

NOVAMED INC
Form 424B2
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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

**Preliminary Prospectus Supplement
Subject to Completion, Dated June 20, 2007**

PROSPECTUS SUPPLEMENT (To Prospectus dated June 20, 2007)

\$52,500,000

NovaMed, Inc.

% Convertible Senior Subordinated Notes due June 15, 2012

We are offering \$52,500,000 aggregate principal amount of our % convertible senior subordinated notes due June 15, 2012 (the notes). The notes will be our general unsecured obligations, will rank subordinate to all of our senior debt and will rank pari passu or senior to all of our other subordinated indebtedness.

The conversion price for each \$1,000 aggregate principal amount of notes is initially \$ per share of our common stock (equivalent to a conversion rate of approximately shares of our common stock). Holders may surrender their notes for conversion at any time prior to the close of business on December 15, 2011, if any of the following conditions is satisfied:

during any calendar quarter commencing after the date of original issuance of the notes, if the closing sale price of our common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter preceding the quarter in which the conversion occurs is more than 120% of the conversion price of the notes in effect on that last trading day;

during the ten consecutive trading-day period following any five consecutive trading-day period in which the trading price for the notes for each such trading day was less than 97% of the closing sale price of our common stock on such date multiplied by the then current conversion rate; or

if we make certain significant distributions to holders of our common stock, we enter into specified corporate transactions or our common stock ceases to be approved for listing on the Nasdaq Global Select Market and is not listed for trading on a U.S. national securities exchange.

Holders may surrender their notes for conversion after December 15, 2011 at any time prior to the close of business on the business day immediately preceding the maturity date regardless of whether any of the foregoing conditions has been satisfied.

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Upon conversion of the notes, holders will receive cash and shares of our common stock, if any, based on a daily conversion value (as described herein) calculated for each of the 50 trading days beginning on the third trading day immediately following the conversion date (or, in the case of notes surrendered for conversion after the 55th scheduled trading day prior to the maturity date and on or prior to the close of business on the business day immediately preceding maturity, the 51st scheduled trading day prior to the maturity date).

If a fundamental change, as defined herein, occurs prior to the maturity of the notes, holders may require us to repurchase for cash all or part of their notes at a price equal to 100.0% of the principal amount of the notes being repurchased, plus accrued and unpaid interest.

We do not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated quotation system. Our common stock is quoted on The Nasdaq Global Select Market under the symbol NOVA. The closing price of our common stock on June 20, 2007 was \$5.91 per share.

Investing in the notes involves risks. See Risk Factors beginning on page S-10.

	Per note	Total
Public Offering Price (1)	%	\$
Underwriting Discount	%	\$
Proceeds to NovaMed, Inc.	%	\$

(1) The public offering price set forth above does not include accrued interest, if any.

We have granted the underwriter the right to purchase up to an additional \$7,500,000 aggregate principal amount of notes to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these Securities or passed upon the adequacy or accuracy of this prospectus or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We expect that delivery of the notes will be made in New York, New York on or about June , 2007.

DEUTSCHE BANK SECURITIES

The date of this prospectus supplement is June , 2007

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information or to make any additional representations. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer of any securities other than the notes pursuant to this prospectus supplement and the accompanying prospectus. This prospectus supplement is part of and must be read in conjunction with the accompanying prospectus dated June 20, 2007. You should not assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as the information incorporated by reference, is accurate as of any date other than the date on the front cover of this prospectus supplement, or the date of such incorporated information.

We are not, and the underwriters are not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the notes may be restricted in certain jurisdictions. You should inform yourself about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

We will deliver the notes to the underwriters at the closing of this offering when the underwriters pay us the purchase price of such notes.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained in other parts of this prospectus supplement and the accompanying prospectus, and because it is only a summary, it does not contain all of the information that may be important to you. You should read this prospectus supplement and the accompanying prospectus carefully, including the information set forth under Risk Factors, and the documents incorporated by reference into this prospectus supplement. Unless the context requires otherwise or unless otherwise noted, all references in this prospectus supplement to NovaMed and to the company, we, us, or our are to NovaMed, Inc. and its subsidiaries.

The Company

NovaMed is a health care services company and an owner and operator of ambulatory surgery centers (ASCs). Our primary focus and strategy is to acquire, develop and operate ASCs in joint ownership with physicians throughout the United States. As of June 20, 2007, we own and operate 38 ASCs located in 18 states. Historically, most of our ASCs have been single-specialty ophthalmic surgical facilities where ophthalmologists perform surgical procedures - primarily cataract surgery. Over the past three years, however, we have focused on expanding into other specialties such as orthopedics (including podiatry), urology, gastroenterology, pain management, plastic surgery and gynecology. This expansion into other specialties has been accomplished through both the acquisition of new ASCs and the addition of new specialties to our existing ASCs. As of June 20, 2007, 11 of our 38 ASCs offer surgical services in specialties other than ophthalmology. We continue to explore opportunities to acquire ASCs offering differing types of medical specialties. We also continue to explore ways to efficiently add new specialties to our existing ASCs.

Our principal executive offices are located at 980 North Michigan Avenue, Suite 1620, Chicago, Illinois 60611, and our telephone number at that address is (312) 664-4100. Our Internet website is at <http://www.novamed.com>. We have not incorporated by reference into this prospectus supplement the information on our website, and you should not consider it to be part of this prospectus supplement.

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The Offering

The following summary contains basic information about the notes and is not intended to be a complete description of the offering. As a result, it does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section of this prospectus supplement entitled "Description of the Notes." For purposes of this summary of the offering, references to "NovaMed", "we", "our" or "us" refer only to NovaMed, Inc. and not any of its subsidiaries.

Issuer	NovaMed, Inc.
Notes Offered	\$52,500,000 aggregate principal amount (or \$60,000,000 if the underwriter exercises its overallotment option in full) of % Convertible Senior Notes due June 15, 2012.
Maturity	June 15, 2012.
Optional Redemption	None.
Interest	The interest rate on the notes is % per annum, payable semi-annually in arrears on June 15 and December 15 of each year, commencing December 15, 2007.
Right to Convert	<p>Holders may surrender their notes for conversion at any time prior to the close of business on December 15, 2011 only if any of the following conditions is satisfied:</p> <ul style="list-style-type: none"> • during any calendar quarter commencing after the date of original issuance of the notes, if the closing sale price of our common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter preceding the quarter in which the conversion occurs is more than 120% of the conversion price of the notes in effect on that last trading day; • during the ten consecutive trading-day period following any five consecutive trading-day period in which the trading price for the notes for each such trading day was less than 97% of the closing sale price of our common stock on such date multiplied by the then current conversion rate; or • if we make certain significant distributions to holders of our common stock, we enter into specified corporate transactions or our common stock ceases to be approved for listing on The Nasdaq Global Select Market ("NASDAQ") and is not listed for trading on another U.S. national securities exchange.

Payment Upon Conversion

Holders may surrender their notes for conversion after December 15, 2011 at any time prior to the close of business on the business day immediately prior to the stated maturity date regardless of whether any of the foregoing conditions has been satisfied.

See Description of the Notes Conversion of Notes.

Each \$1,000 principal amount of notes is convertible into cash and shares of our common stock (or, at our election, cash in lieu of some or all of such shares), if any, based on an amount, which we refer to as the daily conversion value, calculated for each of the 50 trading days beginning on the third trading day immediately following the conversion date (or, in the case of notes surrendered for conversion after the 55th scheduled trading day prior to the maturity date and on or prior to the close of business on the business day immediately preceding maturity, the 51st scheduled trading day prior to the maturity date), which we refer to as the conversion period. The daily conversion value for each trading day during the conversion period is equal to one-fiftieth of the product of the then applicable conversion rate multiplied by the volume weighted average price, as described in further detail under Description of the Notes Conversion of Notes Payment Upon Conversion, of our common stock, or such other form of consideration into which our common stock has been converted in connection with a fundamental change (as defined below under Description of the Notes Purchase of Notes at Your Option Upon a Fundamental Change), on that day.

For each \$1,000 aggregate principal amount of notes surrendered for conversion on or prior to the 55th scheduled trading day prior to the maturity date, we will deliver to you, on the third business

day following the end of the conversion period, the aggregate of the following for each trading day during the related conversion period:

(1) if the daily conversion value for such day exceeds \$20.00,

(a) a cash payment of \$20.00 and

(b) the remaining daily conversion value, which we refer to as the daily net share settlement value, in shares of our common stock (subject to our right to deliver cash in lieu of all or a portion of these shares); or

(2) if the daily conversion value for such day is less than or equal to \$20.00, a cash payment equal to the daily conversion value.

For each \$1,000 aggregate principal amount of notes surrendered for conversion after the 55th scheduled trading day prior to the maturity date and on or prior to the close of business on the business day immediately prior to maturity, (i) the holder will be deemed to have surrendered such note as of the business day immediately preceding the maturity date, (ii) the conversion period for such notes will commence on the trading day following the maturity date, (iii) in lieu of the payments and deliveries described above, the holder will receive (A) a cash payment of \$1,000 on the maturity date and (B) on the third business day following the last day of the conversion period, the aggregate number of shares of our common stock deliverable in respect of the 50 trading days during the related conversion period as described under clause (1)(b) above, if any (subject to our right to deliver cash in lieu of all or a portion of those shares).

The number of shares of common stock to be delivered under clause (1)(b) above will be determined by dividing the daily net share settlement value by the volume weighted average price of our common stock for the relevant day. No fractional shares will be issued upon conversion; in lieu thereof, we will deliver a number of shares of our common stock equal to the aggregate of the fractional shares otherwise deliverable for each trading day during the conversion period, rounded down to the nearest whole number, and pay cash equal to the remainder multiplied by the volume weighted average price of our common stock on the last trading day of the conversion period.

The conversion price for each \$1,000 aggregate principal amount of notes is initially \$ per share of our common stock. The conversion rate of a note is equal to \$1,000 divided by the then applicable conversion price at the time of determination (initially approximately shares of our common stock). The conversion price is subject to adjustment as described under Description of the Notes Conversion of Notes Conversion Price Adjustments. Accordingly, an adjustment to the conversion price will result in a corresponding (but inverse) adjustment to the conversion rate.

Conversion Rate Adjustment Upon a Qualifying Fundamental Change

If a qualifying fundamental change (as defined below under Description of the Notes Adjustment to Shares Delivered upon Conversion Upon a Qualifying Fundamental Change) occurs at any time prior to maturity, additional shares will be deliverable in respect of notes converted in connection with such qualifying fundamental change. A description of how the number of additional shares will be determined and a table showing the number of additional shares that would be deliverable under various circumstances is set forth under Description of the Notes Adjustment to Shares Delivered upon Conversion Upon a Qualifying Fundamental Change.

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Purchase at Holder's Option Upon a Fundamental Change

You may require us to purchase all or part of your notes upon the occurrence of a fundamental change at a price equal to 100% of the principal amount of the notes being purchased, plus accrued and unpaid interest payable in cash. See

Description of the Notes Purchase of Notes at Your Option Upon a Fundamental Change.

A fundamental change generally involves the occurrence of any of the following:

- termination of trading of our common stock (which will occur if our common stock is no longer listed on any U.S. national securities exchange);
- any person or group becomes the owner of shares of our stock representing 50% or more of the total voting power of all outstanding classes of our voting stock or has the power to elect a majority of our board of directors;
- we are a party to a consolidation, merger, transfer or lease of all or substantially all of our assets (unless 90% of the related consideration consists of exchange traded securities);
- a majority of the members of our board of directors are not continuing directors; or
- the holders of our capital stock approve any plan or proposal for the liquidation or dissolution of NovaMed.

See Description of the Notes Purchase of Notes at Your Option Upon a Fundamental Change.

Ranking

The notes will be our general unsecured obligations. They will rank subordinate to all senior indebtedness of the company, including debt outstanding under our senior credit facility, and pari passu or senior to all other subordinated indebtedness of the company. In addition, the notes will be structurally subordinated to all present and future debt and other obligations of our subsidiaries. See Risk Factors Risks Relating to the Notes and our Common Stock Your right to receive payments on the notes is junior to our existing indebtedness and all additional senior indebtedness we incur. Assuming that we had completed the offering of these notes and applied the net proceeds as described under Use of Proceeds , as of March 31, 2007, the company would have had total senior indebtedness of approximately \$77.0 million; we subsequently borrowed an additional \$24.6 million in conjunction with our acquisition of Surgery Center of Kalamazoo, LLC.

The terms of the indenture under which the notes will be issued do not limit our ability to incur additional indebtedness, senior or otherwise.

Use of Proceeds

We estimate that the net proceeds from this offering, after deducting estimated fees and expenses and the underwriter's discount and commission, will be approximately \$ million, if the overallotment option is not exercised.

We intend to use:

- approximately \$6.3 million (without giving effect to the exercise of the underwriter's overallotment option, if any) of the net proceeds from this offering to pay the net cost to us of the convertible note hedge and warrant transactions described below; and
- the remainder of the net proceeds from this offering to repay amounts outstanding under our \$125 million senior credit facility and we may thereafter draw down these funds again to use for working capital or other general corporate purposes.

Convertible Note Hedge and Warrant Transactions

General corporate purposes may include acquisitions, strategic investments or joint venture arrangements. Although we currently have no arrangements or understandings with respect to acquisitions, we continue to evaluate acquisition and strategic investment opportunities. We intend to enter into a privately-negotiated convertible note hedge transaction with Deutsche Bank AG, which is expected to reduce the potential dilution to our common stock upon any conversion of the notes. We also intend to enter into a warrant transaction with Deutsche Bank AG with respect to our common stock pursuant to which we may issue shares of our common stock. The exercise price of the sold warrants will be \$ per share. In connection with these transactions, we expect to use approximately \$6.3 million (without giving effect to the exercise of the underwriter's over-allotment option, if any) of the net proceeds of the offering, representing the estimated cost to us of the convertible note hedge transaction, partially offset by the proceeds to us of the warrant transaction. If the underwriter exercises its over-allotment option to purchase additional notes, we expect to amend the convertible note hedge and warrant transactions to increase the shares underlying each transaction by an amount equal to the number of shares initially issuable upon conversion of the additional notes, subject to certain exceptions.

In connection with these hedging transactions, Deutsche Bank AG or its affiliates may enter into various over-the-counter derivative transactions with respect to our common stock at, and possibly after, the pricing of the notes and may purchase our common stock in secondary market transactions following the pricing of the notes. These activities could have the effect of increasing the price of our common stock prior to and possibly following the pricing of the notes. Deutsche Bank AG or its affiliates are likely to modify their hedge positions from time to time prior to conversion or maturity of the notes (including during any conversion period related to a conversion of notes) by purchasing and selling shares of our common stock, other of our securities or other instruments it may wish to use in connection with such hedging.

The magnitude of any of these transactions and activities and their effect, if any, on the market price of our common stock or the notes will depend in part on market conditions and our settlement election under the notes and cannot be ascertained at this time, but any of these activities could adversely affect the value of our common stock and the value of the notes and, as a result, the conversion value you will receive upon the conversion of the notes and, under certain circumstances, your ability to convert notes.

Trading

We do not intend to list the notes on any securities exchange or automated dealer quotation system. Our common stock is listed on NASDAQ under the symbol NOVA.

Additional Notes

We may, without the consent of the holders, reopen the notes and issue additional notes under the indenture with the same terms and with the same CUSIP number as the notes offered hereby in an unlimited aggregate principal amount, provided that no such additional notes may be issued unless they are fungible with the notes offered hereby for U.S. federal income tax purposes. The notes offered hereby and any such additional notes would be treated as a single class for all purposes under the indenture and would vote together as one class on all matters with respect to the notes.

Risk Factors

See the information under the heading Risk Factors in this prospectus supplement and in the accompanying prospectus and other information included or incorporated by reference in this prospectus supplement for a discussion of factors you should carefully consider before deciding to invest in the notes.

RISK FACTORS

You should consider the following risk factors and the risk factors relating to our business under the heading "Risk Factors" in the accompanying prospectus in addition to the other information presented in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, in evaluating us, our business, and an investment in the notes. Any of the following risks, as well as other risks and uncertainties, could seriously harm our business and financial results and cause the value of the notes and our common stock into which the notes are convertible to decline, which in turn could cause you to lose all or part of your investment.

Risks Relating to the Notes and Our Common Stock

Your right to receive payments on the notes is junior to our existing senior indebtedness and all additional senior indebtedness we incur.

The notes rank subordinate to all of our senior indebtedness, including debt outstanding under our senior credit facility, which constitutes substantially all of our existing indebtedness (other than trade payables) and the notes will rank subordinate to all of our future senior indebtedness. In addition, the notes will be structurally subordinated to all present and future debt and other obligations of our subsidiaries. As a result, upon any distribution to our creditors or the creditors of our subsidiaries in a bankruptcy, liquidation or reorganization or similar proceeding relating to us or our subsidiaries or our or their property, the holders of our senior indebtedness and indebtedness of our subsidiaries will be entitled to be paid in full prior to any payment in respect of the notes.

Assuming that we had completed the offering of these notes and applied the net proceeds as described under "Use of Proceeds", as of March 31, 2007, the company would have had total senior indebtedness of approximately \$77.0 million; we subsequently borrowed an additional \$24.6 million in conjunction with our acquisition of Surgery Center of Kalamazoo, LLC.

The indenture will not limit the amount of additional indebtedness, including senior indebtedness, that we can create, incur, assume or guarantee.

We will continue to have the ability to incur debt after this offering; if we incur substantial additional debt, these higher levels of debt may affect our ability to pay principal and interest on the notes.

The indenture governing the notes does not restrict our ability to incur additional indebtedness or require us to maintain financial ratios or specified levels of net worth or liquidity. If we incur substantial additional indebtedness in the future, these higher levels of indebtedness may affect our ability to pay principal and interest on the notes and our creditworthiness generally.

The adjustment to the conversion rate for notes converted in connection with a qualifying fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction.

Following a qualifying fundamental change, if a holder elects to convert its notes in connection with such corporate transaction, we will increase the conversion rate by an additional number of shares of common stock upon conversion in certain circumstances. The increase in the conversion rate will be determined based on the date on which the qualifying fundamental change occurs or becomes effective and the price paid per share of our common stock in the change in control or the average of the last reported sale prices of our common stock over the five trading-day period ending on the trading day preceding the effective date of such qualifying fundamental change, as described below under "Description of the Notes—Adjustment to Shares Delivered Upon Conversion Upon a Qualifying Fundamental Change." The adjustment to the conversion rate for notes converted in connection with a qualifying fundamental change may not adequately compensate you for any lost value of your notes as a result of such transaction. In addition, if the price paid per share of our common stock in the qualifying fundamental change or the average of the last reported sale prices of our common stock over the five

trading-day period ending on the trading day preceding the effective date of such qualifying fundamental change, as applicable, is greater than \$ per share or less than \$ (in each case, subject to adjustment), no adjustment will be made to the conversion rate.

We may not have, and may not have the ability to raise, the funds necessary to repurchase the notes upon a fundamental change or to pay you cash upon conversion of your notes, as required by the indenture governing the notes.

Following a fundamental change as described under Description of the Notes Purchase of Notes at Your Option Upon a Fundamental Change, holders of notes may require us to repurchase their notes for cash. A fundamental change may also constitute an event of default or prepayment under, and result in the acceleration of the maturity of, our then-existing indebtedness. In addition, we will be required to make cash payments to holders upon conversion of the notes, which may occur upon any of the circumstances described under Description of the Notes Conversion of Notes. We cannot assure you that we will have sufficient financial resources, or will be able to arrange financing, to pay the repurchase price in cash with respect to any notes tendered by holders for repurchase upon a fundamental change or to make cash payments with respect to any notes that are converted. The subordination provisions of the notes would prevent us from making any such payment during a payment blockage period (see Description of the Notes Subordination) and our senior credit facility prohibits any such payment at a time at which a default under that facility exists or we would not be in compliance with our financial covenants under that facility after giving effect to such payment. In addition, restrictions in our then-existing credit facilities or other indebtedness may not allow us to repurchase the notes or to make cash payments due upon conversion of the notes. Our failure to repurchase the notes when required or to make cash payments upon conversion of the notes will result in an event of default with respect to the notes which could, in turn, constitute a default under the terms of our other indebtedness.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.

Upon the occurrence of a fundamental change, you have the right to require us to repurchase the notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of certain transactions. For example, transactions such as leveraged recapitalizations, refinancings, restructurings, or acquisitions initiated by us would not constitute a fundamental change requiring us to repurchase the notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

Upon conversion of the notes, we will pay only cash in settlement of the principal amount or (if lower) the conversion value thereof and we will settle any amounts in excess thereof in shares of our common stock or in cash, at our option.

The notes will be net share settled, which means that we will satisfy our conversion obligation to holders by paying only cash in settlement of the lesser of the principal amount and the conversion value of the notes and by delivering at our option cash or shares of our common stock in settlement of the portion of the conversion obligation (if any) in excess of the principal amount of the notes. Accordingly, upon conversion of a note, holders might not receive any shares of our common stock. In addition, any settlement of a conversion of notes will occur on the third business day immediately following the 50 trading day period beginning on the third trading day after our receipt of the holder's conversion notice (or, in the case of notes surrendered for conversion after the 55th scheduled trading day prior to the maturity date and on or prior to the close of business on the business day immediately preceding maturity, the 51st scheduled trading day following the maturity date) and the value will be based upon the value of our common stock during a 50-day reference period. Accordingly, you may receive less value than you

expected because the value of our common stock may decline (or fail to appreciate as much as you may expect) between the day that you exercise your conversion right and the day on which we settle our conversion obligation.

The notes may not have an active market and the price may be volatile, so you may be unable to sell your notes at the price you desire or at all.

The notes are a new issue of securities for which there is currently no active trading market. We cannot ensure that a liquid market will develop for the notes, that you will be able to sell any of the notes at a particular time (if at all) or that the prices you receive if or when you sell the notes will be above their initial offering price. In addition, we do not intend to apply for listing of the notes on any securities exchange or on any automated dealer quotation system. The underwriter has advised us that it intends to make a market in the notes, but it is not obligated to do so and may discontinue any market-making in the notes at any time in its sole discretion and without notice. Future trading prices of the notes on any market that may develop will depend on many factors, including our operating performance and financial condition, prevailing interest rates, the market for similar securities, and general economic conditions.

Moreover, even if you are able to sell your notes, you may not receive a favorable price for your notes. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, the price of our common stock and the market for similar securities. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the notes will be subject to disruptions which may have a negative effect on the holders of the notes, regardless of our prospects or financial performance.

Any adverse rating of the notes may cause the value of the notes to fall.

We do not intend to seek a rating on the notes by Standard & Poor's Credit Market Services, Moody's Investor Services, Inc., or any other rating agency. If the notes are rated in the future, one or both of these rating agencies may lower the ratings on the notes. If the rating agencies reduce their ratings on the notes in the future or indicate that they have their ratings on the notes under surveillance or review with possible negative implications, the value of the notes could decline. In addition, a ratings downgrade could adversely affect our ability to access capital. Ratings on the notes are not a recommendation to buy the notes and such ratings may be withdrawn or changed at any time.

The conversion price of the notes may not be adjusted for all dilutive events.

The conversion price of the notes is subject to adjustment for certain events, including, but not limited to, the issuance of stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, cash dividends, and certain issuer tender or exchange offers as described under Description of the Notes Conversion of Notes Conversion Price Adjustments. The conversion price will not be adjusted for other events, such as a third party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the notes or the common stock. An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

The conditional conversion feature of the notes could result in your receiving less than the value of our common stock into which a note would otherwise be convertible.

Until the close of business on December 15, 2011, the notes are convertible into shares of our common stock only if specified conditions are met. If the specific conditions for conversion are not met, you will not be able to convert your notes, and you may not be able to receive the value of the common stock into which the notes would otherwise be convertible.

Fluctuations in the price of our common stock may prevent you from being able to convert the notes, may impact the price of the notes and may make the notes more difficult to resell.

Except during the period after December 15, 2011 to, and including, the business day immediately preceding the maturity date, the ability of holders of the notes to convert the notes is conditioned on the closing price of our common stock reaching a specified threshold for a specified period, the trading price of the notes falling below a certain level for a specified period, or the occurrence of specified corporate transactions. If the closing price threshold for conversion of the notes is satisfied at the end of a calendar quarter, holders may convert the notes only during the subsequent calendar quarter. If such closing price threshold is not satisfied, the trading price of the notes does not fall below the relevant threshold and none of the specified distributions or corporate transactions that would permit a holder to convert the notes occur, holders would not be able to convert the notes prior to the close of business on December 15, 2011.

Because the notes will be convertible into an amount of cash and common stock, if any, based on the volume-weighted average price of our common stock over a 50 trading day observation period, volatility or depressed prices for our common stock could have a similar effect on the trading price of the notes and/or the value of the consideration payable upon the conversion of the notes. Holders who receive common stock upon conversion of the notes will also be subject to the risk of volatility and depressed prices of our common stock.

The notes are not protected by restrictive covenants.

The indenture governing the notes will not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture will not contain covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change except as described under Description of the Notes Purchase of Notes at Your Option Upon a Fundamental Change.

Future sales of shares of our common stock may depress our stock price and/or result in dilution to our stockholders.

If we issue common stock to raise capital, or our stockholders transfer their ownership of our common stock or sell a substantial number of shares of common stock in the public market, or investors become concerned that substantial sales might occur, the market price of our common stock could decrease. In addition, such sales may result in additional dilution to our stockholders. A decrease in our common stock price could make it difficult for us to raise capital by selling stock or to pay for acquisitions using stock. To the extent outstanding options are exercised or additional shares of capital stock are issued, existing stockholders may incur additional dilution.

One of our directors has adopted and certain of our other executive officers and directors have notified the underwriter of their intention to adopt a 10b5-1 prearranged trading plan. In accordance with such plans, these officers and directors will periodically sell a specified number of our shares of common stock either owned or acquired through the exercise of stock options.

Except as described under Underwriting, we are not restricted from issuing additional shares of our common stock, or securities convertible into our common stock, during the life of the notes and have no obligation to consider your interests for any reason. If we issue additional shares of our common stock or such convertible securities, we may materially and adversely affect the price of our common stock and, in turn, the price of the notes.

Conversion of the notes will dilute the ownership interest of our existing stockholders, including holders who had previously converted their notes.

The conversion of some or all of the notes will dilute the ownership interests of our existing stockholders. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the notes may

encourage short selling by market participants because the conversion of the notes could depress the price of our common stock.

The trading prices for the notes will be directly affected by the trading prices for our common stock, which are difficult to predict.

The price of our common stock could be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in us by hedging or arbitrage trading activity that may develop involving our common stock. This arbitrage could, in turn, affect the trading prices of the notes. This may result in greater volatility in the market price of the notes than would be expected for nonconvertible debt securities.

If you hold notes, you are not entitled to any rights with respect to our common stock, but you are subject to all changes made with respect to our common stock.

If you hold notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will only be entitled to rights on the common stock if and when we deliver shares of common stock to you upon conversion of your notes. For example, in the event that an amendment is proposed to our charter or by-laws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to your conversion of notes, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences, or special rights of our common stock or other classes of capital stock.

The convertible note hedge and call warrant transactions may affect the value of the notes and the trading price of our common stock.

We intend to enter into a privately-negotiated convertible note hedge transaction with Deutsche Bank AG, which is expected to reduce the potential dilution to our common stock upon any conversion of the notes. In the event that the counterparty in the transaction fails to deliver shares to us as required under the note hedge documents or as a result of a breach of the note hedge documents by us, we will be required to issue shares in order to meet our share delivery obligations with respect to the converted notes. We also intend to enter into a warrant transaction with Deutsche Bank AG with respect to our common stock pursuant to which we may issue shares of our common stock. In connection with these transactions, we expect to pay approximately \$6.3 million (assuming no exercise of the underwriter's over-allotment option) of the net proceeds of the offering, representing the net cost to us of the convertible note hedge transaction, partially offset by the proceeds to us of the warrant transaction. In connection with hedging these transactions, Deutsche Bank AG or its affiliates may enter into various over-the-counter derivative transactions with respect to our common stock at, and possibly after, the pricing of the notes and may purchase our common stock in secondary market transactions following the pricing of the notes. These activities could have the effect of increasing the price of our common stock prior to and possibly following the pricing of the notes. Deutsche Bank AG or its affiliates is likely to modify its hedge positions from time to time prior to conversion or maturity of the notes (including during any conversion period related to conversion of the notes) by purchasing and selling shares of our common stock, other of our securities or other instruments it may wish to use in connection with such hedging. The magnitude of any of these transactions and activities and their effect, if any, on the market price of our common stock or the notes will depend in part on market conditions and our settlement election under the notes and cannot be ascertained at this time, but any of these activities could adversely affect the value of our common stock (including during any period used to determine the amount of consideration deliverable upon conversion of the notes) and the value of the notes and, as a result, the conversion value you will receive upon the conversion of the notes and, under certain circumstances, your ability to convert notes.

If we pay a cash dividend on our common stock, you may be deemed to have received a taxable dividend without the receipt of any cash.

If we pay a cash dividend on our common stock, an adjustment to the conversion rate may result, and you may be deemed to have received a taxable dividend subject to U.S. federal income tax without the receipt of any cash. If you are a non-U.S. holder (as defined in Certain Material United States Federal Income Tax Considerations), such deemed dividend may be subject to U.S. federal withholding tax at a 30% rate or such lower rate as may be specified by an applicable treaty. See Certain Material United States Federal Income Tax Considerations.

Conversion of notes into cash or a combination of both cash and our common stock will require U.S. holders to recognize taxable gains.

Upon the conversion of a note into a combination of both cash and our common stock, a U.S. holder generally will be required to recognize gain on the conversion for United States federal income tax purposes. Prospective investors should carefully review the information regarding tax considerations relevant to an investment in the notes set forth under Certain Material United States Federal Income Tax Considerations and are also urged to consult their own tax advisors prior to investing in the notes.

The fundamental change purchase feature of the notes may delay or prevent an otherwise beneficial attempt to take over our Company.

The terms of the notes require us to purchase the notes for cash in the event of a fundamental change. A takeover of our Company would trigger the requirement that we purchase the notes. This may have the effect of delaying or preventing a takeover of our Company that would otherwise be beneficial to investors.

Provisions of Delaware law and our certificate of incorporation, by-laws and shareholder rights plan could prevent or delay a change of control or change in management that could be beneficial to us and our public stockholders.

Certain provisions of Delaware law and our charter, by-laws and shareholder rights plan may prevent, delay or discourage:

- A merger, tender offer or proxy contest;
- The assumption of control by a holder of a large block of our securities; or
- The replacement or removal of current management by our stockholders.

For example, our charter divides the board of directors into three classes, with members of each class to be elected for staggered three-year terms. This provision may make it more difficult for stockholders to change the majority of directors and may hinder accumulations of large blocks of common stock by limiting the voting power of such blocks. This may further result in discouraging a change of control or change in current management.

If stockholders do not receive dividends, stockholders must rely on stock appreciation for any return on their investment in us.

We have never declared or paid cash dividends on any of our capital stock. We currently intend to retain our earnings for future growth and therefore do not anticipate paying cash dividends in the future.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain, and incorporate by reference, certain forward-looking statements (as such term is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended) that reflect our current expectations regarding our future results of operations, performance and achievements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We have tried, wherever possible, to identify these forward-looking statements by using words such as anticipates, believes, estimates, expects, plans, intends and similar expressions. statements reflect our current beliefs and are based on information currently available to us. Accordingly, these statements are subject to certain risks, uncertainties and contingencies that could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, such statements. These risks and uncertainties include: reduced prices and reimbursement rates for surgical procedures; our ability to acquire, develop or manage a sufficient number of profitable surgical facilities, including facilities that are not exclusively dedicated to eye-related procedures; our ability to manage our increasing borrowing costs as we incur additional indebtedness to fund the acquisition and development of surgical facilities; our ability to access capital on a cost-effective basis to continue to successfully implement our growth strategy; our ability to maintain successful relationships with the physicians who use our surgical facilities; our operating margins and profitability could suffer if we are unable to grow and manage effectively our increasing number of surgical facilities; competition from other companies in the acquisition, development and operation of surgical facilities; the potential impacts of new accounting standards; and the application of existing or proposed government regulations, or the adoption of new laws and regulations, that could limit our business operations, require us to incur significant expenditures or limit our ability to relocate our facilities if necessary. These factors and others are more fully set forth under Risk Factors above and in the accompanying prospectus. You should not place undue reliance on any forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in other documents we file from time to time with the SEC including our annual reports on Form 10-K and our quarterly reports on Form 10-Q.

We have not authorized any person to give any information or to make any representation other than those contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus in connection with this offering. You should not rely on such information or representation. Neither the delivery of this prospectus supplement and the accompanying prospectus nor any sale made pursuant to this prospectus supplement and the accompanying prospectus shall create any implication that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus is correct as of any time subsequent to the date of this prospectus supplement. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or solicitation of an offer to buy any security other than the securities covered by this prospectus supplement and the accompanying prospectus.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting estimated fees and expenses and the underwriter's discount and commission, will be approximately \$ million (assuming no exercise of the underwriter's overallotment option).

We intend to use

- approximately \$6.3 million (without giving effect to the exercise of the underwriter's overallotment option, if any) of the net proceeds from this offering to pay the net cost to us of the convertible note hedge and warrant transactions; and
- the remainder of the net proceeds from this offering to repay amounts outstanding under our \$125 million senior credit facility and we may thereafter draw down these funds again to use for working capital or other general corporate purposes (assuming that we remain in compliance with the terms and conditions of our senior credit facility).

General corporate purposes may include acquisitions, strategic investments or joint venture arrangements. Although we currently have no arrangements or understandings with respect to acquisitions, we continue to evaluate acquisition and strategic investment opportunities. See Capitalization.

The indebtedness under our senior credit facility matures on February 10, 2010 and for the quarter ended March 31, 2007 had a weighted average interest rate of 7.28%. The repaid indebtedness was originally incurred to fund acquisitions and working capital.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table presents the ratio of our earnings to fixed charges for the periods indicated. We compute the ratio of earnings to fixed charges by dividing earnings before income taxes and fixed charges by the fixed charges. This ratio includes the earnings and fixed charges of us and our consolidated subsidiaries. Fixed charges consist of interest and amortization of debt discount and expense and the estimated interest portion of rentals.

Historical Earnings to Fixed Charge Ratio	Three-months Ended March 31, 2007 (in thousands, except ratio)	Twelve-months Ended December 31, 2006	2005	2004	2003	2002
Earnings:						
Pretax income from continuing operations (before minority interest)	\$ 5,967	\$ 20,883	\$ 16,213	\$ 9,358	\$ 6,554	\$ 6,437
Equity (income) loss from non-consolidated subsidiaries	16	(13)	(106)	(23)		
Distributions from equity investees		44	124			
Fixed charges	1,925	4,899	2,239	1,467	1,230	1,552
Minority interest in consolidated subsidiaries that do not have fixed charges						
Total Earnings	\$ 7,908	\$ 25,813	\$ 18,470	\$ 10,802	\$ 7,784	\$ 7,989
Fixed Charges:						
Interest expense	\$ 1,363	\$ 3,032	\$ 763	\$ 226	\$ 119	\$ 414
Interest on rental expense	562	1,867	1,476	1,241	1,111	1,138
Total Fixed Charges	\$ 1,925	\$ 4,899	\$ 2,239	\$ 1,467	\$ 1,230	\$ 1,552
Ratio of earnings to fixed charges	4.11	5.27	8.25	7.36	6.33	5.15

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The following table presents the ratio of earnings to fixed charges for the periods indicated as adjusted for the net decrease in interest expense resulting from the issuance of the notes and application of the resulting proceeds as described under "Use of Proceeds" as if those had occurred at the beginning of the respective periods presented.

	Three-months Ended March 31,	Twelve-months Ended December 31,
Pro Forma Earnings to Fixed Charge Ratio (effects of convertible notes offering) (1)	2007 (in thousands, except ratio)	2006
Earnings:		
Pretax income from continuing operations (before minority interest)	\$ 6,585	\$ 22,652
Equity (income) loss from non-consolidated subsidiaries	16	(13)
Distributions from equity investees		44
Fixed charges	1,307	3,130
Minority interest in consolidated subsidiaries that do not have fixed charges		
Total Earnings	\$ 7,908	\$ 25,813
Fixed Charges:		
Interest expense	\$ 745	\$ 1,263
Interest on rental expense	562	1,867
Total Fixed Charges	\$ 1,307	\$ 3,130
Ratio of earnings to fixed charges	6.05	8.25

(1) In preparing this table we have assumed for illustrative purposes that the notes bear interest at a rate of 0.75%. The actual rate borne by the notes may be higher or lower. In addition, we have assumed that the portion of the net proceeds used for payment for the note hedge transaction, net of proceeds received from the warrant transaction, will be \$6.3 million. The actual amount of proceeds required for that payment may differ, depending on final pricing terms.

The following table presents the ratio of earnings to fixed charges for the periods indicated as adjusted for the effects of the acquisition of Surgery Center of Kalamazoo as if that had occurred at the beginning of the period presented.

	Three-month Ended March 31, 2007	Twelve-months Ended December 31, 2006
Pro Forma Earnings to Fixed Charge Ratio (effects of Kalamazoo acquisition)		