) Fair Market Value. The term "Fair Market Value" as used herein as of any date and in respect of any share of Common Stock means the closing sale price for a share of Common Stock on the immediately preceding trading date as reported on The Nasdaq National Market or, if no closing sale price shall have been made on such relevant date, on the next preceding day on which there was a closing sale price; provided, however, that if no closing sale

price shall have been made within the ten business days preceding such relevant date, or if deemed appropriate by the Board for any other reason, the Fair Market Value of such shares of Common Stock shall be as determined by the Board. In no event shall the Fair Market Value of any share of Common Stock be less than its par value.

(c) Option Term. Each option shall be granted for a term determined from time to time by the Board, but in no event shall an option be granted for a term of more than five years and each option is subject to earlier termination in the event of the death or the voluntary or involuntary termination of the Optionee as set forth herein.

(d) Limitation on Options. Notwithstanding anything herein, the maximum aggregate number of shares of Common Stock with respect to which options may be granted to any person eligible therefor under this Plan within any one calendar year is 15,000 shares.

(e) Exercise of Options. Options shall be exercisable within the times or upon the events determined by the Board as set forth in the grant of options; provided, however, that no option shall be exercisable after the expiration of five years from the date the option is granted. Upon exercise no fractional shares of Common Stock shall be issued or transferred and no payments shall be made in lieu of fractional shares. No shares of Common Stock shall be issued or delivered until full payment therefor has been made. No option may be exercised for fewer than the lesser of (i) 500 shares of Common Stock or (ii) all remaining shares of Common Stock subject to the option.

(f) Notice of Exercise. Options may be exercised only by delivery to the Company of a written notice and exercise agreement in a form approved by the Board, stating the number of shares of Common Stock being purchased, the restrictions imposed on the shares

of Common Stock and such representations and agreements regarding the Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws, together with payment in full of the exercise price for the number of shares of Common Stock being purchased.

(g) Payment. Payment for the shares of Common Stock may be made (i) in cash, (ii) by surrender of shares of Common Stock having a Fair Market Value equal to the exercise price of the option or (iii) by any combination of the foregoing where approved by the Board in its sole discretion; provided, however, in the event of payment for the shares of Common Stock by method (ii) above, the shares of Common Stock so surrendered, if originally issued to the Optionee upon exercise of an option(s) granted by the Company, shall have been held by the Optionee for more than six months.

(h) Purchase for Investment. If the shares of Common Stock subject to an option have not been registered under the Securities Act of 1933, as amended ("Securities Act"), the Board shall have the right to require, as a condition to any exercise of the option, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of such Act, including but not limited to the representation that any and all shares of Common Stock purchased upon exercise of the option will be purchased for investment and not with a view to the distribution or resale thereof and to agree that such shares will not be sold except in accordance with such restrictions or limitations as may be set forth in the Stock Option Agreement or as may be imposed by law.

(i) Death or Voluntary or Involuntary Termination. In the event of death of the Optionee or voluntary or involuntary termination of directorship with the Company of the Optionee, such option may, subject

to the provisions of this Plan and any restrictions or limitations as are determined by the Board, be exercised as to

those optioned shares in respect of which such option has not previously been exercised, but only to the extent that such option could be exercised by the Optionee on the date of such death or voluntary or involuntary termination of directorship with the Company (whichever is the applicable case):

i) in the event of the death of the Optionee, then by his or her executor or administrator, or by the person or persons to whom the option is transferred by will or the applicable laws of descent and distribution, within twelve months from the date of death, but in no event subsequent to the expiration date of the option; or

ii) in the event of the Optionee's voluntary or involuntary termination of directorship with the Company, then by the Optionee within twelve months from the date of termination, but in no event subsequent to the expiration date of the option.

9. Privileges of Stock Ownership.

No Optionee shall have any of the rights of a shareholder with respect to any shares of Common Stock subject to an option until the option has been validly exercised. No adjustment shall be made for dividends or distributions or other rights for which the record date is prior to the date of exercise, except as provided in this Plan.

10. Adjustment of Option Shares.

In the event that the number of outstanding shares of Common Stock is changed by a stock dividend, stock split, reverse stock split, combination, reclassification or similar change in the

capital structure of the Company without consideration, the number of shares of Common Stock available under this Plan and the number of shares of Common Stock subject to outstanding options and the exercise price per share of such options shall be proportionately adjusted, subject to any required action by the Board or shareholders of the Company and compliance with applicable securities laws; provided, however, that no certificate or scrip representing fractional shares shall be issued upon exercise of any option and any resulting fractions of a share of Common Stock shall be ignored.

11. Compliance with Laws.

The grant of options and the issuance of shares upon exercise of any options shall be subject to and conditioned upon compliance with all applicable requirements of law, including without limitation compliance with the Securities

Act, compliance with all applicable state securities laws and compliance with the requirements of any stock exchange on which the shares may be listed. The Company shall be under no obligation to register the shares with the Securities and Exchange Commission or to effect compliance with the Securities Act or with the registration or qualification requirement of any state securities laws or stock exchange.

12. Restrictions on Shares.

At the discretion of the Board, the Company may reserve to itself or its assignee(s) in the Stock Option Agreement (a) a right of first refusal to purchase any shares of Common Stock that an Optionee (or a subsequent transferee) may propose to transfer to a third party and (b) a right to repurchase any or all shares of Common Stock held by an Optionee upon the Optionee's termination of directorship with the Company for any reason within a specified time as determined by the Board at the time of grant at (i) the Optionee's original purchase price, (ii) the Fair Market Value of such shares of Common Stock as determined by the Board in good faith or (iii) a price determined by a provision set forth in the Stock Option Agreement.

13. Change of Control.

Notwithstanding any contrary terms in the grant of options hereunder, in the event of a Change of Control (as defined herein), all outstanding options shall accelerate and become immediately fully exercisable. For purposes of this Plan, a "Change In Control" shall mean (i) the sale or other disposition to a person, entity or group (as such term is defined in Rule 13d-5 under the Exchange Act) of 50% or more of the Company's consolidated assets, (ii) the acquisition of 50% or more of the outstanding shares of Common Stock by a person or group (as such term is defined in Rule 13d-5) or (iii) if the majority of the Board consists of persons other than Continuing Directors (as defined herein). The term "Continuing Director" shall mean any member of the Board on the effective date of this Plan and any other member of the Board who shall be recommended or elected to succeed or become a Continuing Director by a majority of the Continuing Directors who are then members of the Board.

14. Amendment or Termination of Plan.

The Board may at any time terminate or amend this Plan in any respect (including, but not limited to, any form of grant, agreement or instrument to be executed pursuant to this Plan); provided, however, that shareholder approval shall be required to be obtained by the Company if required to comply with the listed company requirements of The Nasdaq National Market or of a national securities exchange on which the shares of Common Stock are traded, or other applicable provisions of state or federal law or self-regulatory agencies; provided, further, that no amendment of this Plan may adversely affect any then outstanding options or any unexercised portions thereof without the written

consent of the Optionee.

15. Term of Plan.

No option shall be granted pursuant to this Plan on or after December 31, 2001, but options theretofore granted may extend beyond that date and the terms of this Plan shall continue to apply to such options and to any shares of Common Stock acquired upon exercise thereof.

16. Applicable Law.

The validity, interpretation and enforcement of this Plan shall be governed in all respects by the laws of the State of Florida and the United States of America.

17. Issuance of Shares.

The shares of Common Stock, when issued and paid for pursuant to the options granted hereunder, shall be issued as fully paid and non-assessable shares.

18. Withholding Taxes.

Whenever under this Plan shares are to be issued in satisfaction of the exercise of options granted thereunder, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares.

19. Transferability of Options.

An option may be sold, pledged, assigned, hypothecated, transferred or disposed of as determined by the Board and as set forth in a Stock Option Agreement with an Optionee.

Exhibit 11

Novoste Corporation
Computation of Net Loss Per Share

<TABLE>
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	Year Ended December 31,		
	1996	1995	1994
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Weighted average number of shares of common stock outstanding during the year	6,543,129	3,679,361	2,836,896
Effect of common stock issued and stock options and warrants granted during the 12-month period preceding April 11, 1996	294,542	1,194,411	1,194,411
Elimination of duplicative effect of including the same shares in both above amounts	(89,179)	(202,625)	-
Total common and common equivalent shares	6,748,492	4,671,147	4,031,307
Net loss	(5,939,081)	(3,218,026)	(2,195,689)
Net loss per share	$ (0.88)	$ (0.69)	$ (0.54)

</TABLE>

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-12717) pertaining to the Novoste Corporation Stock Option Plan of our report dated February 1, 1997, with respect to the financial statements of Novoste Corporation included in the Annual Report (Form 10-K) for the year ended December 31, 1996.

ERNST & YOUNG LLP

Atlanta, Georgia
March 3, 1997

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