

NOVT CORP
Form SC 14F1
March 21, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14F-1

**Information Statement Pursuant to Section 14(f) of the Securities Exchange Act of 1934 and Rule 14f-1
Thereunder**

NOVT CORPORATION

(Exact Name of Registrant as Specified in its Charter)

000-20727

(Commission File Number)

Florida
(State of Incorporation)

59-2787476
(I.R.S. Employer Identification No.)

4350 International Blvd.

Norcross, GA 30093

(Address of Principal Executive Offices)

(770) 717-0904

(Registrant's Telephone Number)

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NOVT Corporation

4350 International Blvd.

Norcross, GA 30093

Information Statement Pursuant to Section 14(f) of the Securities Exchange Act of 1934

and Rule 14f-1 Promulgated Thereunder

THIS SCHEDULE IS BEING PROVIDED SOLELY FOR INFORMATIONAL PURPOSES AND NOT IN CONNECTION WITH ANY VOTE OF NOVT CORPORATION'S SHAREHOLDERS.

This Information Statement is being furnished on or about March 21, 2006 to the holders of record at the close of business on February 22, 2006 of shares of common stock of NOVT Corporation, a Florida corporation, or NOVT, in connection with the appointment of certain persons to NOVT's board of directors, or the board, and the resignation of other persons from the board, other than at a meeting of shareholders.

This information statement is being distributed pursuant to the requirements of Section 14(f) of the Securities Exchange Act of 1934, as amended, and Rule 14f-1 promulgated thereunder.

RESOLUTION OF PROXY CONTEST AND CHANGE IN COMPOSITION OF MAJORITY OF THE BOARD OF DIRECTORS

In connection with NOVT and Steel Partners II, L.P. and certain affiliated or related entities and persons settling their proxy contest relating to the election to the board of a new slate of nominees, or the Election Contest, you are receiving this Information Statement as a result of the appointment of new directors, pursuant to a settlement agreement (as described below), to a majority of the seats on NOVT's board of directors and the concurrent resignation of certain members of the board.

On March 17, 2006, NOVT executed and delivered a settlement agreement, dated as of March 16, 2006, with Steel Partners II, L.P., a Delaware limited partnership, J.L. Howard, Inc., a New York corporation, Steel Partners, L.L.C., a Delaware limited liability company, Warren G. Lichtenstein, Jack L. Howard, John Quicke, James Henderson, Joshua Schechter, Harvey J. Bazaar, Leonard Toboroff and The Novoste Full Value Committee or, collectively, the Steel Parties. Pursuant to the settlement agreement, the board will be reduced in size from seven to four members and the current NOVT board of directors has approved a reconstituted board, which will consist of three appointees of the Steel Parties, Jack L. Howard, John Quicke and Leonard Toboroff, as well as William E. Whitmer, who is currently a member of the board. Mr. Whitmer will continue serving, and Mr. Toboroff will be appointed as, a Class I director. Mr. Quicke will be appointed as a Class II director. Mr. Howard will be appointed as a Class III director. Six current members of our board of directors, J. Stephen Holmes, Charles E. Larsen, Judy Lindstrom, Alfred J. Novak, Stephen I. Shapiro and Thomas D. Weldon, have submitted their resignations effective as of the time that the change in composition of the board occurs.

Each of these changes in composition of the board will be effective on the later of (i) the tenth calendar day after the date of filing and dissemination to our shareholders of this Information Statement (or such later date as may be required to comply with any comments of the staff of the Securities and Exchange Commission, or SEC) and (ii) the filing by us with the SEC of our annual report on Form 10-K for the twelve months ended December 31, 2005, but in no event later than April 17, 2006. We currently expect that the change in composition will be effective on or around March 31, 2006.

As part of the settlement agreement, the previously scheduled April 13, 2006 special meeting of shareholders, for which a February 22, 2006 record date had been established, was cancelled and the Election Contest was terminated. In addition, the parties have agreed that, subject to the fiduciary duties of the members of the board, Messrs. Toboroff and Whitmer will stand for election as Class I directors at our next annual meeting of shareholders, and the Steel Parties have agreed in their capacities as shareholders to support the nomination and election of both such directors and to cause shares of common stock they own to be voted in favor of both such nominees. A separate proxy statement will be mailed for that meeting.

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In connection with the settlement agreement, Daniel G. Hall, J. Stephen Holmes, Charles E. Larsen, Judy Lindstrom, Alfred J. Novak, Subhash C. Sarda, Stephen I. Shapiro, Thomas D. Weldon and William E. Whitmer, or the NOVT Parties, entered into undertaking letters. The undertaking letters of Ms. Lindstrom and Messrs. Holmes, Larsen, Novak, Shapiro and Weldon provide that such person resigns from the board as of the time that the change in composition described above occurs.

The settlement agreement and undertaking letters also collectively provide that: (i) NOVT shall continue to have an audit committee of the board so long as required under SEC rules, and the Steel Parties agree to support Mr. Whitmer's continued membership on such audit committee so long as he remains a director of NOVT and remains eligible to serve on such audit committee; (ii) NOVT shall reimburse the Steel Parties \$232,912.75 for out-of-pocket expenses incurred in connection with the proxy contest involving the opposition to the dissolution proposal made by the board that was considered at the March 7, 2006 special meeting of shareholders, or the Proxy Contest, and the Election Contest; (iii) each NOVT Party releases each of the Steel Parties, and each of the Steel Parties releases each of the NOVT Parties, from any potential claims or causes of action; (iv) NOVT releases each of the Steel Parties and each of the NOVT Parties from any potential claims or causes of actions relating to or arising from matters set forth in SEC filings made in connection with the Proxy Contest or the Election Contest; (v) the parties shall abide by certain non-disparagement and mutual cooperation covenants; and (vi) NOVT shall continue to honor certain employee benefit plans and arrangements.

NOVT will file copies of the settlement agreement and the form of undertaking letter with the SEC under cover of Form 8-K.

INFORMATION RELATING TO NOVT'S VOTING SECURITIES

On March 1, 2006, there were 4,083,721 shares of common stock issued and outstanding. For matters requiring shareholder action, each holder of common stock is entitled to cast one vote, in person or by proxy, for each share of common stock held.

Table of Contents**PRINCIPAL HOLDERS OF VOTING SECURITIES**

The following table provides information as of March 1, 2006 with respect to the ownership of shares of our common stock by each person believed by management to be the beneficial owner of more than five percent of the outstanding common stock. The information is based on the most recent Schedule 13D or 13G filed with the SEC on behalf of such persons or other information made available to us, and has been adjusted to give effect to the one-for-four reverse stock split that occurred on November 4, 2005.

| Name of Beneficial Owner | Beneficial Ownership | |
|----------------------------------------------------|----------------------|------------|
| | Shares | Percentage |
| Steel Partners II, L.P. and affiliated entities(1) | | |
| 590 Madison Avenue, 32nd Floor | | |
| New York, New York 10022 | 799,337 | 19.6% |
| Lloyd I. Miller, III(2) | | |
| 4550 Gordon Drive | | |
| Naples, Florida 34102 | 335,139 | 8.2% |
| JANA Partners LLC(3) | | |
| 536 Pacific Avenue | | |
| San Francisco, California 94133 | 331,924 | 8.1% |
| Wynnefield Capital Management, LLC, Wynnefield | | |
| Capital, Inc. and affiliated entities(4) | | |
| 450 Seventh Avenue, Suite 509 | | |
| New York, New York 10123 | 217,723 | 5.3% |
| Trellus Management Company, LLC(5) | | |
| 350 Madison Avenue, 9th Floor | | |
| New York, New York 10017 | 209,608 | 5.1% |

- (1) Information obtained from Schedule 13D/A filed with the SEC by Steel Partners II, L.P., Steel Partners, L.L.C. and affiliated persons on February 21, 2006. The Schedule 13D/A discloses that Steel Partners has sole power to vote or direct the vote of and to dispose of or to direct the disposition of all of these shares. As the sole executive officer and managing member of Steel Partners L.L.C., Warren G. Lichtenstein may be deemed to beneficially own all of these shares.
- (2) Information obtained from Schedule 13G/A filed with the SEC by Mr. Miller on February 24, 2006. The Schedule 13G indicates that Mr. Miller has (i) sole voting and dispositive power with respect to 12,000 shares as the manager of a limited liability company that is the general partner of a certain limited partnership and as an individual and (ii) shared voting and dispositive power with respect to 323,139 shares as an investment advisor to the trustee of certain family trusts.
- (3) Information obtained from Schedule 13G/A filed with the SEC by JANA Partners LLC on February 10, 2006. The Schedule 13G discloses that JANA Partners has sole power to vote or direct the vote of and to dispose of or to direct the disposition of all of these shares.
- (4) Information obtained from Schedule 13D filed with the SEC by Wynnefield Partners Small Cap Value, L.P. (WPSCV), Wynnefield Partners Small Cap Value, L.P. I (WPSCV-I), Wynnefield Small Cap Value Offshore Fund, Ltd. (WSCVOF), Wynnefield Capital Management, LLC (WCM) and Wynnefield Capital, Inc. (WCI) on January 6, 2006. The Schedule 13D disclosed that (i) WCM, as sole general partner of WPSCV and WPSCV-I, and Nelson Obus and Joshua Landes, as the co-managing members of WCM, have sole power to direct the voting and disposition of 67,623 shares beneficially owned directly by WPSCV and 83,675 shares beneficially owned directly by WPSCV-I and (ii) WCI, as sole investment manager of WSCVOF,

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and Nelson Obus and Joshua Landes, as the principal executive officers of WCI, have sole power to direct the voting and disposition of 66,425 shares beneficially owned directly by WSCVOF.

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

Table of Contents**SECURITY OWNERSHIP OF MANAGEMENT**

The following table sets forth information as of March 1, 2006 with respect to the beneficial ownership of our common stock by (1) each director, (2) each named executive officer as defined by the regulations of the SEC and (3) all executive officers and directors as a group. The information in the table gives effect to the one-for-four reverse stock split that occurred on November 4, 2005.

| Name | Shares | Options | Beneficial Ownership | Percentage(1) |
|-------------------------------------------------------------|---------|---------|----------------------|---------------|
| Thomas D. Weldon (2) | 44,693 | 28,500 | 73,193 | 1.8% |
| Alfred J. Novak | | 154,132 | 154,132 | 3.6% |
| Charles E. Larsen | 77,791 | 9,250 | 87,041 | 2.1% |
| William E. Whitmer | 2,250 | 9,250 | 11,500 | * |
| Stephen I. Shapiro | 1,054 | 9,250 | 10,304 | * |
| J. Stephen Holmes | | 9,250 | 9,250 | * |
| Judy Lindstrom | | 9,250 | 9,250 | * |
| Daniel G. Hall | 750 | 35,225 | 35,975 | * |
| Subhash C. Sarda | | 19,608 | 19,608 | * |
| All executive officers and directors as a group (9 persons) | 126,538 | 283,715 | 410,253 | 9.4%(3) |

* Less than 1%.

- (1) Applicable percentage of ownership as of March 1, 2006 is based upon 4,083,721 shares of our common stock outstanding. A person is deemed to be the beneficial owner of our common stock that can be acquired within 60 days from March 1, 2006 upon the exercise of options, and that person's options are assumed to have been exercised (and the underlying shares of our common stock outstanding) in determining such person's percentage ownership. Consequently, the denominator for calculating such percentage may differ for each shareholder.
- (2) Includes 625 shares held in trust for the benefit of Mr. Weldon's son, 625 shares held by Mr. Weldon as custodian for his nephew, 9,917 shares held by Mr. Weldon's spouse and 16,893 shares held by The Weldon Foundation, Inc., a Florida not-for-profit corporation in which Mr. Weldon is a director. Mr. Weldon disclaims beneficial ownership of all shares held by The Weldon Foundation, Inc.
- (3) The employment with NOVT of Adam G. Lowe, NOVT's Vice President Operations and Robert N. Wood, Jr., NOVT's Vice President Sales and Marketing, terminated on April 29, 2005 and March 4, 2005, respectively, and their beneficial ownership is not reflected in the line entitled "All executive officers and directors as a group".

DIRECTORS OF NOVT AFTER CHANGE IN COMPOSITION IS EFFECTIVE

As described above, NOVT has entered into a settlement agreement dated as of March 16, 2006 with the Steel Parties. Pursuant to the settlement agreement, the board will be reduced in size from seven to four members and the current NOVT board of directors has approved a reconstituted board, which will consist of three appointees of the Steel Parties, Jack L. Howard, John Quicke and Leonard Toboroff, as well as William E. Whitmer, who is currently a member of the board. Each of these changes in composition of the board will be effective on the later of (i) the tenth calendar day after the date of filing and dissemination to our shareholders of this Information Statement (or such later date as may be required to comply with any comments of the staff of the SEC) and (ii) the filing by us with the SEC of our annual report on Form 10-K for the twelve months ended December 31, 2005, but in no event later than April 17, 2006.

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The information below describes the members of our board upon effectiveness of the changes to be effected pursuant to the settlement agreement:

Class I Directors Whose Terms Will Expire at the 2006 Annual Meeting

Leonard Toboroff, age 73. Mr. Toboroff has served as a Vice Chairman of the Board of Allis-Chalmers Energy Inc., a provider of products and services to the oil and gas industry, since May 1988 and served as Executive Vice President from May 1989 until February 2002. He served as a director and Vice President of Varsity Brands, Inc. (formerly Riddell Sports Inc.), a provider of goods and services to the school spirit industry, from April 1998 until it was sold in September 2003. Mr. Toboroff has been an Executive Director of Corinthian Capital Group, LLC, a private equity fund, since October 2005. He is also a director of Engex Corp., a closed-end mutual fund. Mr. Toboroff does not beneficially own any NOVT securities.

William E. Whitmer, age 72. Mr. Whitmer has served as a director of NOVT since October 1992. He was also a director of Interland Inc., a NASDAQ-listed company, from March 2000 until the company's merger with Micron Electronics, Inc. in 2002. Mr. Whitmer is a Certified Public Accountant and management consultant. From 1989 until 1992, he was a partner of Ernst & Young, having served as the Associate Managing Director of that firm's southern United States management consulting group. From 1968 through 1989, Mr. Whitmer was a partner of Arthur Young & Company, having served as the Managing Partner of its East and Southeast United States regions of the management consulting practice from 1975 through 1989. Mr. Whitmer received a B.A. in Economics from Denison University. Mr. Whitmer beneficially owns 11,500 shares of NOVT's common stock.

Class II Directors Whose Terms Will Expire in 2007

John Quicke, age 56. Mr. Quicke has served as a Vice President of SPL since September 2005. Mr. Quicke has served as a director of WHX since July 2005 and as a Vice President since October 2005. He served as a director, President and Chief Operating Officer of Sequa Corporation, a diversified industrial company, from 1993 to March 2004, and Vice Chairman and Executive Officer of Sequa from March 2004 to March 2005. As Vice Chairman and Executive Officer of Sequa, Mr. Quicke was responsible for the Automotive, Metal Coating, Specialty Chemicals, Industrial Machinery and Other Product operating segments of the company. From March 2005 to August 2005, Mr. Quicke occasionally served as a consultant to Steel Partners and explored other business opportunities. Mr. Quicke does not beneficially own any NOVT securities.

Class III Directors Whose Terms Will Expire in 2008

Jack L. Howard, age 44. Mr. Howard has been a registered principal of Mutual Securities, Inc., a registered broker-dealer, since 1989. He has served as the Vice President and Vice Chairman of Steel Partners, Ltd., a management and advisory company that provides management services to Steel Partners II, L.P. and its affiliates, since December 2003. Mr. Howard has served as Chairman of the Board of WebFinancial Corporation, a consumer and commercial lender, since June 2005, as a director of WebFinancial since 1996 and as its Vice President since December 1997. From December 1997 to May 2000, he also served as Secretary, Treasurer and Chief Financial Officer of WebFinancial. He has served as Chairman of the Board and Chief Executive Officer of Gateway Industries, Inc., a provider of database development and web site design and development services, since February 2004, as Vice President of Gateway since December 2001 and as a director of Gateway since May 1994. He is also a director of BNS Co., a real estate management company, WHX Corporation, a holding company, and CoSine Communications, Inc., a global telecommunications equipment supplier. Mr. Howard is deemed to beneficially own 663 shares of NOVT's common stock owned by J.L. Howard, a corporation controlled by Mr. Howard.

CURRENT EXECUTIVE OFFICERS OF NOVT

Our current executive officers as of the date hereof are described below.

| Name | Age | Position |
|------------------|------------|-----------------------------------------------------|
| Alfred J. Novak | 58 | President and Chief Executive Officer |
| Daniel G. Hall | 59 | Vice President, Secretary and General Counsel |
| Subhash C. Sarda | 56 | Vice President, Finance and Chief Financial Officer |

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Alfred J. Novak. Mr. Novak was elected by the Board of Directors to the position of a director and President and Chief Executive Officer of NOVT on October 16, 2002. Since December 1997, he has served as Chairman of the Board of Directors of ProRhythm, Inc., a start-up medical device company engaged in electrophysiology. In September 1998, he co-founded and was a management board member of Syntheon LLC, a company that developed minimally invasive medical devices for the vascular and endoscopic markets. Mr. Novak also served as Chairman of the Board of Directors of Orbus Medical Technologies, Inc., an interventional vascular company, from April 1998 until March 2005, when Orbus was acquired. From July 1996 until January 1998, Mr. Novak was President, Chief Executive Officer and a director of Biosense, Inc., a company that developed a position sensor incorporated into catheters and used in interventional cardiology, electrophysiology, and image guided surgery, and which was acquired by Johnson & Johnson in October 1997. Mr. Novak was employed by Cordis Corporation in April 1984 and served as its Vice President and Chief Financial Officer and a member of the executive committee until Cordis was acquired by Johnson & Johnson in February 1996. Mr. Novak received his M.B.A. from the Wharton School of the University of Pennsylvania and earned his B.S. at the U.S. Merchant Marine Academy.

Daniel G. Hall. Mr. Hall joined NOVT in June 2000 as Vice President and General Counsel. He served as Vice President, Secretary and General Counsel of Cordis Corporation beginning in 1981 until the company was acquired by Johnson & Johnson in 1995. From 1995 to 1999, Mr. Hall managed his own private law practice. From June 1999 to June 2000, he practiced with Feldman, Gale & Weber, P.A. in Miami, Florida, serving as managing attorney from December 1999 to June 2000.

Subhash C. Sarda. Mr. Sarda joined NOVT in November 2002 as Corporate Controller, and served as Acting Chief Financial Officer beginning in August 2003. In February 2004, he was promoted to the position of Vice President, Finance and continued to be responsible for the duties of Controller and Acting Chief Financial Officer until December 2004 when he was promoted to the position of Chief Financial Officer. Prior to joining NOVT, Mr. Sarda worked in a number of multi-national companies with management responsibilities for operational and SEC reporting. Mr. Sarda, a CMA, ACA, holds an M.B.A. from Temple University, Philadelphia, and a B.A. in Accounting from studies pursued at the London School of Accountancy, London, UK.

GOVERNANCE OF NOVT

Our board of directors has a standing audit committee, stock option and compensation committee and nominating and corporate governance committee. Our board of directors is currently composed of a majority of independent directors, and all of the committees are composed entirely of independent directors, as the term is defined in the listing standards of the Nasdaq Stock Market. In addition, the audit committee is currently composed entirely of independent directors as the term is defined in Section 10A(m)(3) of the Securities Exchange Act of 1934, although the composition of our audit committee immediately following the reconstitution of our board, other than the membership of Mr. Whitmer, has yet to be determined. Our board of directors has adopted a charter for each of the three standing committees and corporate governance principles that address the make-up and functioning of the board. Our board of directors has also adopted a code of business conduct and ethics that applies to all of our employees, officers and directors. Copies of the audit committee charter, the nominating and corporate governance committee charter and code of business conduct and ethics were attached to our 2004 proxy statement as Appendices A, B and C, respectively.

Meetings of the Board of Directors and its Committees

During 2005, there were 19 meetings of our board of directors, 13 of which were telephonic meetings. In addition, the board of directors acted on one occasion by unanimous written consent in lieu of a meeting. No director attended fewer than 75% of the aggregate number of meetings of the board of directors held during the period in 2005 in which he or she was a director and meetings held by committees of the board of directors during the period in 2005 in which he or she served as a member of the committee.

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Audit Committee

The audit committee is currently comprised of Ms. Lindstrom and Messrs. Whitmer and Holmes, with Mr. Whitmer serving as chairman. As described above, Ms. Lindstrom and Mr. Holmes are resigning from the board and no decision has been made as to whether any of the newly appointed directors will replace them on the audit committee. Pursuant to the terms of the settlement agreement, we expect that Mr. Whitmer will remain a member of the audit committee, although no decision has been made as to whether he will continue to serve as its chairman. The current board of directors has determined that Mr. Whitmer is an audit committee financial expert, as that term is defined in Item 401(h) of Regulation S-K, and that all of the current members of the audit committee are independent for purposes of current listing standards of the Nasdaq Stock Market and Section 10A(m)(3) of the Securities Exchange Act of 1934.

The audit committee:

is directly responsible for the appointment, compensation and oversight of the work of the registered public accounting firm employed by us for the purpose of preparing and issuing an audit report on our financial statements;

assists the board of directors in fulfilling its responsibilities by overseeing

processes involved in the preparation and review of the financial reports provided to the public and the audits of our financial statements,

our system of internal controls regarding finance, financial reporting, and accounting, and the legal compliance and ethics procedures that management and the board of directors have established, and

our auditing, accounting and financial reporting processes generally; and

performs the other functions required of audit committees of public companies under applicable laws, rules and regulations and the requirements of The Nasdaq Stock Market.

A full description of the duties and responsibilities of the audit committee is stated in its charter, which was attached to our 2004 proxy statement as Appendix A. The audit committee met four times during 2005.

Stock Option and Compensation Committee

The stock option and compensation committee of the board of directors is currently comprised of Ms. Lindstrom and Messrs. Shapiro and Holmes, with Mr. Shapiro serving as chairman. As described above, Ms. Lindstrom and Messrs. Shapiro and Holmes are resigning from the board. No decision has yet been made as to which members of the newly constituted board will serve on this committee in the future.

The stock option and compensation committee establishes compensation policies and approves compensation for our executive officers and administers our stock option plans. This committee met two times during 2005.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee of the board of directors is currently comprised of Ms. Lindstrom and Messrs. Holmes, Shapiro and Whitmer, with Ms. Lindstrom serving as chairperson. As described above, Ms. Lindstrom and Messrs. Shapiro and Holmes are resigning from the board. No decision has been made as to which members of the newly constituted board will serve on this committee.

The nominating and corporate governance committee is responsible for recommending to the board of directors potential candidates to be nominated for election or appointment as our directors as well as consideration of issues relating to our corporate governance. The nominating

and corporate governance

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committee also considers shareholder suggestions regarding possible candidates for director as described below under **Nomination of Directors**. A full description of the duties and responsibilities of the nominating and corporate governance committee is stated in its charter, which was attached to our 2004 proxy statement as Appendix B. This committee was established in December 2003 and held one meeting in 2005.

Attendance by Directors at the Annual Meeting of Shareholders

All directors then serving on the board of directors attended the special meeting in lieu of an annual meeting held on September 14, 2005.

Shareholder Communications with the Directors

NOVT shareholders who want to communicate with the board of directors or any individual director can write to: NOVT Corporation, 4350 International Blvd., Norcross, Georgia 30093, Attention: Corporate Secretary. Your letter should state that you are a NOVT shareholder. All communications will be received and processed by our Corporate Secretary, who will present such communications to the board of directors.

The Corporate Secretary will:

forward the communication to the director or directors to whom it is addressed; or

forward the inquiry to our management for resolution (for example, where it is a request for information about NOVT or it is a stock-related matter).

At each board meeting, the Corporate Secretary presents a summary of all shareholder communications received since the last meeting and makes the communications available to the directors on request.

Nomination of Directors

As provided in its charter and our corporate governance principles, the nominating and corporate governance committee is responsible for identifying individuals qualified to become directors. The nominating and corporate governance committee seeks to identify director candidates based on input provided by a number of sources, including committee members, our other directors, our shareholders, our Chief Executive Officer or Chairman, and third parties such as professional search firms. In evaluating potential candidates for director, the nominating and corporate governance committee considers the entirety of each candidate's credentials.

Qualifications for consideration as a director nominee may vary according to the particular areas of expertise being sought as a complement to the existing composition of the board of directors. However, at a minimum, candidates for director must possess:

high personal and professional ethics and integrity;

ability to exercise sound judgment;

ability to make independent analytical inquiries;

willingness and ability to devote adequate time and resources to diligently perform board duties; and

appropriate and relevant business experience and acumen.

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In addition to these minimum qualifications, the nominating and corporate governance committee also takes into account when considering whether to nominate a potential director candidate the following factors:

whether the person possesses specific industry expertise and familiarity with general issues affecting our business;

whether the person's nomination and election would enable the board to have a member that qualifies as an audit committee financial expert as that term is defined by the SEC in Item 401 of Regulation S-K;

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whether the person would qualify as an independent director under the listing standards of the Nasdaq Stock Market;

the importance of continuity of the existing composition of the board of directors; and

the importance of a diversified board membership, in terms of both the individuals involved and their various experiences and areas of expertise.

The nominating and corporate governance committee will consider director candidates recommended by shareholders provided such recommendations are submitted in accordance with the procedures set forth below. In order to provide for an orderly and informed review and selection process for director candidates, the board of directors has determined that shareholders who wish to recommend director candidates for consideration by the nominating and corporate governance committee must comply with the advance notice provisions and other requirements of Section 3.07 of our by-laws, as if such recommendation were a nomination. As described in our proxy statement for our special meeting in lieu of a 2005 annual meeting, this notification must be received by us not later than June 16, 2006 and not earlier than May 17, 2006, and must provide information about the nominee's qualifications for board membership and other information required by the by-laws. In the event that the 2006 annual meeting of shareholders is more than 30 days before or more than 60 days after September 14, 2006 (the first anniversary of our 2005 special meeting in lieu of an annual meeting), written notice of such shareholder proposals must be received by us not later than the tenth day following the earlier of (a) the day on which public announcement of the date of the 2006 annual meeting is first made by us or (b) the date notice of the annual meeting was mailed to shareholders. Shareholders who intend to recommend a director candidate to the nominating and corporate governance committee for consideration are urged to obtain and thoroughly review a copy of our by-laws. To obtain a copy of our by-laws, shareholders should contact our Corporate Secretary at 4350 International Boulevard, Norcross, Georgia 30093.

All candidates submitted by shareholders will be evaluated by the nominating and corporate governance committee according to the criteria discussed above and in the same manner as all other director candidates.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We have adopted a policy that all transactions between us and our officers, directors, principal shareholders and their affiliates will be on terms no less favorable to us than could be obtained by us from unrelated third parties, and will be approved by our audit committee.

In December 2002, our audit committee reviewed and approved a distribution agreement between NOVT and Orbus Medical Technologies, Inc. The agreement provided for distribution of Orbus' products in Germany by NOVT. Alfred J. Novak, our president and chief executive officer, formerly served as chairman of the board of directors of Orbus and both Mr. Novak and members of his family had equity investments in Orbus. The audit committee undertook a full review of the terms of the agreement and determined the agreement was advantageous to NOVT and that it was no less favorable than could be obtained from an unrelated third party.

In February 2005, NOVT and Orbus mutually agreed to terminate the distribution agreement. Orbus paid NOVT \$366,000 and assumed \$38,000 in liabilities to repurchase inventory, refund the unused deposit and reimburse NOVT for market development expenses. NOVT ceased distributing Orbus product during the first quarter of 2005.

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The following table sets forth a summary of the compensation paid or accrued by us during fiscal years 2005, 2004 and 2003 to (1) our Chief Executive Officer and the other two executive officers of NOV T who were serving as executive officers at the end of fiscal year 2005 and whose compensation during fiscal year 2005 exceeded \$100,000 and (2) two former executive officers of NOV T whose compensation during fiscal year 2005 exceeded \$100,000 but who were not serving as executive officers at the end of fiscal year 2005 (collectively, the Named Executive Officers):

Summary Compensation Table

| Name and Principal Position | Year | Annual Compensation | | | Long-Term Compensation(3) | | | All Other Compensation(4) |
|-------------------------------------------------------|------|---------------------|------------|------------------------------|---------------------------|------------|------------|---------------------------|
| | | Salary | Bonus(1) | Other Annual Compensation(2) | Restricted Stock Awards | Underlying | | |
| | | | | | | Options | | |
| Alfred J. Novak President and CEO | 2005 | \$ 436,889 | \$ 385,125 | \$ 16,163(5) | \$ | \$ | \$ 753,880 | |
| | 2004 | 429,441 | 489,538 | 29,487 | | 200,000 | 5,333 | |
| | 2003 | 350,000 | 123,452 | 72,156 | | 8,700 | 4,671 | |
| Daniel G. Hall VP, Secretary and General Counsel | 2005 | 195,000 | 159,775 | | | | 355,474 | |
| | 2004 | 197,772 | 170,675 | | | | 3,955 | |
| | 2003 | 186,810 | 47,287 | | | 8,700 | 2,612 | |
| Subhash C. Sarda(6) VP and Chief Financial Officer | 2005 | 180,000 | 140,000 | | | | 344,040 | |
| | 2004 | 160,096 | 142,660 | | | | 3,196 | |
| | 2003 | | | | | | | |
| Adam G. Lowe(7) VP Operations | 2005 | 71,225 | 70,917 | | | | 232,904 | |
| | 2004 | 180,761 | 154,634 | | | | 3,268 | |
| | 2003 | 167,228 | 42,330 | | | 8,700 | 3,015 | |
| Robert N. Wood, Jr.(8) VP Sales & Marketing | 2005 | 50,502 | 58,345 | | | | 285,434 | |
| | 2004 | 271,296 | 222,370 | | | 75,000 | 4,750 | |
| | 2003 | 223,649 | 56,612 | | | 8,700 | 4,280 | |

- (1) Bonus compensation for 2005 includes payments of executive retention bonuses, as described below under the caption Executive Retention Bonus Agreements.
- (2) Except as provided below, we did not pay any other annual compensation to the Named Executive Officers during the fiscal years 2005, 2004 and 2003.
- (3) NOV T did not grant any stock appreciation rights or make any long-term incentive payouts to the Named Executive Officers during the fiscal years 2005, 2004 and 2003.
- (4) The amounts shown for 2005 include (i) termination and severance payments (Mr. Novak \$721,500; Mr. Hall \$321,500; Mr. Sarda \$302,000; Mr. Lowe \$207,000; and Mr. Wood \$260,000); (ii) lump sum payment for health insurance benefits (Mr. Novak \$30,522; Mr. Hall \$30,074; Mr. Sarda \$39,963; Mr. Lowe \$24,480; and Mr. Wood \$24,480); and (iii) matching contributions to the defined contribution 401(k) plan (Mr. Novak \$1,858; Mr. Hall \$3,900; Mr. Sarda \$2,077; Mr. Lowe \$1,424; and Mr. Wood \$954).
- (5) Consists of payments for Mr. Novak s apartment and airfare fees paid by us under the terms of Mr. Novak s employment agreement, dated October 8, 2002.
- (6) Mr. Sarda became an executive officer of NOV T on February 11, 2004.
- (7) Mr. Lowe s employment with NOV T terminated on April 29, 2005.
- (8) Mr. Wood s employment with NOV T terminated on March 4, 2005.

Table of Contents**Stock Options**

No options were granted to the Named Executive Officers during fiscal year 2005.

Option Exercises and Holdings

The following table sets forth certain information concerning the number and value realized of options exercised during fiscal year 2005, and the number and value of unexercised options held at December 31, 2005 by the Named Executive Officers.

Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

| Name | Shares Acquired on Exercise | Value Realized | Number of Unexercised | | Value of Unexercised In- | |
|---------------------|--------------------------------------|-------------------|-----------------------|---------------|--------------------------|---------------|
| | | | Options at | | the-Money Options at | |
| | | | December 31, 2005 | | December 31, 2005(1) | |
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Alfred J. Novak | | | 154,132 | 73,043 | \$ | \$ |
| Daniel G. Hall | | | 35,225 | 5,231 | \$ | \$ |
| Subhash C. Sarda | | | 19,608 | 7,892 | \$ | \$ |
| Adam G. Lowe | | | | | \$ | \$ |
| Robert N. Wood, Jr. | | | | | \$ | \$ |

- (1) Based on the closing sale price of our Common Stock on The NASDAQ National Market as of December 31, 2005 (\$2.22 per share) minus the applicable exercise price.

Executive Termination Agreements

We entered into amended and restated termination agreements with our executive officers (including the Named Executive Officers) in May 2003 (except the amended and restated termination agreement with Mr. Sarda which was entered into in April 2004), which provide for benefits in the event of a termination of an executive officer after a change in control of NOV T. The termination agreements have an initial term from the date of execution of the termination agreements through December 31, 2003. After the initial term, the termination agreements are automatically extended each January 1 thereafter for one-year terms, unless notice not to extend the agreement is given not later than 12 months prior to such January 1. If a change in control (as defined in the termination agreement) occurs during the term, the termination agreement extends for 24 months even if such notice not to extend is given. Each executive officer who has entered into a termination agreement has agreed that following the termination of employment, if any, of such executive officer, he or she will be subject to a one-year non-compete and non-solicitation agreement with us.

Prior to the amendment of such agreements as described below, upon a change in control of NOV T and the subsequent termination of an executive officer without cause or for good reason, the executive officer will receive benefits including, but not limited to, the following: a severance payment equal to three times (or, in the case of executive officers who have served for two or less full years as an executive officer of NOV T, two times) his or her annual salary and bonus, as calculated pursuant to the terms of the termination agreement; a pro-rata portion of his or her target bonus for the year in which the change in control occurs; total health care benefits for 18 months; the use of office space or outplacement services for six months; and reimbursement of specified legal fees and expenses. In the event that any payments made by us to an executive officer in connection with the change in control would be subject to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, we are obligated to make whole the executive officer with respect to such excise tax.

In May 2005, we entered into amendments to each of the amended and restated termination agreements with our executive officers (including the Named Executive Officers other than Messrs. Lowe and Wood whose employment with NOV T had terminated). Such amendments provide that in the case of a change in control of

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NOVT involving a transaction with ONI, Best Vascular or certain other specified party, but only in such cases, the severance payment payable to such executive officers equal to three times annual salary and bonus are reduced as follows:

to 1.75 times annualized salary (as calculated pursuant to the terms of the amended and restated termination agreements and the amendments thereto) for executive officers other than Mr. Novak; and

to two times salary and performance bonus (as calculated pursuant to the terms of the amended and restated termination agreement and the amendment thereto) for Mr. Novak.

Executive Retention Bonus Agreements

In April 2004, we entered into executive retention bonus agreements with our executive officers (including the Named Executive Officers), which provide for benefits to the executive officers for continued loyalty to NOVTE during its restructuring period. These agreements were subsequently amended in the fourth quarter of 2004. The retention agreements are in effect from April 1, 2004 until December 31, 2005. Under the retention agreements, the executive officers will continue to perform the duties and responsibilities that are commensurate with each executive officer's position and will perform such other duties as we may reasonably require of the executive officers. The executive officers will also continue to devote their best efforts and full business time and attention to the performance of services customarily incident to each executive officer's position and to such other services as we may request. Each executive officer has received the following retention bonus payments:

&n