NOVAMED INC
Form DEFM14A
April 06, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 (Amendment No. 2)

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, For Use By the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Rule 14a-12

NovaMed, Inc.
(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

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

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

Common stock, par value $0.01 per share, of NovaMed, Inc. (the NovaMed s common stock)

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

7,952,004 shares of the NovaMed s common stock and 514,429 options to purchase shares of the NovaMed s common stock

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The transaction value was determined based upon the sum of (a) $13.25 per share of 7,955,379 shares of the NovaMed s common stock and (b) $13.25 minus the weighted average exercise price of $6.02 per share underlying options to purchase 514,429 shares of the NovaMed s common stock, all with an exercise price of less

than $13.25

(4) Proposed maximum aggregate value of the transaction:

$109,128,093

(5) Total fee paid:

$12,670

þ Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing party:

(4) Date Filed:

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NOVAMED, INC.
333 West Wacker Drive, Suite 1010
Chicago, Illinois 60606

April 6, 2011

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of NovaMed, Inc. to be held on May 4, 2011, at 10:00 a.m. Central time, at 333 West Wacker Drive, Chicago, Illinois 60606, in the Lobby Conference Center.

At the special meeting, you will be asked to consider and vote upon the adoption of the Agreement and Plan of Merger, dated January 20, 2011, by and among Surgery Center Holdings, Inc., which we refer to as Parent, Wildcat Merger Sub, Inc., which we refer to as Merger Sub, and NovaMed, and approve the merger described in the merger agreement. Pursuant to the merger agreement, Merger Sub will be merged with and into NovaMed, with NovaMed surviving as a wholly-owned subsidiary of Parent. Parent, Merger Sub and Holdings are each controlled by investment funds affiliated with H.I.G. Capital, L.L.C., a private equity firm.

Assuming the holders of a majority of our issued and outstanding shares of NovaMed common stock adopt the merger agreement and approve the merger, and the merger is completed, upon completion of the merger, you will be entitled to receive $13.25 in cash, without interest, for each share of NovaMed common stock that you own, unless you have sought and properly perfected your appraisal rights under Delaware law. After the merger, you will no longer have an equity interest in NovaMed and will not participate in any potential future earnings and growth of NovaMed. Certain of our officers are expected to exchange a portion of their shares of NovaMed common stock and, in certain instances, invest additional cash consideration, in exchange for equity interests in Surgery Center Holdings, LLC, the majority stockholder of Parent and who we refer to as Holdings, in connection with the merger.

Our Board of Directors, acting on the recommendation of a special committee consisting of C.A. Lance Piccolo, Robert J. Kelly and R. Judd Jessup, has adopted a resolution unanimously adopting the merger agreement and approving the merger. Each member of the special committee is an independent director. **Our Board of Directors has unanimously determined that the merger agreement and the merger are advisable, fair to and in the best interest of NovaMed and our stockholders. Acting on the recommendation of the special committee, our Board of Directors unanimously recommends that you vote FOR the adoption of the merger agreement and approval of the merger**. In arriving at their recommendation, our Board of Directors carefully considered a number of factors described in the accompanying Proxy Statement.

The merger agreement and the merger are described in the accompanying Proxy Statement. A copy of the merger agreement is attached as **Appendix A** to the accompanying Proxy Statement. We urge you to read carefully the accompanying Proxy Statement, including the appendices.

Your vote is important, and it is important that your shares be represented at the special meeting, regardless of the number of shares you hold. **We urge you to submit your proxy card as soon as possible. Even if you plan to attend the special meeting, please sign and promptly return your proxy card in the enclosed postage-paid envelope**. Even if you return a proxy card, if you attend the special meeting, you may revoke your proxy and vote in person.

If you have any questions or need assistance voting your shares of our common stock, please contact MacKenzie Partners, Inc., our proxy solicitor, by calling (800) 322-2885 (toll-free) or (212) 929-5500 (collect).

Sincerely,

Thomas S. Hall
President, Chief Executive Officer
and Chairman of the Board of Directors

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE MERGER, PASSED UPON THE MERITS OR FAIRNESS OF THE MERGER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE PROPOSED MERGER, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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NOVAMED, INC.
333 West Wacker Drive, Suite 1010
Chicago, Illinois 60606

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 4, 2011

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of NovaMed, Inc. will be held at 333 West Wacker Drive, Chicago, Illinois 60606, in the Lobby Conference Center, on May 4, 2011, at 10:00 a.m. Central time, for the following purposes:

1. To consider and vote upon the adoption of the Agreement and Plan of Merger, dated as of January 20, 2011, by and among Surgery Center Holdings, Inc., Wildcat Merger Sub, Inc. and NovaMed, Inc. and the merger described in the merger agreement. Pursuant to the merger agreement, NovaMed will become a wholly-owned subsidiary of Surgery Center Holdings, Inc. and the holders of NovaMed common stock will be entitled to receive $13.25 in cash, without interest, per share of NovaMed common stock held by them at the effective time of the merger;

2. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in support of Proposal 1 if there are insufficient votes at the time of the special meeting to adopt the merger agreement and approve the merger described in the merger agreement; and

3. To consider and vote upon any other matter that may properly come before the special meeting or any adjournment thereof.

You are entitled to receive notice of and to attend and vote at the special meeting and any postponements or adjournments if you owned shares of NovaMed common stock as of the close of business on March 11, 2011. To ensure your representation at the special meeting, please complete, date and sign the enclosed proxy card and return it in the enclosed postage-prepaid envelope in time to be received by us prior to the special meeting. Returning your proxy card will not affect your right to revoke your proxy or to attend the special meeting and vote in person.

REGARDLESS OF THE NUMBER OF SHARES YOU OWN, YOUR VOTE IS VERY IMPORTANT. THE MERGER CANNOT BE COMPLETED UNLESS A MAJORITY OF THE OUTSTANDING SHARES OF NOVAMED COMMON STOCK ENTITLED TO VOTE ON THE MERGER ADOPT THE MERGER AGREEMENT AND APPROVE THE MERGER. **EVEN IF YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE.**

By order of the Board of Directors,

John W. Lawrence, Jr.,
Secretary

Chicago, Illinois
April 6, 2011

Please do not send your NovaMed common stock certificates to us at this time. If the merger is completed, we will send you instructions regarding the surrender of your certificates.

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NOVAMED, INC.
333 West Wacker Drive, Suite 1010
Chicago, Illinois 60606

PROXY STATEMENT FOR SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 4, 2011

We are providing these proxy materials to you in connection with the solicitation of proxies by the Board of Directors of NovaMed, Inc. for a special meeting of stockholders to be held on May 4, 2011 and for any adjournment or postponement thereof. This Proxy Statement provides information that you should read before you vote on the proposals that will be presented to you at the special meeting. The special meeting will be held on May 4, 2011 at 10:00 a.m. Central time at 333 West Wacker Drive, Chicago, Illinois 60606, in the Lobby Conference Center.

In this Proxy Statement, we refer to NovaMed, Inc. as NovaMed, the Company, we or us. We refer to H.I.G. Capita L.L.C. as H.I.G., Surgery Center Holdings, Inc. as Parent, Wildcat Merger Sub, Inc. as Merger Sub and Surgery Center Holdings, LLC, the majority stockholder of Parent, as Holdings. References in this Proxy Statement to our unaffiliated stockholders refer to holders of NovaMed common stock other than the rollover stockholders (as defined below).

This Proxy Statement and a proxy card are first being mailed on or about April 6, 2011 to persons or entities who owned shares of NovaMed common stock as of the close of business on March 11, 2011.

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SUMMARY TERM SHEET

This summary term sheet presents selected information in this Proxy Statement relating to the merger and may not contain all of the information that is important to you. To understand the merger and the transactions contemplated by the merger agreement fully, you should carefully read this entire document as well as the additional documents to which it refers. For instructions on obtaining more information, see Where You Can Find More Information on page 84. We have included page references to direct you to a more complete description of the topics presented in this summary.

Parties Involved in the Merger (see page 14)

NovaMed, Inc., or NovaMed, is a health care services company and an owner and operator of ambulatory surgery centers (ASCs).

Surgery Center Holdings, Inc., or Parent, is a healthcare services company that acquires, develops and manages free-standing ASCs in partnership with leading physicians. Parent is affiliated with H.I.G. Capital, L.L.C., or H.I.G., a global private equity investment firm that specializes in providing capital to small and medium-sized companies. Upon completion of the merger, NovaMed will be a wholly-owned subsidiary of Parent.

Wildcat Merger Sub, Inc., or Merger Sub, was formed by Parent solely for the purpose of acquiring NovaMed. Upon completion of the merger, Merger Sub will cease to exist.

Surgery Center Holdings, LLC, or Holdings, is the majority stockholder of Parent and is affiliated with H.I.G.

Rollover Stockholders refers collectively to Scott T. Macomber, Thomas J. Chirillo, John P. Hart and John W. Lawrence, Jr., each of whom is a NovaMed common stockholder and an officer of NovaMed. Each of the rollover stockholders has agreed to surrender a portion of their shares of NovaMed common stock to Holdings, which we refer to as the rollover shares, immediately prior to the effective time of the merger plus, in the case of Messrs. Macomber and Hart, invest additional cash consideration, in exchange for equity interests in Holdings. In addition, the rollover stockholders entered into executive securities agreements with Holdings pursuant to which they will be awarded incentive equity awards subject to the terms and conditions of such executive securities agreements. The rollover stockholders will receive cash in an amount equal to the merger consideration for their shares of Company common stock that are not surrendered to Holdings. As a result, immediately following the merger, the rollover stockholders will hold approximately 3.1% (on a fully diluted basis) of Holdings, and indirectly, the Company, after giving effect to the issuance and vesting of all incentive equity awards granted to the rollover stockholders.

The Merger (see page 18)

If the merger is completed, Merger Sub will be merged with and into NovaMed, with NovaMed continuing as the surviving corporation.

If the merger is completed, the following will occur:

- your shares will be converted into the right to receive $13.25 in cash per share, without interest and less any applicable withholding tax;

all of the equity interests in NovaMed will be owned directly by Parent;

immediately following the merger, Parent will continue to be owned by Holdings, and the rollover stockholders will hold approximately 3.1% (on a fully diluted basis) of Holdings, and indirectly, the Company, after giving effect to the issuance and vesting of all incentive equity awards granted to the rollover stockholders;

you will no longer have any interest in NovaMed s future earnings or growth;

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NovaMed will no longer be a public company and NovaMed s common stock will no longer be traded on the NASDAQ Global Select Market; and

we will no longer be required to file periodic and other reports with the Securities and Exchange Commission.

Effects of the Merger on Our Common Stock and Equity Awards (see page 38)

Common Stock. At the effective time of the merger, each share of NovaMed common stock (including shares of vested restricted stock) issued and outstanding immediately prior to the effective time of the merger (other than the rollover shares held by the rollover stockholders and other than the shares of NovaMed common stock held by NovaMed or any subsidiary of NovaMed or Parent or Merger Sub and stockholders who have perfected and not withdrawn a demand for appraisal rights under Delaware law) will be automatically cancelled and converted into the right to receive $13.25 in cash, without interest.

Stock Options. At the effective time of the merger, each unexercised NovaMed common stock option, whether vested or unvested, that is outstanding immediately prior to the effective time of the merger shall be cancelled at the effective time of the merger, with the holder of such NovaMed common stock option becoming entitled to receive, in full satisfaction of the rights of the holder of such NovaMed common stock option, an amount in cash equal to (A) the excess, if any, of (1) $13.25 over (2) the exercise price per share of NovaMed common stock subject to such NovaMed common stock option multiplied by (B) the number of shares of NovaMed common stock subject to such NovaMed common stock option. To clarify the treatment of each of the unexercised NovaMed common stock options, we will enter into an option cancellation agreement with each holder of a NovaMed common stock option prior to the effective time of the merger that will only become effective upon the consummation of the merger.

Unvested Restricted Stock. At the effective time of the merger, each unvested NovaMed restricted share of common stock that is outstanding immediately prior to the effective time of the merger shall be cancelled, with the holder of such unvested NovaMed restricted share of common stock becoming entitled to receive, in full satisfaction of the rights of such holder with respect thereto, an amount in cash equal to $13.25 multiplied by the maximum number of shares of NovaMed common stock subject to such restricted share of NovaMed common stock immediately prior to the effective time of the merger.

Employee Stock Purchase Plan. With respect to NovaMed s Employee Stock Purchase Plan (the Purchase Plan), our Board of Directors adopted resolutions and took other actions to (A) limit participation to those employees who are participants on the date of the merger agreement; (B) provide that no Option Period (as defined in the Purchase Plan) shall be commenced after the date of the merger agreement; (C) provide that if, with respect to an Option Period in effect on the date of the merger agreement, the effective time of the merger occurs prior to the Exercise Date (as defined in the Purchase Plan) for such Option Period, upon the effective time of the merger, each purchase right under the Purchase Plan outstanding immediately prior to the effective time of the merger shall be exercised to purchase from NovaMed whole shares of NovaMed s common stock (subject to the provisions of the Purchase Plan regarding the maximum number and value of shares purchasable per participant) at the applicable price determined under the terms of the Purchase Plan for the then outstanding Option Period using such date on which the effective time of the merger occurs as the final Exercise Date for such Option Period, and any remaining accumulated but unused payroll deductions shall be distributed to the relevant participants without interest as promptly as practicable following the Effective Time; and (D) terminate the Purchase Plan, effective upon the earlier of the Purchase Date (as defined in the Purchase Plan) for the Option Period in effect on the date of the merger agreement and the effective time of the merger.

Recommendation of our Board of Directors (see page 23)

Our Board of Directors unanimously adopted the merger agreement and approved the merger and determined that it is advisable, fair to and in the best interest of NovaMed and its stockholders. **Our Board of Directors unanimously recommends that you vote FOR adoption of the merger agreement and approval of the merger.**

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Reasons for the Recommendation of our Board of Directors (see page 24)

After careful consideration of various factors described in the section entitled The Merger Reasons for Recommendation of our Board of Directors beginning on page 24, including the recommendation of a special committee of our Board of Directors consisting of independent directors, our Board of Directors unanimously (A) approved and declared advisable the merger agreement, the merger and the other transactions contemplated by the merger agreement, (B) declared that it is in the best interests of the Company and the stockholders of the Company that the Company enter into the merger agreement and consummate the merger and the other transactions contemplated by the merger agreement, (C) declared that the terms of the merger are fair to the Company and the Company s stockholders and (D) directed the merger agreement to be submitted to the Company s stockholders and recommended that the Company s stockholders adopt the merger agreement and approve the merger.

In considering the recommendation of our Board of Directors with respect to the proposal to adopt the merger agreement and approve the merger, you should be aware that our directors and executive officers have interests in the merger that are different from, or in addition to, yours. Our Board of Directors was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger and in recommending that the merger agreement be adopted by the stockholders of the Company. See the section entitled The Merger Interests of Certain Persons in the Merger beginning on page 41.

Our Board of Directors recommends that you vote FOR the proposal to adopt the merger agreement and approve the merger and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Opinion of William Blair & Company, L.L.C. (see page 27)

In connection with the merger, our Board of Directors received the opinion of William Blair & Company, L.L.C., or William Blair, as to the fairness, from a financial point of view as of the date of the opinion, to NovaMed s common stockholders (excluding the rollover stockholders, Parent, Merger Sub and their respective affiliates) of the merger consideration to be received by such holders. The full text of William Blair s opinion is attached to this Proxy Statement as **Appendix B**. You are encouraged to read that opinion carefully for a description of the assumptions made, matters considered and limitations and qualifications on the review undertaken.

The Special Meeting (see page 15)

Date, Time and Place (see page 15). The special meeting of NovaMed common stockholders will be held on May 4, 2011, at 10:00 a.m. Central time, at 333 West Wacker Drive, Chicago, Illinois 60606, in the Lobby Conference Center.

Matters to be Considered (see page 15). At the special meeting, you will be asked to approve a proposal to adopt the merger agreement and approve the merger described in the merger agreement. You may also be asked to vote to adjourn the special meeting, if necessary, to solicit additional proxies in support of the proposal to adopt the merger agreement and approve the merger.

Record Date, Outstanding Voting Securities, Voting Rights and Quorum (see page 15). You are entitled to vote at the special meeting if you owned shares of NovaMed common stock at the close of business on March 11, 2011, which NovaMed has set as the record date for the special meeting. As of the record date, there

were 201 holders of record of NovaMed common stock and 7,952,004 shares of NovaMed common stock outstanding. The presence, in person or by proxy, of holders of record of a majority of the issued and outstanding shares of NovaMed common stock entitled to vote on the matters to be presented at the special meeting will constitute a quorum.

Required Votes (see page 16). Adoption of the merger agreement and approval of the merger requires the affirmative vote of a majority of the outstanding shares entitled to vote on the merger. Each outstanding share of NovaMed common stock entitles its owner to one vote. Our directors and executive officers entered into

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voting agreements with Parent pursuant to which they have agreed to vote their respective shares of NovaMed common stock, which represent in the aggregate approximately 10.5% of the outstanding shares of NovaMed common stock, in favor of the adoption of the merger agreement and approval of the merger and have granted Parent a proxy to vote such shares in the event such directors and officers fail to do so. The full text of the form of voting agreement is attached to this Proxy Statement as **Appendix C**.

Voting (see page 16). You may attend the special meeting and vote in person or you may complete, sign and date the enclosed proxy card and return it in the enclosed self-addressed postage pre-paid envelope. Returning your proxy card will not affect your right to attend the special meeting and vote in person or to revoke your proxy. If your shares are held in street name by a bank or brokerage firm, your bank or brokerage firm forwarded these proxy materials, as well as a voting instruction card, to you. Please follow the instructions on the voting instruction card to vote your shares.

Interests of Certain Persons in the Merger (see page 41)

Directors and Officers. Some of our directors and officers may have interests in the merger that are different from, or in addition to, the interests of our stockholders generally. These interests may include the cash-out of options, the removal of restrictions on restricted stock, the right to receive certain severance payments as a result of the merger and the right to continued indemnification and insurance coverage by NovaMed after the merger. In addition, it is expected that certain of the executive officers of NovaMed immediately prior to the merger will continue to serve as consultants of Parent following completion of the merger, and such officers will be entitled to receive a weekly consulting retainer. See the section entitled Interests of Certain Persons in the Merger Consulting Agreements beginning on page 46. In addition, our directors and executive officers entered into voting agreements with Parent pursuant to which they have agreed to vote their respective shares of NovaMed common stock, which represents in the aggregate approximately 10.5% of the outstanding shares of NovaMed common stock, in favor of the adoption of the merger agreement and approval of the merger and have granted Parent a proxy to vote such shares in the event the directors and officers fail to do so. The full text of the form of voting agreement is attached to this Proxy Statement as **Appendix C**.

Rollover Stockholders. The rollover stockholders have agreed to surrender a portion of their shares of NovaMed common stock to Holdings immediately prior to the effective time of the merger plus, in the case of Messrs. Macomber and Hart, invest additional cash consideration, in exchange for equity interests in Holdings. In addition, the rollover stockholders entered into executive securities agreements with Holdings pursuant to which they will be awarded incentive equity awards subject to the terms and conditions of such executive securities agreements. The rollover stockholders will receive cash in an amount equal to the merger consideration for their shares of Company common stock that are not surrendered to Holdings. As a result, immediately following the merger, the rollover stockholders will hold approximately 3.1% (on a fully diluted basis) of Holdings, and indirectly, the Company, after giving effect to the issuance and vesting of all incentive equity awards granted to the rollover stockholders.

In addition, as part of the transactions contemplated by the merger agreement, Parent entered into new employment agreements with each of the rollover stockholders providing that the rollover stockholders shall remain employed by Parent after the effective time of the merger and will each be granted incentive equity awards in Holdings. These employment agreements become effective only upon the effective time of the merger and will replace each of the current employment agreements between the Company and each such rollover stockholder. These employment agreements will not be effective and will have no force or effect in the event the merger agreement is terminated in accordance with its terms. See the section entitled Interests of Certain Persons in the Merger Rollover Stockholders Employment with the Surviving Corporation Post-Merger beginning on page 47.

Conduct of Business (see page 57)

NovaMed, Parent and Merger Sub have agreed to take certain actions between the date of the merger agreement and the effective time of the merger, including using reasonable best efforts to consummate the merger and using best efforts to obtain certain consents from, and give certain notices to, governmental authorities and third parties.

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We have also agreed to refrain from certain enumerated actions without Parent s consent, including actions that are outside the ordinary course of our business.

Parent has agreed to use its reasonable best efforts to maintain in effect its debt and equity commitment letters and consummate the financing contemplated by the debt and equity commitment letters. In addition, Parent has agreed, for a period of twelve months following the closing of the merger, to maintain the compensation (including base salary and incentive and bonus opportunities) of the NovaMed employees who continue to be employed by the surviving corporation and to maintain 401(k) and health and welfare benefits plans that are materially no less favorable in the aggregate than our current benefits and policies.

No Solicitation of Takeover Proposals (see page 60)

NovaMed agreed that it shall not, and shall not permit its controlled affiliates or permit its or any of its controlled affiliates directors, officers, employees, investment bankers, attorneys, accountants or other advisors or representatives, whom we refer to collectively as representatives, to, directly or indirectly:

- solicit, initiate, propose or encourage, or take any other action to knowingly facilitate, any Takeover Proposal (as defined on page 63) or any inquiries or offers or the making of any proposal or any other efforts or attempt that could reasonably be expected to lead to a Takeover Proposal;

- enter into, continue or otherwise participate in any communications or negotiations regarding, or furnish to any person or entity (other than Parent, Merger Sub or any of their representatives) any information with respect to, or otherwise knowingly cooperate in any way with any person or entity (other than Parent, Merger Sub or any of their representatives) with respect to, any Takeover Proposal or any inquiries or offers or the making of any proposal or any other efforts or attempt that could reasonably be expected to lead to a Takeover Proposal;

- grant a waiver under Section 203 of the Delaware General Corporation Law, or the DGCL, or any other takeover law or enter into any contract with respect to or that may reasonably be expected to lead to any Takeover Proposal, or otherwise endorse, any Takeover Proposal; or

- resolve to do any of the foregoing.

NovaMed also agreed that it shall, and shall cause its subsidiaries and direct its representatives to, immediately cease and terminate all existing activities, communications and negotiations with any person or entity conducted prior to the date of the merger agreement with respect to any Takeover Proposal (including, but not limited to, access to any electronic or other data room) and shall request the prompt return or destruction of all confidential information previously furnished in connection therewith. If we receive an unsolicited Takeover Proposal, then we must promptly notify Parent of the proposal s material terms and conditions and the identity of the person or entity making such proposal.

Notwithstanding the restrictions described above, if, at any time prior to the adoption of the merger agreement and approval of the merger by NovaMed s common stockholders, we receive an unsolicited Takeover Proposal and our Board of Directors determines in good faith (after consultation with its outside legal counsel and a financial advisor of nationally recognized reputation) that such Takeover Proposal constitutes or is reasonably likely to lead to a Superior Proposal (as defined on page 64) and that failure to respond to such Takeover Proposal would be inconsistent with its fiduciary duties to our stockholders under applicable law, then we may, and may permit and authorize our affiliates and our and their respective representatives to, (i) furnish

information with respect to NovaMed and its subsidiaries to a person or entity making such bona fide written Takeover Proposal (and its representatives) pursuant to a confidentiality agreement with standstill provisions identical in all substantive respects to, and which otherwise contains terms that are no less favorable to us than, those contained in its confidentiality agreement with Parent and (ii) participate in discussions or negotiations with the person making such Takeover Proposal (and its representatives) regarding such Takeover Proposal, so long as the Company complies with certain terms of the merger agreement.

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Conditions to the Merger (see page 69)

Completion of the merger depends upon the parties meeting or waiving a number of conditions, including the following:

adoption of the merger agreement and approval of the merger described in the merger agreement at the special meeting by holders of a majority of the issued and outstanding shares of NovaMed common stock entitled to vote on the adoption and approval;

the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and any other applicable antitrust law;

the absence of any law or governmental order prohibiting the consummation of the merger or any pending claim, suit or proceeding by any governmental authority seeking to prohibit the consummation of the merger;

the material accuracy of the parties representations and warranties and the parties compliance with the covenants and agreements set forth in the merger agreement;

the absence of a material adverse effect on the Company, as that term is defined in the merger agreement;

the exercise of appraisal rights and preservation of the right to seek appraisal by holders of not more than 7.5% of NovaMed s outstanding common stock;

the delivery by the Company to Parent of payoff and release letters from the holders of certain indebtedness for borrowed money of the Company and its subsidiaries outstanding as of the closing, and releases of all liens securing such indebtedness;

the making by NovaMed of certain specified regulatory notices and the receipt by NovaMed of certain specified regulatory consents and approvals, except to the extent that the facilities for which all such notices have not been delivered or all such consents and approvals have not been obtained represented $1,500,000 or less of earnings before interest, taxes, depreciation and amortization (less minority interest expense) for the applicable facilities during the twelve-months ended November 30, 2010. Earnings before interest, taxes, depreciation and amortization (less minority interest expense) shall be calculated based on the Company s consolidated financial statements for the period ending November 30, 2010 prepared in accordance with United States generally accepted accounting principles, calculated and applied consistent with the Company s past practices; and

other customary closing conditions.

Termination (see page 71)

Under certain circumstances, the merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger, whether before or after adoption of the merger agreement and approval of the merger by our stockholders. If the merger agreement is terminated, there will be no liability on the part of NovaMed, Merger Sub or Parent, except for the payment of the termination fees and expenses as described below and in the section entitled The Merger Agreement Termination Fees beginning on page 72.

Termination Fees (see page 72)

Termination Fees Payable by the Company. NovaMed is obligated to pay Parent s designee a termination fee of $4,368,000 if any of the following occur:

Parent or Merger Sub terminates the merger agreement because (i) an Adverse Recommendation Change (as defined on page 62) has occurred, (ii) we or any of our representatives have intentionally breached the no solicitation provisions of the merger agreement or (iii) for any reason we have failed to convene and complete the special meeting of the Company s stockholders described in this Proxy Statement within

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45 days of the date that this Proxy Statement is cleared by the SEC unless the Company has entered in to an Acquisition Agreement (as defined on page 62) or an Adverse Recommendation Change has occurred;

we terminate the merger agreement in order to accept a superior acquisition proposal; or

(i) a person or entity makes or publicly proposes a Takeover Proposal (substituting 50% for the 15% thresholds set forth in the definition of Takeover Proposal) or publicly announces an intent (whether or not conditional) to make a Takeover Proposal, (ii) the merger agreement is terminated (A) by Parent or the Company prior to May 20, 2011 (the Termination Date) (or, June 20, 2011 if, prior to May 20, 2011, the Company has not delivered to Parent written evidence that the Company has delivered all of the notices to, and obtained all of the consents and approvals of, certain specified third parties, and Parent has elected to extend the termination date to June 20, 2011) or (B) by Parent or the Company if the holders of a majority of NovaMed s outstanding common stock have not adopted the merger agreement and approved the merger at the special meeting of stockholders described in this Proxy Statement, or (C) by Parent if the Company has not satisfied the closing conditions regarding the accuracy of the Company s representations, warranties or covenants, and (iii) within 12 months after termination of the merger agreement, NovaMed enters into any Acquisition Agreement or other definitive agreement or contract providing for, or shall have consummated or publicly approved or recommended to the stockholders of the Company, any Takeover Proposal (whether or not the Takeover Proposal was the same Takeover Proposal referred to in clause (i)).

Parent is obligated to pay us a reverse termination fee of $6,552,000 if Parent and Merger Sub fail to close the merger because of a failure to receive financing (other than if solely due to a failure by guarantor to fund its commitment pursuant to the equity commitment letter) that, together with the amount of equity financing committed pursuant to the equity commitment letter, is sufficient to fund the merger and the other transactions contemplated by the merger agreement or because of their refusal to accept a new financing commitment that provides for at least the same amount of financing as the commitment letters and on terms that are not materially less favorable to Parent than the commitment letters and Parent and Merger Sub are not otherwise in material and willful breach of the merger agreement (a Non-Breach Financing Failure).

The amount of the reverse termination fee will be $10,920,000, however, if the Company terminates the merger agreement in circumstances not involving a Non-Breach Financing Failure and on or after the later of (i) the 75th day following the date of the merger agreement, (ii) the 30th day after the mailing of this Proxy Statement to the Company s stockholders or (iii) the third business day after the Company has delivered to Parent written evidence that the Company has delivered all of the specified notices to, and obtained all of the specified consents and approvals of, certain specified third parties (provided, that, on and after May 19, 2011 (or June 19, 2011 in the event Parent has extended the Termination Date pursuant to the merger agreement), all such notices, consents and approvals shall be deemed to have been obtained and written evidence delivered for purposes of this clause (iii) (but not for purposes of determining whether all of the conditions to the obligations of Parent and Merger Sub to consummate the merger in Section 6.1 and Section 6.2 of the merger agreement (regarding compliance with representations, warranties and covenants) have been satisfied or waived)), if (x) all of the conditions to the obligations of Parent and Merger Sub to consummate the merger set forth in Section 6.1 and Section 6.2 of the merger agreement (regarding compliance with representations, warranties and covenants) have been satisfied or waived by Parent and Merger Sub in writing (other than those conditions that by their nature are to be satisfied at the Closing, provided the Company is then able to satisfy such conditions), and the Company has certified to Parent in writing that such conditions have been satisfied and the Company is prepared to satisfy those conditions at the Closing and (y) Parent and Merger Sub shall have breached their obligation to cause the merger to be consummated within ten business days after the date the closing is required to take place pursuant to the merger agreement.

Appraisal Rights (see page 75)

Pursuant to Section 262 of the DGCL, if you do not vote in favor of the adoption of the merger agreement and approval of the merger and you instead follow the appropriate procedures for demanding and perfecting appraisal rights as described on pages 75 through 78 and in **Appendix D**, you will receive a cash payment for the fair value of your shares of NovaMed common stock, as determined by a Delaware Court of Chancery, instead of the $13.25 per share merger consideration to be received by our stockholders pursuant to the

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merger agreement. The fair value of NovaMed common stock may be more than, less than or equal to the $13.25 merger consideration you would have received for each of your shares pursuant to the merger agreement if you had not exercised your appraisal rights.

Generally, in order to exercise appraisal rights, among other things:

you must NOT vote in favor of adoption of the merger agreement and approval of the merger; and

you must make written demand for appraisal in compliance with Delaware law PRIOR to the vote of our stockholders to adopt the merger agreement and approve the merger.

Merely abstaining or voting against the adoption of the merger agreement and approval of the merger will not preserve your appraisal rights under Delaware law. **Appendix D** to this Proxy Statement contains the Delaware statute relating to your appraisal rights. **If you want to exercise your appraisal rights, please read and carefully follow the procedures described on pages 75 through 78 and in Appendix D. Failure to take all of the steps required under Delaware law may result in the loss of your appraisal rights.**

Material U.S. Federal Income Tax Consequences (see page 50)

The receipt of $13.25 in cash by our stockholders for each outstanding share of NovaMed common stock will be a taxable transaction for U.S. federal income tax purposes. Each of our stockholders generally will recognize taxable gain or loss, measured by the difference, if any, between the stockholder s amount realized in the merger of $13.25 per share and the tax basis of each share of NovaMed common stock owned by such stockholder.

Litigation (see page 52)

After the announcement of the proposed merger, four putative class actions were filed against the Company, the members of its board of directors, Parent and Merger Sub (collectively, the Defendants). Three of these actions were filed in the Court of Chancery of the State of Delaware. One was filed in the Circuit Court of Cook County, Illinois (the Illinois Action). On or about March 8, 2011, the Illinois Action was voluntarily dismissed without prejudice by the plaintiffs. The three actions in the Court of Chancery of the State of Delaware were consolidated as In re NovaMed, Inc. Shareholder Litigation, C.A. No. 6151-VCP (the Delaware Action). The plaintiffs in the Delaware Action purport to represent a class consisting of all persons (other than the Defendants) who have owned or will own Company stock at any time between the announcement of the proposed merger and the consummation of the proposed merger. The plaintiffs in the Delaware Action allege, among other things, that the members of the board of directors breached their fiduciary duties by failing to conduct an adequate sales process, by agreeing to sell the Company for inadequate consideration, by agreeing to terms that unduly preclude the development of a superior competing proposal, and by failing to make complete and accurate disclosures concerning the proposed transaction. The plaintiffs in the Delaware Action further allege, among other things, that the Company, Parent and Merger Sub aided and abetted the breach of fiduciary duty by the members of the board of directors. The plaintiffs in the Delaware Action seek to enjoin consummation of the proposed merger, to rescind the proposed merger if it is consummated or to obtain an award of damages in an unspecified amount. On or about March 24, 2011, Defendants in the Delaware Action reached an agreement in principle with the plaintiffs to settle the Delaware Action, subject to approval by the Court after notice to members of the putative class. In exchange for the dismissal of the Delaware Action with prejudice and a general release for all Defendants of all claims relating in any way to the proposed transaction, the Company agreed to make certain additional disclosures concerning the proposed transaction. Assuming that the parties are able to reduce their agreement in principle to a definitive agreement, the Court will be asked to

grant preliminary approval of the settlement to certify the putative class for settlement purposes only and to approve a plan for providing notice to the members of the putative class. Finally, the Court will be asked to schedule a hearing at which it will consider any objections to the proposed settlement, determine whether to grant final approval to the proposed settlement and consider any application for an award of attorneys fees and expenses that may be made by counsel for the putative class.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to address briefly some commonly asked questions regarding the special meeting and the merger and other matters to be considered by NovaMed s common stockholders at the special meeting. These questions and answers may not address all questions that may be important to you as a stockholder. Please refer to the more detailed information contained elsewhere in this Proxy Statement, the appendices to this Proxy Statement and the documents referred to in this Proxy Statement.

Q: When and where is the special meeting?

A: The special meeting is scheduled to take place on May 4, 2011 at 10:00 a.m. Central time, at 333 West Wacker Drive, Chicago, Illinois 60606, in the Lobby Conference Center.

Q: What is the purpose of the special meeting?

A: At the special meeting, our stockholders will be asked to vote on a proposal to adopt the Agreement and Plan of Merger, dated as of January 20, 2011, by and between NovaMed, Parent and Merger Sub, and approve the merger described in the merger agreement.

Our stockholders may also be asked to vote to adjourn the special meeting to solicit additional proxies in support of the proposal to adopt the merger agreement and approve the merger, if there are not sufficient votes at the special meeting to adopt the merger agreement and approve the merger.

Q: Why am I receiving this Proxy Statement and proxy card?

A: You are receiving this Proxy Statement and proxy card because you own shares of NovaMed common stock. This Proxy Statement describes matters on which we urge you to vote at the special meeting and is intended to assist you in deciding how to vote your shares. If your shares are held by a bank or brokerage firm, you are considered the beneficial owner of shares held in street name. If your shares are held in street name, your bank or brokerage firm (the record holder of your shares) forwarded these proxy materials, along with a voting instruction card, to you.

Q: What is a proxy?

A: A proxy is your legal designation of another person, referred to as a proxy, to vote your shares of NovaMed common stock. The written document describing the matters to be considered and voted on at the special meeting is called a proxy statement. The document used to designate a proxy to vote your shares of NovaMed common stock is called a proxy card. Our Board of Directors has designated Thomas S. Hall and Robert J. Kelly, as proxies for the special meeting.

Q: How many shares must be present to hold the meeting?

A: A quorum must be present at the special meeting for any business to be conducted. The presence, in person or by proxy, of holders of record of a majority of the issued and outstanding shares of NovaMed common stock entitled to vote at the special meeting will constitute a quorum. Proxy cards received by us but marked AGAINST or ABSTAIN will be included in the calculation of the number of shares considered to be present at the meeting and will have the effect of a vote against the merger agreement and the merger. If you hold your shares in street name

and do not give instructions to your bank or brokerage firm on how to vote your shares, your bank or brokerage firm will not be permitted to vote your shares at the special meeting and your shares will not be counted for purposes of establishing a quorum. If a quorum is not present, a vote cannot occur, and a majority in interest of the stockholders entitled to vote at the meeting, present in person or by proxy, may adjourn the meeting until a quorum is present or represented. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given.

Q: What vote is required to adopt the merger agreement and approve the merger and approve the adjournment, if necessary?

A: Adoption of the merger agreement and approval of the merger requires the affirmative vote of a majority of the outstanding shares of NovaMed common stock entitled to vote on the merger. Adjournment of the special meeting, if necessary, to solicit additional proxies, requires the approval of a majority of the votes cast. Our

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directors and executive officers entered into voting agreements with Parent pursuant to which they have agreed to vote their respective shares of NovaMed common stock, which represent in the aggregate approximately 10.5% of the outstanding shares of NovaMed common stock, FOR the adoption of the merger agreement and approval of the merger and FOR any adjournment of the special meeting, if necessary, to solicit additional proxies, and have granted Parent a proxy to vote such shares in the event the directors and officers fail to do so. The full text of the form of voting agreement is attached to this Proxy Statement as **Appendix C**.

Q: Who is entitled to attend the special meeting?

A: You are entitled to attend the special meeting if you owned shares of NovaMed common stock at the close of business on March 11, 2011, which NovaMed has set as the record date for the special meeting. Stockholders must present a form of photo identification to be admitted to the special meeting. If you hold your shares in street name, you are invited to attend the special meeting, but you will also need to bring a copy of your bank or brokerage statement, evidencing your ownership as of the record date, to gain admittance.

Q: Who is entitled to vote?

A: You are entitled to vote on the proposals to be considered at the special meeting if you owned shares of NovaMed common stock at the close of business on March 11, 2011, the record date for the special meeting. For each share of NovaMed common stock you owned at the close of business on the record date, you will have one vote on each proposal presented at the special meeting. On the record date, there were 7,952,004 shares of NovaMed common stock issued and outstanding and entitled to vote at the special meeting.

Q: What happens if I sell my shares before the special meeting?

A: The record date for the special meeting, March 11, 2011, is earlier than the date of the special meeting. If you held your shares on the record date but transfer them prior to the effective time of the merger, you will retain your right to vote at the special meeting, but you will lose the right to receive the merger consideration for your shares. The right to receive such merger consideration will pass to the person who owns your shares when the merger becomes effective.

Q: How do I vote?

A: If you are a registered stockholder, meaning that you hold your shares in certificate form or through an account with NovaMed s transfer agent, American Stock Transfer & Trust Company, you may submit a proxy prior to the special meeting or you may vote in person at the special meeting.

To vote in person at the special meeting, you must attend the meeting and obtain and submit a ballot. Ballots for voting in person will be available at the special meeting. If you are a beneficial owner of shares held in street name by a bank or brokerage firm, you may not vote your shares in person at the special meeting unless you obtain a power of attorney or proxy form from the record holder of your shares.

To submit a proxy to vote your shares of stock, you must complete and return the enclosed proxy card in time to be received by us prior to the special meeting, or you may deliver your proxy card in person at the special meeting. If a proxy card is properly executed, returned to us and not revoked, the shares represented by the proxy will be voted in accordance with the instructions set forth on the proxy card. We know of no other business that will be presented at the special meeting. However, if any other matter properly comes before the stockholders for vote at the special meeting, your shares will be voted in accordance with the best judgment of the proxy holders.

If your shares are held in street name, your bank or brokerage firm forwarded these proxy materials, as well as a voting instruction card, to you. Please follow the instructions on the voting instruction card to vote your shares. If you are the beneficial owner of the shares, you have the right to direct your record holder how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions.

Q: What if I do not specify how my shares are to be voted?

A: If you are a registered stockholder and you submit a proxy card but do not provide voting instructions, your shares will be voted:

FOR the adoption of the merger agreement and approval of the merger, and

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FOR the approval of the adjournment of the special meeting to solicit additional proxies.

If you hold your shares in street name and do not give instructions to your bank or brokerage firm, the bank or brokerage firm will not be permitted to vote your shares and your shares will not be considered present at the special meeting. As a result, not giving instructions to your bank or brokerage firm will have the same effect as a vote AGAINST the adoption of the merger agreement and approval of the merger, but it will have no effect on any vote with respect to the adjournment of the meeting to solicit additional proxies in support of the proposal to adopt the merger agreement and approve the merger.

Q: How do I change my vote after I submit my proxy?

A: If you decide to change your vote, you may revoke your proxy at any time before it is voted at the special meeting. You may revoke your proxy in one of three ways:

1. You may notify the Secretary of NovaMed or NovaMed s proxy solicitor, MacKenzie Partners, Inc., 105 Madison Avenue, 17th Floor, New York, New York 10016, in writing that you wish to revoke your proxy. Please contact NovaMed, Inc., 333 W. Wacker Drive, Suite 1010, Chicago, Illinois 60606, Attention: Secretary, or MacKenzie Partners, Inc., by calling (800) 322-2885 (toll free) or (212) 929-5500 (collect). We must receive your notice before the time of the special meeting.

2. You may submit a properly executed proxy card with a later date than your original proxy card. We must receive your later-dated proxy card before the time of the special meeting.

3. You may attend the special meeting and vote in person. Merely attending the special meeting will not by itself revoke a proxy; you must obtain a ballot and vote your shares at the special meeting to revoke the proxy.

Q: Who will solicit and pay the cost of soliciting proxies?

A: NovaMed is paying the cost of soliciting these proxies. Upon request, NovaMed will reimburse brokers and other nominees for their reasonable out-of-pocket expenses for forwarding these proxy materials to the beneficial owners of NovaMed shares. NovaMed s directors, officers and employees may solicit proxies in person or by telephone, mail, facsimile, email or otherwise, but they will not receive additional compensation for their services. In addition, NovaMed will pay approximately $10,000 (plus reimbursement of out-of-pocket expenses) to MacKenzie Partners, Inc., the Company s proxy solicitor.

Q: What will be the effect of the merger?

A: After the effective time of the merger, you will no longer own any shares of NovaMed common stock. All of the capital stock of NovaMed following completion of the merger will be wholly owned by Parent.

Q: If the merger is completed, what will I receive for the shares of NovaMed common stock I hold?

A: If the merger is completed, each share of NovaMed common stock that you own at the effective time of the merger will be automatically cancelled and converted into the right to receive $13.25 in cash, without interest and subject to applicable tax withholding requirements. However, if you perfect your appraisal rights, you will not receive the $13.25 per share merger consideration and instead your shares will be subject to appraisal in accordance with Delaware law.

Q: If the merger is completed, what will happen to outstanding options and restricted shares of common stock to acquire NovaMed common stock?

A: At the effective time of the merger, each unexercised NovaMed common stock option, whether vested or unvested, that is outstanding immediately prior to the effective time of the merger shall be cancelled at the effective time of the merger, with the holder of such NovaMed common stock option becoming entitled to receive, in full satisfaction of the rights of the holder of such NovaMed common stock option, an amount in cash equal to (A) the excess, if any, of (1) $13.25 over (2) the exercise price per share of NovaMed common stock subject to such NovaMed common stock option multiplied by (B) the number of shares of NovaMed common stock subject to such NovaMed common stock option. To clarify the treatment of each of the unexercised NovaMed common stock options, we will enter into an option cancellation agreement with each holder of a NovaMed common stock option prior to the effective time of the merger that will only become effective upon

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the consummation of the merger. At the effective time of the merger, each unvested NovaMed restricted share of common stock that is outstanding immediately prior to the effective time of the merger shall be cancelled, with the holder of such unvested NovaMed restricted share of common stock becoming entitled to receive, in full satisfaction of the rights of such holder with respect thereto, an amount in cash equal to $13.25 multiplied by the maximum number of shares of NovaMed common stock subject to such restricted share of NovaMed common stock immediately prior to the effective time of the merger.

Q: What should I do now?

A: After you read and consider carefully the information contained in this Proxy Statement, please return your proxy as soon as possible so that your shares may be represented at the special meeting. If your shares of NovaMed common stock are registered in your own name, you may submit your proxy by filling out and signing the proxy card and then mailing your signed proxy card in the enclosed pre-paid envelope. If your shares are held in street name, please follow the directions your broker or bank has provided.

Q: Should I send in my stock certificates now?

A: No. If the merger agreement is adopted and the merger is approved and other conditions to the merger are satisfied, shortly after the merger is completed you will receive a letter of transmittal with instructions informing you how to send in your stock certificates to the exchange agent appointed by Parent. YOU SHOULD NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY CARD.

Q: When do you expect the merger to be completed?

A: We are working towards completing the merger as soon as possible. Assuming timely satisfaction of necessary closing conditions, we expect the merger to be completed in the second quarter of 2011.

Q: When will I receive the cash payment for my shares?

A: Assuming that you do not elect to exercise your appraisal rights, shortly after the effective time of the merger, the exchange agent appointed by Merger Sub will send to you a letter of transmittal with instructions regarding the surrender of your share certificates in exchange for the merger consideration. Once you have delivered an executed copy of the letter of transmittal together with your share certificates to the exchange agent, it will promptly pay the merger consideration owing to you, without interest and less any applicable withholding taxes.

Q: Where can I find more information about NovaMed?

A: We file reports, proxy statements and other information with the Securities and Exchange Commission, referred to as the SEC, under the Securities Exchange Act of 1934, as amended, or the Exchange Act. You may read and copy this information at the SEC s public reference facilities. You may call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available at the Internet site the SEC maintains at www.sec.gov. You can also request copies of these documents from us. See Where You Can Find More Information on page 84.

Q: Who can help answer my other questions?

A: If you have further questions about the merger, you should contact MacKenzie Partners, Inc., our proxy solicitor, by calling (800) 322-2885 (toll-free) or (212) 929-5500 (collect).

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RISK FACTORS AND SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements made in this Proxy Statement contain forward-looking statements, which reflect our plans, beliefs and current views with respect to, among other things, future events and our financial performance. You are cautioned not to place undue reliance on such statements. We often identify these forward-looking statements by use of words such as believe, expect, continue, may, will, could, would, potential, anticipate, intend o forward-looking words.

The forward-looking statements included herein and any expectations based on such forward-looking statements are subject to risks and uncertainties and other important factors that could cause actual results to differ materially from the results contemplated by the forward-looking statements, including the satisfaction of the conditions to closing the merger and restrictions in the credit markets, as well as other risks and uncertainties discussed below and in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 are incorporated by reference into this Proxy Statement. Moreover, we operate in a continually changing business environment, and new risks and uncertainties emerge from time to time. We cannot predict these new risks or uncertainties, nor can we assess the impact, if any, that such risks or uncertainties may have on NovaMed s business or the extent to which any factor, or combination of factors, may cause actual results to differ from those projected in any forward-looking statement.

Set forth below are various risks related to the proposed merger. The following is not intended to be an exhaustive list of the risks related to the merger and should be read in conjunction with the other information in this Proxy Statement. In addition, you should review the risks and uncertainties discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010 which are incorporated by reference into this Proxy Statement, for a description of the risk factors associated with the continued operation of NovaMed s business.

Completion of the merger is subject to various conditions, and the merger may not occur even if we obtain stockholder approval.

Completion of the merger is subject to various risks, including, but not limited to:

- the failure of stockholders holding at least a majority of the shares of outstanding NovaMed common stock to adopt the merger agreement and approve the merger;
- Parent s and Merger Sub s right to terminate the merger agreement if a material adverse effect has occurred to NovaMed, as that term is defined in the merger agreement;
- the failure to obtain the expiration or termination of the applicable waiting period under the HSR Act or any other applicable antitrust law;
- the failure to obtain certain regulatory consents or approvals or to deliver certain regulatory notices;
- the enactment of a law or issuance of an order by a governmental authority prohibiting the consummation of the merger or the commencement of a claim, suit or proceeding by any governmental authority seeking to prohibit the consummation of the merger;

the exercise of appraisal rights under Delaware law by holders of 7.5% or more of NovaMed s outstanding common stock;

the failure of any of the other conditions in the merger agreement; and

the failure of Parent to obtain the financing contemplated by its debt and equity commitment letters entered into at the time of execution of the merger agreement.

See The Merger Agreement Conditions to the Merger. As a result of these risks, there can be no assurance that the merger will be completed even if we obtain stockholder approval. If our stockholders do not adopt the merger agreement and approve the merger or if the merger is not completed for any other reason, we expect that our current management, under the direction of our Board of Directors, will continue to manage NovaMed.

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Failure to complete the merger could negatively impact the market price of NovaMed common stock.

If the merger is not completed for any reason, we will be subject to a number of material risks, including the following:

- the market price of NovaMed common stock will likely decline to the extent that the current market price of the stock reflects a market assumption that the merger will be completed;
- we must pay certain costs related to the merger even if the merger is not completed, such as legal fees and certain investment banking fees, and, in specified circumstances, termination fees; and
- the diversion of management s attention from the day-to-day business of NovaMed and the unavoidable disruption to our employees and our relationships with customers, physicians and suppliers during the period before completion of the merger may make it difficult for us to regain our financial and market position if the merger does not occur.

If the merger agreement is terminated and our Board of Directors seeks another merger or business combination, we cannot offer any assurance that we will be able to find an acquirer willing to pay an equivalent or better price than the price to be paid under the merger agreement.

We may lose key personnel as a result of uncertainties associated with the merger.

Our current and prospective employees and physicians may be uncertain about their future roles and relationships with NovaMed following completion of the merger. This uncertainty may adversely affect our ability to attract and retain physicians and key management, sales, marketing and operational personnel.

PARTIES TO THE MERGER

Parties Involved in the Merger

NovaMed, Inc.

NovaMed, Inc. is a Delaware corporation and is a health care services company and an owner and operator of ambulatory surgery centers (ASCs).

NovaMed s principal executive offices are located at 333 West Wacker Drive, Suite 1010, Chicago, Illinois 60606, and its telephone number is (312) 664-4100.

Surgery Center Holdings, Inc.

Surgery Center Holdings, Inc., or Parent, is a Delaware corporation and is a healthcare services company that acquires, develops and manages free-standing ASCs in partnership with leading physicians. Parent is affiliated with H.I.G. Capital, L.L.C., a leading global private equity investment firm focused exclusively on the middle market with more than $8.5 billion of equity capital under management.

Parent s principal executive offices are located at 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131, and its telephone number is (305) 379-2322.

Wildcat Merger Sub, Inc.

Wildcat Merger Sub, Inc., or Merger Sub, is a Delaware corporation formed by Parent solely for purposes of entering into the merger agreement and consummating the transactions contemplated by the merger. Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, at the effective time of the merger, Merger Sub will merge with and into NovaMed, with NovaMed continuing as the surviving corporation. Merger Sub currently has *de minimis* assets and has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

Merger Sub s principal executive offices are located at 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131, and its telephone number is (305) 379-2322.

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Surgery Center Holdings, LLC

Surgery Center Holdings, LLC, or Holdings, is a Delaware limited liability company and is the majority stockholder of Parent. Holdings is affiliated with H.I.G. Capital, LLC.

Holdings principal executive offices are located at 1450 Brickell Avenue, 31st Floor, Miami, Florida 33131, and its telephone number is (305) 379-2322.

Rollover Stockholders

Rollover Stockholders refers collectively to Scott T. Macomber, Thomas J. Chirillo, John P. Hart and John W. Lawrence, Jr., each a NovaMed common stockholder and each of whom is an officer of NovaMed. Each of the rollover stockholders has agreed to surrender a portion of their shares of NovaMed common stock to Holdings immediately prior to the effective time of the merger plus, in the case of Messrs. Macomber and Hart, invest additional cash consideration, in exchange for equity interests in Holdings. In addition, the rollover stockholders entered into executive securities agreements with Holdings pursuant to which they will be awarded incentive equity awards subject to the terms and conditions of such executive securities agreements. The rollover stockholders will receive cash in an amount equal to the merger consideration for their shares of NovaMed common stock that are not surrendered to Holdings. As a result, immediately following the merger, the rollover stockholders will hold approximately 3.1% (on a fully diluted basis) of Holdings, and indirectly, the Company, after giving effect to the issuance and vesting of all incentive equity awards granted to the rollover stockholders.

THE SPECIAL MEETING

Date, Time and Place of the Special Meeting

This Proxy Statement is furnished in connection with the solicitation of proxies by our Board of Directors for a special meeting of the holders of NovaMed common stock to be held on May 4, 2011 at 10:00 a.m. Central time, at 333 West Wacker Drive, Chicago, Illinois 60606, in the Lobby Conference Center, or at any postponement or adjournment of the special meeting.

Matters To Be Considered at the Special Meeting

The purpose of the special meeting is to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of January 20, 2011, by and between Parent, Merger Sub and NovaMed, pursuant to which NovaMed will become a direct wholly owned subsidiary of Parent, and approve the merger described in the merger agreement. If our stockholders adopt the merger agreement and approve the merger, the other closing conditions are satisfied or waived, and the merger is completed, the holders of NovaMed common stock will be entitled to receive $13.25 in cash, without interest, per share held by them at the effective time of the merger, except for holders who perfect their appraisal rights under Delaware law. If our stockholders fail to adopt the merger agreement and approve the merger, the merger will not occur. A copy of the merger agreement is attached to this Proxy Statement as **Appendix A**.

Our stockholders may also be asked to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of adoption of the merger agreement and approval of the merger.

NovaMed does not expect that a vote will be taken on any other matters at the special meeting. However, if any other matters are properly presented at the special meeting, the holders of the proxies will have discretion to vote on those matters in accordance with their best judgment.

Record Date, Outstanding Voting Securities, Voting Rights and Quorum

Our Board of Directors has set the close of business on March 11, 2011, as the record date for determining the stockholders of NovaMed entitled to notice of, and the right to vote at, the special meeting. As of the record date, there were 201 holders of record of NovaMed common stock and 7,952,004 shares of NovaMed common stock outstanding.

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Each holder of NovaMed common stock at the close of business on the record date is entitled to attend and vote at the special meeting. Each outstanding share of NovaMed common stock entitles its holder to one vote on each matter properly presented at the special meeting.

A majority of the issued and outstanding shares of NovaMed common stock entitled to vote at the special meeting, whether represented in person or by proxy, will constitute a quorum. Proxy cards received by us but marked AGAINST or ABSTAIN will be counted for the purpose of establishing a quorum at the special meeting and will have the effect of a vote against the merger agreement and the merger. If you hold your shares in street name and do not give instructions to your bank or brokerage firm on how to vote your shares, the bank or brokerage firm will not be permitted to vote your shares at the special meeting and your shares will not be counted for purposes of establishing a quorum. If a quorum is not present at the special meeting, we currently expect that we will adjourn the special meeting to solicit additional proxies. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given.

A list of holders of NovaMed common stock will be available for review at our executive offices during regular business hours beginning three days after the date of this Proxy Statement and through the date of the special meeting.

Required Votes

Adoption of the merger agreement and approval of the merger requires the affirmative vote of a majority of the outstanding shares of NovaMed common stock entitled to vote on the adoption of the merger agreement and approval of the merger. All votes will be tabulated by the inspector of election appointed for the special meeting, who will separately tabulate affirmative and negative votes and abstentions.

Adjournment of the special meeting, if necessary, to solicit additional proxies requires the approval of a majority of the votes cast.

Failure to vote your shares of NovaMed common stock will have the same effect as a vote AGAINST the proposal to adopt the merger agreement and approve the merger. Registered stockholders who submit a proxy card but do not provide voting instructions will be voted FOR the adoption of the merger agreement and approval of the merger and FOR the approval the adjournment of the special meeting to solicit additional proxies. If you hold your shares in street name and do not give instructions to your bank or brokerage firm, it will not be permitted to vote your shares and your shares will not be considered present at the special meeting. As a result, it will have the same effect as a vote AGAINST the adoption of the merger agreement and approval of the merger, but it will have no effect on any vote with respect to the adjournment of the meeting to solicit additional proxies in support of the proposal to adopt the merger agreement and approve the merger.

As of the record date for the special meeting, our directors and executive officers beneficially owned an aggregate of 837,652 shares of NovaMed common stock, representing an aggregate of approximately 10.5% of our outstanding common stock. In connection with the merger agreement, such directors and executive officers have entered into voting agreements with Parent obligating them to vote all of their shares of NovaMed common stock in favor of adoption of the merger agreement and approval of the merger and have informed us that they intend to vote all of their shares of NovaMed common stock FOR the adoption of the merger agreement and approval of the merger and FOR any adjournment of the special meeting, if necessary, to solicit additional proxies. The full text of the form of voting agreement is attached to this Proxy Statement as **Appendix C**.

Voting

Registered holders of NovaMed common stock may submit a proxy prior to the special meeting or may vote in person at the special meeting. If your shares are held in street name by a bank or brokerage firm, your bank or brokerage firm forwarded these proxy materials, as well as a voting instruction card, to you. Please follow the instructions on the voting instruction card to vote your shares.

To vote in person at the special meeting, a stockholder must attend the meeting and obtain and submit a ballot. Ballots for voting in person will be available at the special meeting. If you are a beneficial owner of shares held in

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street name, you may not vote your shares in person at the special meeting unless you obtain a power of attorney or proxy form from the record holder of your shares.

To submit a proxy, stockholders must complete and return the enclosed proxy card in time to be received by us prior to the special meeting, or deliver a proxy card in person at the special meeting. If a proxy card is properly executed, returned to us and not revoked, the shares represented by the proxy will be voted in accordance with the instructions set forth on the proxy card. If you are the beneficial owner of the shares, you have the right to direct your record holder how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions.

Registered stockholders who submit a proxy card but do not provide voting instructions will be voted FOR the adoption of the merger agreement and approval of the merger and FOR the approval the adjournment of the special meeting to solicit additional proxies. If you hold your shares in street name and do not give instructions to your bank or brokerage firm, it will not be permitted to vote your shares and your shares will not be considered present at the special meeting. As a result, it will have the same effect as a vote AGAINST the adoption of the merger agreement and approval of the merger, but it will have no effect on any vote with respect to the adjournment of the meeting to solicit additional proxies in support of the proposal to adopt the merger agreement and approve the merger.

Revocation of Proxies

If you have submitted a proxy, you may revoke it at any time before it is voted at the special meeting by:

delivering a later-dated, properly executed proxy card or a written revocation of such proxy to:

NovaMed, Inc.
Attn: Secretary
333 W. Wacker Drive, Suite 1010
Chicago, Illinois 60606; or

MacKenzie Partners, Inc.
105 Madison Avenue
17th Floor
New York, New York 10016; or

attending the special meeting and voting in person.

If you choose either of these methods, your notice of revocation or your new proxy card must be received before the start of the special meeting. Attendance at the special meeting will not by itself constitute revocation of a proxy. To revoke a proxy in person at the special meeting, you must obtain a ballot and vote in person at the special meeting.

If you hold your shares in street name, please follow the directions received from your bank or broker to change your vote.

Expenses of Proxy Solicitation

NovaMed will bear the expenses in connection with the solicitation of proxies. Upon request, we will reimburse brokers and other nominees for their reasonable out-of-pocket expenses for forwarding copies of these proxy materials to the beneficial owners of NovaMed shares. Solicitation of proxies will be made principally by mail. Proxies may also be solicited in person or by telephone, facsimile, or email by NovaMed s directors, officers and employees. Such

persons will receive no additional compensation for these services. We have engaged MacKenzie Partners, Inc. as our proxy solicitor to assist in the dissemination of proxy materials and in obtaining proxies and to answer your questions. We will pay them a fee of $10,000 and reimburse them for their expenses. We expect the total fee due to MacKenzie Partners, Inc. to be approximately $17,500.

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THE MERGER

The following summary describes the material terms of the merger agreement but does not purport to describe all of the terms of the merger agreement. The following summary is qualified in its entirety by reference to the complete text of the merger agreement, which is attached as ***Appendix A*** *to this Proxy Statement and incorporated herein by reference. We urge you to read the merger agreement in its entirety because it is the legal document that governs the merger.*

Background of the Merger

The Company continually reviews the health care services industry and the ambulatory surgery center (ASC) industry to examine potential strategic business transactions that might be in the best interests of its stockholders and to enhance stockholder value. The Company s management regularly spends time identifying potential ASC acquisitions of interest and regularly engages in discussions with companies and physician partners that appear to be appropriate candidates for acquisitions. As part of its ongoing evaluation of the Company s business and its strategic planning, our Board of Directors periodically discusses and reviews the Company s strategic goals and alternatives, performance and prospects. Our Board of Directors has in the past received updates from time to time from various investment bankers on the state of the Company s industry and potential for acquisition activity. From time to time over the years, our Board of Directors has engaged various investment bankers to assist it in actively exploring strategic alternatives for the Company.

Beginning in February 2010, the Company was approached by an owner-operator of ASC s about the possibility of completing a strategic transaction (Party A). The Company and Party A had several discussions about a potential transaction in March and April 2010. Following the discussions, Party A declined to pursue a strategic transaction with the Company. Party A indicated that it did not wish to pursue a potential transaction with the Company in view of the Company s recent performance and concerns regarding future growth prospects. After repeated inquiries, Party A continued to indicate that it was not interested in a potential transaction with the Company.

On May 18, 2010, as part of a regularly scheduled meeting, our Board of Directors conducted a lengthy strategic planning session to consider the long-term direction and goals for the Company. Our Board of Directors heard presentations from members of the Company s management as to business development, acquisition, finance and operational matters. As a result of the strategic planning process, during an executive session following the regularly scheduled Board meeting, our Board of Directors determined to retain a financial advisor to assist with the exploration of strategic alternatives.

On May 27, 2010, representatives of the Company met with representatives of William Blair to discuss William Blair s capabilities as financial advisor. William Blair had previously advised the Board of Directors with respect to the consideration of strategic alternatives in 2005. Given the Company s past experience with William Blair and the familiarity of William Blair with the Company s business and the health care industry, the Board of Directors believed that William Blair was best suited to serve as financial advisor to the Company with respect to a potential transaction.

On June 1, 2010, the Company effected a reverse stock split where each three shares of NovaMed s common stock issued and outstanding were combined into one share of NovaMed s common stock to make our stock more appealing to institutional buyers and increase analyst coverage. All share and per share amounts have been adjusted to reflect the reverse stock split.

On June 17, 2010, representatives of the Company and members of our Board of Directors met to discuss the potential engagement of William Blair as financial advisor and the terms of an engagement letter with William Blair.

On June 18, 2010, an affiliate of the Company completed the sale of the Company s MDnetSolutions business, a call center and marketing solutions company serving primarily the bariatric market.

On June 24, 2010, representatives of the Company and representatives of William Blair held an organizational meeting to evaluate the Company s strategic alternatives.

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On June 25, 2010, based on William Blair s experience, its reputation and its familiarity with the Company and its business, our Board of Directors selected William Blair to advise the Company with respect to evaluating its strategic alternatives. The Board of Directors considered the merits of retaining other financial advisors, but did not engage in active discussions with any financial advisor other than William Blair. At that time, our Board of Directors authorized William Blair to begin contacting potentially interested parties on behalf of the Company in connection with an exploration of strategic alternatives. The Company executed an engagement letter with William Blair pursuant to which it engaged William Blair to serve as its exclusive financial advisor in connection with the Company s evaluation of strategic alternatives and any potential sale transaction. William Blair was engaged to develop a strategy for pursuing a potential transaction and a list of possible participants in a potential transaction, contact and elicit interest from those possible participants, prepare a descriptive memorandum that described the Company s operations and financial condition, coordinate due diligence, participate with the Company and its counsel in negotiations relating to the potential transaction and participate in meetings of the Board of Directors with respect to a potential transaction. If requested, William Blair would also render an opinion as to the fairness, from a financial point of view, to the Company s common stockholders of the consideration to be received by such stockholders or the exchange ratio, as the case may be, in a potential transaction or advise the Board of Directors that William Blair is unable to render such opinion.

Beginning on June 25, 2010, the Company, William Blair and DLA Piper LLP (US) (DLA Piper), counsel to the Company, began preparing for the commencement of a process to contact potentially interested parties in connection with an exploration of strategic alternatives, including the preparation of a confidential description of the Company. The Company s management and its financial and legal advisors also prepared a management brief, due diligence materials and draft transaction documents in preparation for contacting potentially interested parties.

On June 28, 2010, the Company s common stock was removed from the Russell 2000 index. The Company believes this was the a result of the customary re-balancing of the index in the ordinary course, and indirectly due to the decline of the Company s market value.

On July 6, 2010, representatives of Parent contacted Mr. Hall, the Company s chief executive officer, to discuss whether the Company would be interested in pursuing a strategic transaction. Mr. Hall informed, discussed and consulted with members of the Board of Directors and William Blair with respect to Parent s expression of interest.

On July 8, 2010, the Company and Parent executed a confidentiality agreement.

On July 20, 2010 and July 21, 2010, Mr. Hall met with representatives of Parent to discuss Parent s interest in a potential transaction with the Company. Mr. Hall informed, discussed and consulted with members of the Board of Directors and William Blair with respect to the matters discussed with representatives of Parent at these meetings.

Beginning on July 27, 2010, William Blair began contacting a targeted list of 126 potential bidders from the Company s industry that had been identified by the Company and William Blair (including Parent, Party A and Party B (as defined below)). Of the 126 potential bidders, 92 were financial bidders and 34 were strategic bidders. Of the 126 parties contacted, 52 interested parties (including 43 financial bidders and 9 strategic bidders) executed confidentiality agreements. Beginning on August 13, 2010, William Blair distributed a confidential information package, including projections, to each of these interested parties. Beginning on September 9, 2010, William Blair sent, on behalf of the Company, a bid process letter to each of the 52 interested parties, indicating to the parties that they should submit an indication of interest letter to William Blair no later than September 27, 2010.

On August 2, 2010, Parent submitted an unsolicited, preliminary indication of interest to acquire the Company at a price of $10.08 per share. This proposal was based on publicly available information about the Company and information received pursuant to the July 8, 2010 confidentiality agreement. Parent asked for the Company to

negotiate with it exclusively with respect to a potential transaction.

On August 4, 2010, our Board of Directors held a meeting to review the Company s strategic alternatives. At a meeting of our Board of Directors, a representative from DLA Piper reviewed with our Board of Directors their fiduciary duties with respect to any potential sale transaction, and management provided input on the strategic alternatives available to the Company. Following the presentation and further questions and discussion, our Board of Directors determined to reject the unsolicited offer from Parent because the price was insufficient and determined to continue its exploration of strategic alternatives. At this meeting, our Board of Directors also formed an ad hoc

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special committee comprised of C.A. Lance Piccolo, Robert J. Kelly and R. Judd Jessup to review any strategic opportunities presented to the Company, including acquisitions, and to make a recommendation to the full Board as to any such opportunities. Each member of the special committee is an independent director of the Company. The Special Committee was established as an administrative convenience in order to permit the efficient review of potential transactions and to facilitate the involvement of members of our Board of Directors in any acquisition process, and not because of any actual or perceived conflict of interest involving any director. To the fullest extent permitted by law, the Board of Directors delegated to the special committee the full power and authority of the Board of Directors to: (i) handle the day-to-day administrative functions associated with a potential transaction and required to review, evaluate, investigate and negotiate the terms and conditions of any potential transaction; (ii) make such reports and recommendations to the entire Board of Directors at such times and in such manner as the special committee considers appropriate with respect to the matters contemplated by these resolutions, including with respect to a recommendation regarding any potential transaction; and (iii) exercise any other power or authority that may be otherwise exercised by the Board of Directors and that the Board of Directors shall delegate to the special committee in order to carry out and fulfill its duties and responsibilities.

Following the meeting of our Board of Directors, Mr. Hall indicated to Parent that the Company would not negotiate exclusively with Parent and that our Board of Directors had determined to continue with its ongoing sale process.

On August 31, 2010 and September 14, 2010, the special committee held meetings to consider strategic alternatives for the Company and to discuss the status of the potential sale process. At the meetings, representatives of William Blair updated the special committee on the status of the sale process.

On September 27, 2010, William Blair, on behalf of the Company, received six preliminary indications of interest at prices ranging from $8.90 to $14.00 per share. Of the six preliminary indications of interest, four were from financial bidders and two were from strategic bidders (both of which were portfolio companies of financial bidders). Two of the parties included in their preliminary indications a range of prices, the top end of each of which was in excess of $13.25 per share. Both of these parties attended management presentations and conducted limited due diligence, but subsequently declined to participate further in the sale process and did not submit a final bid. Parent s indication of interest was at a price of $11.00 to $11.50 per share. Party B did not submit an indication of interest. No other party submitted an indication of interest.

On September 28, 2010, a press report speculated as to the Company s potential sale process and the Company s retention of William Blair as its investment banker. The Company has no knowledge as to the source of the press report as to the Company s sale process. Both the Company, consistent with its long-standing policy, and William Blair declined to comment on market rumors. Following the issuance of the press report, the Company noted an increase in its share price and trading volume.

On September 30, 2010, the special committee met with representatives of William Blair and DLA Piper to discuss the status of the sale process. Representatives of William Blair discussed with the special committee the six indications of interest that were received.

Beginning in October 2010 and continuing through December 2010, members of the Company s management, with assistance from William Blair, conducted management presentations with the six interested parties and simultaneously facilitated a due diligence process with the six interested parties. The due diligence process included in-person presentations by members of the Company s management, responses to various due diligence questions about the Company s assets and operations, telephonic due diligence discussions between the Company s and the interested parties outside financial, legal and accounting advisors and in-person due diligence review sessions. Each interested party was given an extensive, in-person presentation by members of the Company s management, and was provided access to the Company s on-line data room containing financial, operational, regulatory, intellectual property, human

resource, legal and other information concerning the Company. As part of these due diligence activities, on October 26, 2010, representatives of Parent attended an in-person management presentation by members of the Company s management and representatives of William Blair.

On October 29, 2010, the special committee met with representatives of William Blair and DLA Piper to discuss the status of the sale process. The special committee discussed with representatives of William Blair the

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possibility of bringing additional strategic bidders into the sale process, even though those strategic bidders had previously declined to submit an indication of interest. Following the meeting, William Blair contacted an owner/operator of ASC s (Party B) that had previously declined to participate in the sale process to determine whether Party B would be interested in pursuing a potential transaction with the Company.

On November 3, 2010, Party B submitted an indication of interest with respect to a business combination with the Company.

On November 10, 2010, the special committee met with representatives of William Blair and DLA Piper to discuss the status of the sale process.

On November 16, 2010, representatives of the Company, William Blair and Parent attended an in-person management presentation by members of the Company s and Parent s management to lenders proposed to be used by Parent to provide debt financing for a potential transaction.

On November 17, 2010, representatives of Party B attended an in-person management presentation by members of the Company s management and representatives of William Blair.

On November 19, 2010, William Blair asked the five remaining interested parties (including Parent and Party B) to update their views on price and to provide a detailed agenda and timeline for conducting any remaining due diligence no later than December 13, 2010. With the exception of these five remaining parties, all other previously interested parties had withdrawn from the sale process. On November 30, 2010, William Blair also made available to each of the interested parties a form of merger agreement that had been prepared by DLA Piper, with input from the Company and the special committee.

On December 13, 2010, William Blair received from Parent a revised offer with an indicated price of $13.00 per share. Parent s revised indication of interest included a draft letter of intent requesting exclusivity together with a mark-up of the draft merger agreement and draft commitment letter s from Parent s lenders. Parent s draft letter of intent indicated that Parent wanted to execute employment arrangements with key members of the Company s management prior to signing any definitive merger agreement, although the letter of intent was not expressly conditioned on such arrangements.

On December 13, 2010, Party B indicated verbally to William Blair its interest in a transaction pursuant to which the Company would acquire Party B in a stock transaction that would result in the owners of Party B owning more than 40% of the combined business. William Blair, on behalf of the Company, had multiple discussions with Party B and asked Party B to submit its proposal in writing.

On December 15, 2010, at a regularly scheduled meeting, our Board of Directors discussed Parent s revised indication of interest. A representative from DLA Piper reviewed with our Board of Directors their fiduciary duties in light of the draft letter of intent. Our Board of Directors considered the fact that the draft letter of intent contained a limited exclusivity period and was non-binding. Representatives of William Blair discussed with our Board of Directors its financial analysis of Parent s current proposal and the indication by Party B. William Blair informed the Board of Directors that, of the five interested parties as of November 19, 2010, only Parent and Party B decided to participate further in the sale process. Each of the three other parties that had previously submitted indications of interest had withdrawn from the sale process. Following extensive deliberation, our Board of Directors determined that it would be willing to entertain a transaction on the terms proposed by Parent, but that it would first attempt to obtain a higher price. Our Board of Directors instructed William Blair to request that Parent raise their price to $13.50 per share. Our Board of Directors also instructed William Blair to seek a formal offer from Party B, but noted significant risks and uncertainties and the potential dilution associated with the indication from Party B.

On December 18, 2010, DLA Piper and McDermott Will & Emery, counsel to Parent (MWE), discussed certain issues with respect to the revised merger agreement included with Parent s proposal. Among other things, they discussed the termination fee and reverse termination fee provisions and various conditions associated with Parent s proposal.

On December 19, 2010, Parent submitted a best and final offer of $13.25 per share, together with a revised letter of intent requesting exclusivity.

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On December 20, 2010, the special committee met to discuss the status of discussions with Parent and the indication by Party B. A representative from DLA Piper reviewed with our Board of Directors their fiduciary duties with respect to any potential sale transaction. Party B had declined to submit a formal proposal. The Company has no knowledge as to why Party B declined to submit a formal proposal. Following extensive discussion, the special committee authorized the Company to enter into the letter of intent with Parent.

On December 21, 2010, DLA Piper sent a revised draft of the merger agreement to MWE. On December 22, 2010, DLA Piper and MWE discussed the revised draft of the merger agreement.

The Company and Parent executed the letter of intent on December 23, 2010. The letter of intent provided for exclusivity through January 7, 2011, but was otherwise non-binding.

Between December 23, 2010 and January 13, 2010, representatives from DLA Piper and representatives from MWE exchanged drafts of the merger agreement and disclosure schedules and had multiple discussions with respect to such documents. During this time, MWE sent DLA Piper proposed forms of a voting agreement and exchange agreement along with copies of draft commitment letters from debt financing sources (Jefferies and THL Capital) for the entire debt financing that would be necessary to consummate the transaction, a draft equity commitment letter from an affiliate of Parent for the equity capital needed to consummate the transaction and form of limited guarantee. DLA Piper and MWE held discussions and exchanged drafts regarding each of these documents. During this time, Parent continued its due diligence investigation of the Company, and representatives of William Blair and representatives of the Company had ongoing discussions with Parent in connection with outstanding due diligence inquiries.

On December 30, 2010, MWE delivered to DLA Piper a draft of the consulting agreement for Mr. Hall and Mr. Cherrington.

Beginning the week of January 3, 2011, representatives of Parent held meetings with the rollover stockholders to discuss management retention arrangements. The Company s management engaged Winston & Strawn LLP (Winston) to represent it in these negotiations. Mr. Napolitano, who is a member of the Board of Directors and a partner of DLA Piper, was formerly a partner of Winston. On January 4, 2011, each of the rollover stockholders met individually with representatives of Parent to discuss management retention arrangements. On January 5, 2011, each of the rollover stockholders met with representatives of H.I.G. to discuss management retention arrangements. At that time, Parent indicated that it would condition its execution of the merger agreement on reaching an agreement with the rollover stockholders as to the management retention arrangements.

On January 7, 2011, the special committee met with representatives of William Blair and DLA Piper to discuss the status of the sale process. Given the status of the discussions, the special committee agreed to extend the exclusivity period of the letter of intent until January 14, 2011. The special committee was advised as to the status of the discussions between Parent and the rollover stockholders, but did not participate in any discussion with respect to such arrangements.

On January 11, 2011, the special committee met with representatives of William Blair and DLA Piper to discuss the status of the sale process. The special committee was given an update as to the status of the discussions between Parent and the rollover stockholders.

On January 12, 2011, Parent had meetings with the rollover stockholders to discuss retention arrangements. On January 13, 2011, H.I.G. held meetings and discussions with the rollover stockholders to further discuss retention arrangements. During this time Winston and MWE had multiple discussions with respect to the proposed management retention arrangements.

On January 13, 2011, the Company objected to Parent s proposed regulatory approval condition to be included in the merger agreement. Parent s proposal would have required the receipt of all regulatory approvals as a condition to closing. The Company believed that the regulatory approval condition should be subject to a material adverse effect qualifier. The parties were unable to agree on the issue and both parties suspended work on the proposed merger.

On January 14, 2011, our Board of Directors met with representatives of DLA Piper and William Blair to discuss the regulatory approval closing condition and the status of the proposed transaction and Parent s discussions with the

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rollover stockholders. Our Board of Directors noted that on January 15, 2011, the Company would be free to terminate the letter of intent and the exclusivity provision.

On January 17, 2011, representatives of DLA Piper and MWE had discussions as to certain issues raised by Parent s comments to the draft merger agreement, including the proposed regulatory approval condition. The parties agreed on an exception to the regulatory approval condition for ASC s representing in the aggregate EBITDA (less minority interest) of less than $1.5 million. Based on this compromise, the Company and Parent decided to move forward with negotiating the proposed transaction.

Between January 17, 2011 and January 20, 2011, DLA Piper and MWE had multiple discussions with respect to and exchanged multiple drafts of the draft merger agreement. The parties also exchanged multiple drafts of the disclosure schedules and the various ancillary documents. DLA Piper and MWE proceeded to negotiate and finalize drafts of the merger agreement, disclosure schedules and the various ancillary documents. During this time, Winston and MWE had multiple discussions with respect to and exchanged multiple drafts of the management retention agreements. On January 18, 2011, Winston sent to MWE a revised draft of the consulting agreement for Mr. Hall and Mr. Cherrington.

At the end of the day on January 20, 2011, the special committee convened to consider the terms of Parent s revised merger agreement. Following the special committee meeting, the full Board convened. At these meetings, a representative of DLA Piper reviewed the status of the negotiations and the revised terms of the merger agreement and reviewed with our Board of Directors their fiduciary duties in the context of the transaction being considered. The Board of Directors was provided with a summary of Parent s proposed arrangements with the rollover stockholders and the consulting agreements with Mr. Hall and Mr. Cherrington. William Blair then reviewed its financial analysis of the proposed consideration and delivered to our Board of Directors its opinion, as of that date and based on and subject to the various assumptions, qualifications and limitations described in its opinion, regarding the fairness, from a financial point of view, to the holders of shares (other than the rollover stockholders, Parent, Merger Sub and their affiliates) of the consideration of $13.25 per share in cash to be received by such holders of shares of NovaMed common stock in the merger. Following questions by the members of our Board of Directors to representatives of William Blair and DLA Piper, and further discussion among the members of our Board of Directors, the special committee recommended that our Board of Directors accept the offer from Parent. Then our Board of Directors, by unanimous action of all members, determined that acceptance of Parent s offer was in the best interests of the Company and the Company s stockholders. Our Board of Directors approved and authorized the execution, delivery and performance of, and declared advisable, the merger agreement and the merger, and further resolved to recommend to the Company s stockholders that they adopt the merger agreement and approve the merger.

After the adjournment of the meeting of our Board of Directors, representatives of William Blair telephoned representatives of Parent to inform Parent that our Board of Directors had accepted Parent s offer. The merger agreement and the voting agreements were executed later in the evening on January 20, 2011. The Company announced the transaction in a press release before the opening of the U.S. stock markets on January 21, 2011.

Recommendation of our Board of Directors

Acting on the recommendation of a special committee of our Board of Directors consisting of independent directors, our Board of Directors has determined that the merger agreement and the merger are advisable, fair to and in the best interest of the Company and our unaffiliated stockholders. Our Board of Directors unanimously:

- approved and declared advisable the merger agreement, the merger and the other transactions contemplated by the merger agreement;

declared that it is in the best interests of the Company and the stockholders of the Company that the Company enter into the merger agreement and consummate the merger and the other transactions contemplated by the merger agreement;

declared that the terms of the merger are fair to the Company and the Company s stockholders; and

directed the merger agreement to be submitted to the Company s stockholders and recommending that the Company s stockholders adopt the merger agreement and approve the merger.

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The merger agreement was unanimously approved by our full Board of Directors at a meeting called for that purpose. Furthermore, the merger agreement was unanimously approved by the disinterested directors of the Company. Our Board of Directors considered a number of factors in determining to recommend that our stockholders adopt the merger agreement and approve the merger, as more fully described above under Background of the Merger and below under Reasons for the Recommendation of our Board of Directors, including the recommendation of a special committee of independent directors. **Our Board of Directors unanimously recommends that you vote FOR the adoption of the merger agreement and approval of the merger**.

Reasons for the Recommendation of our Board of Directors

Our Board of Directors consulted with the Company s senior management, the Company s outside legal advisor, DLA Piper LLP (US) (DLA Piper), and the Company s financial advisor, William Blair, in evaluating the merger agreement and the merger and in the course of reaching its determination to adopt the merger agreement and approve the merger and to recommend unanimously that the Company s stockholders adopt the merger agreement and approve the merger. Our Board of Directors considered a number of factors, including the following material factors and benefits of the merger, each of which our Board of Directors believed supported its recommendation:

The Company s Business and Financial Condition and Prospects. Our Board of Directors familiarity with the business, operations, prospects, business strategy, properties, assets and financial condition of the Company, and the certainty of realizing in cash a compelling value for the shares of NovaMed common stock in the merger, compared to the risks and uncertainties associated with operating the Company s business (including the risk factors set forth in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010), particularly in a volatile and unpredictable financial and regulatory environment.

Review of Strategic Alternatives. Our Board of Directors belief, after a review of strategic alternatives, including potential acquisitions by the Company, and discussions with the Company s management and advisors, that the value offered to stockholders in the merger was more favorable to the stockholders of the Company than the potential value that might have resulted from any other strategic opportunity reasonably available to the Company, including remaining an independent company.

Risks of Remaining Independent. Our Board of Directors assessment, after discussions with the Company s management and advisors, of the risks of remaining an independent company and pursuing the Company s strategic plan, compared to the certainty of realizing, in cash, a compelling value for the shares of NovaMed common stock, including risks relating to:

the uncertainties associated with continuing to execute on our strategic business plan in light of our competitive position in our industry, our potential for future growth, potential reductions in reimbursement rates and health care reform, as compared to the certainty of value provided by the $13.25 per share to be paid to our stockholders pursuant to the merger agreement;

their review of alternatives to a sale of NovaMed, such as undertaking further acquisitions, stock repurchases, a stock offering, or a leveraged recapitalization, including the alternative of continuing to operate as an independent public company and the attendant opportunities, costs and risks of each of these alternatives, after which our Board of Directors determined not to pursue any of these alternatives as a result of the uncertainties associated with continuing to execute on our business plan and each of the other alternatives compared to the certainty of value provided by the $13.25 per share to be paid to our stockholders pursuant to the merger agreement;

our Board of Directors belief that the merger will result in greater value to our stockholders than the value that could be expected to be generated from the various other strategic alternatives available to the Company, including the alternatives of remaining independent and pursuing our current strategic business plan, making a strategic acquisition, and various recapitalization and restructuring strategies, considering the potential risks and uncertainties associated with those alternatives;

the Board s belief that there was no reasonable basis to believe that our stock price would exceed $13.25 in the forseeable future, absent speculation as to a potential transaction;

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the upcoming maturity of $75 million of our 1% Convertible Senior Subordinated Notes in June 2012 and the uncertainties surrounding our ability to refinance that debt;

the future impact and risks inherent in any acquisition, reorganization or divestiture the Company may make, including any outcome of the Company s exploration of strategic alternatives, and the lack of attractive stand-alone ASCs as acquisition candidates and competition for the acquisition of ASCs from hospitals and other health services providers;

the current economic conditions and continuing levels of high unemployment, which could result in fewer procedures being performed at our ASCs because patients may delay or cancel treatments and that further increases in unemployment could also result in fewer individuals being covered by employer-sponsored health plans and more individuals being covered by lower paying government-sponsored programs such as Medicare and Medicaid, all of which has resulted in declines in same-facility revenues at our existing ASCs;

the substantial capital resources necessary to maintain our acquisition and development program and the operations of our existing ASCs;

reduced prices and reimbursement rates for surgical procedures as a result of competition or Medicare and other governmental and private third party payor cost containment efforts;

the uncertainty surrounding the future determination of Medicare reimbursement levels for ambulatory surgical services; and

the changing interpretations of existing laws and regulations, and the adoption of new laws or regulations, governing our business operations, including physician use and/or ownership of ASCs, which may result in possible resulting penalties to us, the incurrence of significant expenditures and/or changes to our business operations.

Auction Process. The completion of a robust auction process for the sale of the Company, including the active solicitation of 126 potential bidders, the participation of 52 interested parties in the diligence process and receipt of indications of interest from seven interested parties.

Negotiations with Parent. The course of discussions and negotiations between the Company and Parent, improvements to the price offered and terms of the merger agreement in connection with those negotiations, and our Board of Directors belief based on these negotiations that $13.25 was the highest price per share of NovaMed s common stock that Parent was willing to pay and that the terms set forth in the merger agreement were the most favorable terms to the Company to which Parent was willing to agree.

Recommendation of Special Committee. The recommendation of an independent special committee of our Board of Directors, consisting of C.A. Lance Piccolo, Robert J. Kelly and R. Judd Jessup.

Premium to Market Price. The fact that the $13.25 price to be paid for each share represented a 54.6% premium over the closing price of our common stock on August 2, 2010, the time of Parent s initial indication of interest in a potential transaction, a 17.7% premium over the 90-day average closing price of our common stock and a 10.7% premium over the 30-day average closing price of our common stock, in each case as of January 19, 2011. Our Board of Directors also noted that the $13.25 price to be paid for each share of our common stock represented a 2.6% premium over the closing price of the shares on January 20, 2011, which was the last full trading day before the merger was publicly announced and believed that market speculation as to a proposed transaction had caused an increase in the stock price in the weeks leading up to the public

announcement of the merger.

Opinion of Financial Advisor. The opinion of William Blair to our Board of Directors, as of January 20, 2011 and based on and subject to the various assumptions, qualifications and limitations described in its opinion dated the same date, as to the fairness, from a financial point of view, to the holders of shares (other than the rollover stockholders, Parent, Merger Sub and their affiliates) of the consideration of $13.25 per share in cash to be received by such holders of shares in the merger, as more fully described in the section entitled - Opinion of William Blair, Financial Advisor to the NovaMed Board of Directors.

Cash Consideration. The form of consideration to be paid to our stockholders in the merger is cash, which will provide certainty of value and immediate liquidity to our stockholders.

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Terms of the Merger Agreement. The terms of the merger agreement, including the ability of the Company, under certain circumstances specified in the merger agreement and prior to the earlier of the completion of the special meeting of the Company s stockholders, to furnish information to and engage in discussions or negotiations with a third party that makes an unsolicited bona fide written proposal for an acquisition transaction.

Ability to Withdraw or Change Recommendation. Our Board of Directors ability under the merger agreement to withdraw or modify its recommendation to our stockholders in favor of the merger under certain circumstances, including its ability to terminate the merger agreement in connection with a Superior Proposal, subject to the payment of a termination fee of $4,368,000.

Reasonableness of Termination Fee. Our Board of Directors determination that the termination fee payable by the Company to Parent s designee in the event of certain termination events under the merger agreement is within the customary range of termination fees for transactions of this type.

Reverse Termination Fee. The fact that Parent is obligated to pay the Company a reverse termination fee in certain circumstances if Parent fails to complete the merger, and the guarantee of such reverse termination fee by H.I.G. Bayside Debt & LBO Fund II, L.P., an affiliate of H.I.G.

Our Board of Directors also considered a variety of uncertainties and risks in its deliberations concerning the merger agreement and the merger, including the following:

No Stockholder Participation in Future Growth or Earnings. The fact that the nature of the merger as a cash transaction will prevent our stockholders (other than the rollover stockholders) from being able to participate in any future earnings or growth of the Company and our stockholders will not benefit from any potential future appreciation in the value of the shares, including any value that could be achieved if the Company engages in future strategic or other transactions or as a result of the improvements to the Company s operations. The Board of Directors did not consider any possible deal structure that would have permitted the Company s public stockholders to retain an interest in the surviving corporation after the merger.

Taxable Consideration. The fact that the gains from the merger would generally be taxable to the Company s stockholders for U.S. federal income tax purposes.

Effect of Public Announcement. The effect of a public announcement of the merger agreement on the Company s operations, stock price, customers, physicians, suppliers, business partners and employees and its ability to attract and retain key management and personnel.

Effect of Failure to Complete Transactions. The fact that, if the merger is not completed, the trading price of the shares of our common stock could be adversely affected, the Company will have incurred significant transaction and opportunity costs attempting to consummate the transactions, the Company may lose customers, suppliers, business partners, physicians and employees after the announcement of the merger agreement, the Company s business may be subject to disruption, the market s perceptions of the Company s prospects could be adversely affected and the Company s directors, officers and other employees will have expended considerable time and effort to consummate the transactions.

Interim Restrictions on Business. The fact that the restrictions in the merger agreement on the conduct of the Company s business prior to the consummation of the merger, requiring the Company to operate its business in the ordinary course of business and subject to other restrictions, other than with the consent of Parent, may

delay or prevent the Company from undertaking business opportunities that could arise prior to the consummation of the merger.

Restrictions on Soliciting Proposals; Termination Fee. The restrictions in the merger agreement on the active solicitation of competing proposals and the requirement, under the merger agreement, that the Company pay Parent s designee a termination fee of $4,368,000 if the merger agreement is terminated in certain circumstances or if, in certain circumstances, the Company engages in another transaction during the one-year period thereafter.

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Interests of Directors and Officers. The fact that the executive officers and directors of the Company may have interests in the merger that are different from, or in addition to, those of the Company s stockholders. With respect to the arrangements between Parent and the rollover stockholders, the Board of Directors did not value the consideration to be received by the rollover stockholders.

The foregoing discussion of information and factors considered by our Board of Directors is not intended to be exhaustive. In light of the variety of factors considered in connection with its evaluation of merger agreement and the merger, our Board of Directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. Rather, our Board of Directors viewed its determinations and recommendations as being based on the totality of information and factors presented to and considered by our Board of Directors. Moreover, each member of our Board of Directors applied his or her own personal business judgment to the process and may have given different weight to different factors.

Our Board of Directors unanimously recommends that you vote FOR the proposal to adopt the merger agreement and approve the merger and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Opinion of William Blair, Financial Advisor to the NovaMed Board of Directors

Pursuant to an engagement letter dated June 25, 2010, William Blair was retained to act as a financial advisor to the NovaMed board of directors to render certain investment banking services in connection with a potential business combination of NovaMed with a to-be-determined party, a recapitalization of NovaMed or a restructuring. In particular, the NovaMed board of directors requested the opinion of William Blair as to the fairness, from a financial point of view, to the holders of the outstanding shares of NovaMed common stock (other than the rollover stockholders, Parent, Merger Sub and their affiliates) of the $13.25 per share in cash, referred to herein as the merger consideration, to be paid to such holders in the proposed merger pursuant to the merger agreement by and among Parent, Merger Sub, and NovaMed. On January 20, 2011, William Blair delivered its opinion to the NovaMed board of directors and subsequently confirmed in writing, dated January 20, 2011, as of that date and based upon and subject to the assumptions, qualifications and limitations stated in its opinion, as to the fairness, from a financial point of view, to the holders of NovaMed common stock (other than the rollover stockholders, Parent, Merger Sub or their affiliates) of the merger consideration to be paid to such holders in the proposed merger pursuant to the merger agreement. William Blair was not asked to consider, and its opinion does not address, the allocation of the merger consideration to be paid in the proposed merger among the holders of NovaMed common stock.

William Blair provided the opinion described above for the information and assistance of the NovaMed board of directors in connection with its consideration of the proposed merger. William Blair s opinion was one of many factors taken into account by the NovaMed board of directors in making its determination to adopt the merger agreement and approve the merger. The terms of the merger agreement and the amount and form of the merger consideration, however, were determined through negotiations between NovaMed and Parent and were approved by the NovaMed board of directors. The opinion described above was reviewed and approved by William Blair s fairness opinion committee. William Blair has consented to the inclusion in this Proxy Statement of its opinion and the description of its opinion appearing under this subheading Opinion of William Blair, Financial Advisor to the NovaMed Board of Directors.

The full text of William Blair s opinion, dated January 20, 2011, is attached as Appendix B to this Proxy Statement and incorporated into this Proxy Statement by reference. You are urged to read the opinion carefully and in its entirety to learn about the assumptions made, procedures followed, matters considered and limits on the scope of the review undertaken by William Blair in rendering its opinion. William Blair s opinion

was directed to the NovaMed board of directors for its benefit and use in evaluating the fairness of the merger consideration to the holders of NovaMed common stock (other than the rollover stockholders, Parent, Merger Sub or their affiliates) and relates only to the fairness, as of the date of the opinion and from a financial point of view, of the consideration to be paid to such holders in the proposed merger pursuant to the merger agreement. The opinion does not address any other aspect of the proposed merger or any related transaction and does not constitute a recommendation to any stockholder as to how that stockholder should vote or act with respect to the merger agreement or the proposed merger. William Blair did not address the

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merits of the underlying decision by NovaMed to engage in the proposed merger. The following summary of William Blair s opinion is qualified in its entirety by reference to the full text of the opinion.

In connection with William Blair s review of the proposed merger and the preparation of William Blair s opinion, William Blair, among other things, examined:

- the draft of the merger agreement dated January 20, 2011, which we refer to in this section as the draft agreement;
- certain audited historical financial statements of NovaMed for the five years ended December 31, 2009;
- the unaudited financial statements of NovaMed for the nine months ended September 30, 2010;
- certain internal business, operating and financial information and forecasts of NovaMed prepared by the senior management of NovaMed, which we refer to as the forecasts;
- information regarding publicly available financial terms of certain other business combinations William Blair deemed relevant;
- the financial position and operating results of NovaMed compared with those of certain other publicly traded companies William Blair deemed relevant;
- then current and historical market prices and trading volumes of NovaMed s common stock; and
- certain other publicly available information regarding NovaMed and the industry in which it operates.

William Blair also held discussions with members of the senior management of NovaMed to discuss the foregoing, considered other matters which William Blair deemed relevant to its inquiry and took into account such accepted financial and investment banking procedures and considerations as William Blair deemed relevant. In connection with its engagement, William Blair was requested to approach, and William Blair held discussions with, third parties to solicit indications of interest in a possible acquisition of NovaMed.

In rendering its opinion, William Blair assumed and relied, without independent verification, upon the accuracy and completeness of all the information examined by or otherwise reviewed or discussed with William Blair for purposes of its opinion, including, without limitation, the forecasts provided by the senior management of NovaMed. See the section entitled Certain Financial Forecasts and Other Information beginning on page 36. William Blair did not make or obtain an independent valuation or appraisal of the assets, liabilities or solvency of NovaMed. William Blair was advised by the senior management of NovaMed that the forecasts had been reasonably prepared in good faith on bases reflecting the then currently best available estimates and judgments of the senior management of NovaMed. In that regard, William Blair assumed, with the consent of NovaMed, that: (i) the forecasts would be achieved in the amounts and at the times contemplated thereby and (ii) all material assets and liabilities (contingent or otherwise) of NovaMed were as set forth in NovaMed s financial statements or other information made available to William Blair. William Blair expressed no opinion with respect to the forecasts or the estimates and judgments on which they were based. William Blair did not consider and expressed no opinion as to the amount or nature of the compensation to any of the officers, directors or employees (or any class of such persons) of NovaMed relative to the merger consideration to be paid for the NovaMed common stock. William Blair s opinion did not address the relative merits of the proposed merger as compared to any alternative business strategies that might have existed for NovaMed or the effect of any other transaction in which NovaMed might have engaged. William Blair s opinion was based upon economic, market, financial and other conditions existing on, and other information disclosed to William Blair as of, the date of its

opinion. Although subsequent developments may affect William Blair s opinion, William Blair does not have any obligation to update, revise or reaffirm its opinion. William Blair relied as to all legal matters on advice of counsel to NovaMed and assumed that all such advice was correct. William Blair further assumed that the merger would be consummated on the terms described in the merger agreement, without any waiver, modification or amendment of any material terms or conditions by NovaMed. In addition, William Blair relied upon and assumed, without independent verification, that the final form of the merger agreement would not differ in any respect from the draft agreement.

William Blair s investment banking services and its opinion were provided for the use and benefit of the NovaMed board of directors in connection with its consideration of the proposed merger. William Blair s opinion

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was limited to the fairness, from a financial point of view, to the holders of NovaMed common stock (other than the rollover stockholders, Parent, Merger Sub or their affiliates) of the merger consideration to be paid to such holders in the proposed merger pursuant to the draft agreement and William Blair did not address the merits of the underlying decision by NovaMed to engage in the proposed merger and its opinion did not constitute a recommendation to the NovaMed board of directors, any stockholder or any other person as to how such person should vote or act with respect to the proposed merger. It is understood that William Blair s opinion may not be disclosed or otherwise referred to without William Blair s prior written consent, except that William Blair s opinion may be included in its entirety in a proxy statement required by law to be filed with the Securities and Exchange Commission and mailed to the stockholders by NovaMed with respect to the proposed merger.

The following is a summary of the material financial analyses performed and material factors considered by William Blair to arrive at its opinion. William Blair performed certain procedures, including each of the financial analyses described below, and reviewed with our Board of Directors the assumptions upon which such analyses were based, as well as other factors. Although the summary does not purport to describe all of the analyses performed or factors considered by William Blair in this regard, it does set forth those considered by William Blair to be material in arriving at its opinion. The order of the summaries of analyses described does not represent the relative importance or weight given to those analyses by William Blair.

Analysis of NovaMed

Selected Public Company Analysis. William Blair reviewed and compared certain financial information relating to NovaMed to corresponding financial information, ratios and public market multiples for certain publicly traded companies William Blair deemed relevant. The purpose of this analysis was to provide a comparison of the respective valuations of certain companies that operate in similar lines of business or industry and under similar business and financial conditions as NovaMed and the proposed merger. The companies selected by William Blair were:

AmSurg Corp.;

Community Health Systems, Inc.;

Health Management Associates Inc.;

LifePoint Hospitals Inc.;

Select Medical Holdings Corporation;

Tenet Healthcare Corp.; and

Universal Health Services Inc.

Although none of the selected companies is directly comparable to NovaMed, William Blair, using its professional judgment and experience, determined that such companies were the most appropriate for purposes of this analysis based on certain criteria that William Blair considered to be appropriate in light of the applicable facts and circumstances. Such criteria included, but was not limited to, the fact that, like NovaMed, the other companies operate hospitals and/or ambulatory facilities at which surgical procedures are performed and the fact that they were publicly traded, and certain of their operating and financial characteristics, such as their market capitalizations, enterprise values, revenues and EBITDA less non-controlling interests that William Blair considered similar to the operating and financial characteristics of NovaMed. While there may have been other companies that operate in similar industries to NovaMed or have a similar line of business or similar financial or operating characteristics to NovaMed, William

Blair did not specifically identify any other companies for this purpose.

Among the information William Blair considered was NovaMed s unaudited internal financial estimates of its earnings before interest, taxes, depreciation and amortization less non-controlling interests (referred to as EBITDA less non-controlling interests), and net income, for the latest twelve months (commonly referred to as LTM) ended September 30, 2010 and NovaMed s forecast earnings per share (commonly referred to as EPS) for the fiscal years ending December 31, 2010 and 2011.

For each selected public company, William Blair considered the enterprise value less any non-controlling interests, and defined enterprise value as the company s market capitalization calculated on a fully-diluted basis as of January 19, 2011 plus preferred equity and total debt, less cash and cash equivalents, as a multiple of EBITDA less non-controlling interests and equity value as a multiple of net income for each company for the LTM period for which results were

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publicly available and the stock price of common equity as a multiple of EPS for each company for the respective estimates for 2010 and 2011. These multiples are commonly used by professionals in connection with financial analysis of companies that operate hospitals and/or ambulatory facilities at which surgical procedures are performed. The operating results and the corresponding derived multiples for each of the selected public companies were based on each company s most recent available publicly disclosed financial information, closing share prices as of January 19, 2011 and consensus Wall Street analysts EPS estimates for calendar years 2010 and 2011. William Blair similarly adjusted the historical results of the selected public companies, where appropriate and publicly disclosed, to eliminate the impact of non-recurring items included in their financial information. William Blair did not have access to internal forecasts for any of the selected public companies other than NovaMed. The respective enterprise values and corresponding derived multiples for each selected public company are set forth on the following table.

		Derived Multiples(1)					
Selected Company	**Enterprise Value**	**Enterprise Value/LTM EBITDA less non-controlling interests**	**Enterprise Value/2010E EBITDA less non-controlling interests**	**Enterprise Value/2011E EBITDA less non-controlling interests**	**Equity Value/LTM Net Income**	**Equity Value/2010E Net Income**	**Equity Value/2011E Net Income**
AmSurg Corp.	$918 million	7.2x	7.3x	6.8x	11.9x	12.5x	11.9x
Community Health Systems, Inc.	$12,089 million	7.3x	7.2x	6.9x	11.2x	12.1x	11.1x
Health Management Associates Inc.	$5,285 million	7.3x	7.4x	6.8x	14.0x	14.1x	12.3x
Lifepoint Hospitals, Inc.	$3,252 million	5.8x	6.6x	6.2x	10.9x	12.6x	11.7x
Select Medical Holdings Corporation	$2,553 million	8.0x	8.0x	6.9x	12.7x	13.7x	9.9x
Tenet Healthcare Corp.	$6,202 million	6.2x	6.0x	5.4x	10.9x	16.1x	12.4x
Universal Health Services Inc.	$8,384 million	N/A	N/A	8.0x	N/A	N/A	12.5x

(1) Using its professional judgment and experience, William Blair made certain adjustments to certain of the selected company valuation multiples that it deemed appropriate based on the applicable circumstances.

William Blair then derived the multiples implied for NovaMed based on the terms of the proposed merger and compared these multiples to the range of trading multiples for the selected public companies. Information regarding the multiples from William Blair s analysis of selected publicly traded companies is set forth in the following table.

	Implied	**Selected Public Company**

Multiple	Implied by the Merger	Valuation Multiples Mean	Median	Minimum	Maximum
Enterprise Value/LTM EBITDA less non-controlling interests	7.6x	7.0x	7.3x	5.8x	8.0x
Enterprise Value/2010E EBITDA less non-controlling interests	7.7x	7.1x	7.3x	6.0x	8.0x
Enterprise Value/2011E EBITDA less non-controlling interests	7.2x	6.7x	6.8x	5.4x	8.0x
Equity Value/LTM Net Income	14.5x	11.9x	11.5x	10.9x	14.0x
Equity Value/2010E Net Income	14.8x	13.5x	13.2x	12.1x	16.1x
Equity Value/2011E Net Income	13.1x	11.7x	11.9x	9.9x	12.5x

Although William Blair compared the trading multiples of the selected public companies to those implied for NovaMed, none of the selected public companies is identical to NovaMed. Accordingly, any analysis of the selected publicly-traded companies necessarily would involve complex considerations and judgments concerning the differences in financial and operating characteristics and other factors that would necessarily affect the analysis of trading multiples of the selected publicly traded companies.

NovaMed s Board of Directors noted that, as indicated in the chart above, the multiples implied by the merger exceed the mean and median multiple for each financial metric derived from the selected public company analysis. Notwithstanding the foregoing, while the selected public company analysis is one of the factors used in determining the fairness of the merger consideration to be paid, William Blair did not consider the selected public company analysis alone in making its final assessment of fairness. Instead, it was considered in conjunction with the other analyses described in this proxy, all of which were carefully considered in William Blair s assessment and no particular analysis was given any greater or lesser weight or significance relative to the other analyses. William

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Blair believes that considering the selected public company analysis individually, without considering all of William Blair s analyses as a whole, would create an incomplete view of the process underlying its opinion.

Selected M&A Transactions Analysis. William Blair performed an analysis of 8 selected ambulatory surgery and hospital-based business combinations completed since 2006. The purpose of this analysis was to provide an overview of the consideration paid by acquirers in recent comparable transactions involving the acquisition of companies within NovaMed s industry. William Blair s analysis was based solely on publicly available information regarding such transactions. The selected transactions were not intended to be representative of the entire range of possible transactions in the ambulatory surgery and hospital-based industry because complete information relating to such entire range of transactions is not always publicly available. While none of the companies that participated in the selected transactions are directly comparable to NovaMed, William Blair, using its professional judgment and experience, deemed such transactions relevant after analyzing them in connection with certain criteria that William Blair considered to be appropriate in light of the applicable facts and circumstances. Such criteria included, but was not limited to, the fact that the selected transactions involved publicly traded companies that operated hospitals and/or ambulatory facilities at which surgical procedures were performed, and the respective enterprise values and EBITDA less non-controlling interests of the target companies in such transactions that William Blair considered similar to the industry, enterprise value and EBITDA less non-controlling interests of NovaMed. No specific numeric or other similar criteria were used to select the selected transactions, and all criteria were evaluated in their entirety without application of definitive qualifications or limitations to individual criteria. As a result, a transaction involving the acquisition of a significantly larger or smaller public company operating in a line of business and under business and financial conditions similar, in whole or in part, to NovaMed s may have been included, while a transaction involving the acquisition of a similarly sized company with less similar lines of business and operating under different business and financial conditions may have been excluded. The transactions examined were (identified by target / acquirer and month and year of announcement):

National Surgical Hospitals, Inc./*Irving Place Capital* (January 2011);

Regency Hospital Company, L.L.C./*Select Medical Holdings Corporation* (June 2010);

Symbion Inc./*Crestview Partners, L.P.* (April 2007);

HealthSouth Corporation, Surgery Centers Division/*TPG Capital* (March 2007);

Triad Hospitals, Inc./*Community Health Systems, Inc.* (March 2007);

United Surgical Partners International, Inc./*Welsh, Carson, Anderson & Stowe* (January 2007);

HCA, Inc./*Bain Capital, LLC, Kohlberg Kravis Roberts & Co. L.P., and Merrill Lynch Global Private Equity* (July 2006); and

Surgis, Inc./*United Surgical Partners International, Inc.* (January 2006)

William Blair reviewed the consideration paid in the selected transactions in terms of the enterprise value of the target in these transactions as a multiple of the EBITDA less non-controlling interests of the target for the LTM prior to the announcement of the applicable transaction. This multiple is commonly used by professionals in connection with financial analysis of transactions similar to the merger involving target companies with ambulatory surgery and hospital-based businesses. William Blair compared the resulting range of transaction multiples of EBITDA less non-controlling interests for the selected transactions to the implied transaction multiples for NovaMed derived using September 30, 2010 LTM EBITDA less non-controlling interests based on the merger consideration in the proposed

merger. William Blair similarly adjusted the historical results of the acquired companies, where appropriate and publicly disclosed, to eliminate the impact of non-recurring items included in

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their financial information. Information regarding the multiples from William Blair s analysis of the selected transactions is set forth in the following tables:

Announced Target	Approximate Transaction Value	Enterprise Value/LTM EBITDA less non-controlling interests(1)
National Surgical Hospitals, Inc.	$ 283 million	6.7x
Regency Hospital Company, L.L.C.	$ 210 million	7.6x
Symbion Inc.	$ 603 million	10.8x
HealthSouth Corporation, Surgery Centers Division	$ 869 million	13.0x
Triad Hospitals, Inc.	$ 6,561 million	9.6x
United Surgical Partners International, Inc.	$ 1,761 million	11.5x
HCA, Inc.	$ 32,503 million	8.3x
Surgis, Inc.	$ 204 million	15.1x

(1) Using its professional judgment and experience, William Blair made certain adjustments to certain of the selected transactions valuation multiples that it deemed appropriate based on the applicable circumstances.

Multiple	Implied by the Merger	Selected Transaction Valuation Multiples			
		Mean	Median	Minimum	Maximum
Enterprise Value/LTM EBITDA less non-controlling interests	7.6x	10.3x	10.2x	6.7x	15.1x

Although William Blair analyzed the multiples implied by the selected transactions and compared them to the implied transaction multiples of NovaMed, none of these transactions or associated companies is identical to the merger or NovaMed. Accordingly, any analysis of the selected transactions necessarily would involve complex considerations and judgments concerning the differences in financial and operating characteristics, parties involved and terms of their transactions and other factors that would necessarily affect the implied value of NovaMed in the merger versus the values of the companies in the selected transactions.

NovaMed s Board of Directors noted that, as indicated in the chart above, the multiple implied by the merger is below the mean and median multiples derived from the selected transactions analysis. Notwithstanding the foregoing, while the selected transactions analysis is one of the factors used in determining the fairness of the merger consideration to be paid, William Blair did not consider the selected transactions analysis alone in making its final assessment of fairness. Instead, it was considered in conjunction with the other analyses described in this proxy, all of which were carefully considered in William Blair s assessment and no particular analysis was given any greater or lesser weight or significance relative to the other analyses. William Blair believes that considering the selected transactions analysis individually, without considering all of William Blair s analyses as a whole, would create an incomplete view of the process underlying its opinion.

Premiums Paid Analysis. William Blair reviewed data from 252 acquisitions of publicly traded domestic companies announced since January 1, 2007 and with enterprise values between $100 million and $500 million in which 100% of the target s equity was acquired. A complete list of the target and acquirer in the 252 acquisitions considered for purposes of the premiums paid analysis is set forth on Appendix E.

The purpose of this analysis was to provide an overview of the premiums paid by acquirers that is, the amount by which the per-share consideration exceeded the target s pre-announcement share price in other recent comparable transactions. Using its professional judgment and experience and pursuant to industry standards, William Blair chose this measurement for analysis to compare the premium represented by the merger consideration relative to a premiums paid in change of control transactions generally. None of these transactions or associated companies is identical to the merger or NovaMed. Accordingly, any analysis of the selected transactions necessarily involved complex considerations and judgments concerning the differences in financial and operating characteristics, parties involved and terms of their transactions and other factors that would necessarily affect the implied value of NovaMed in the merger versus the values of the companies in the selected transactions. Specifically, William Blair analyzed the acquisition price per share as a premium to the closing share

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price one day, one week, one month, 60 days, 90 days and 180 days prior to the announcement of the transaction, for all 252 transactions. William Blair compared the range of resulting per share stock price premiums for the reviewed transactions to the premiums implied by the merger based on NovaMed s common stock price one day, one week, one month, 60 days, 90 days and 180 days prior to an assumed announcement date of the merger of January 21, 2011. Information regarding the premiums from William Blair s analysis of these selected transactions is set forth in the following table:

	Implied Premium per Share in the	Premium Paid Percentage Data by Percentile							
Period before Announcement	**Merger**	**10th**	**20th**	**30th**	**40th**	**50th**	**60th**	**70th**	**80th**
	1.8%	5.4%	12.7%	19.2%	25.9%	31.0%	36.2%	48.4%	60.7%
	1.3%	6.1%	12.8%	21.5%	27.6%	33.9%	41.1%	51.2%	61.9%
	11.8%	6.3%	17.5%	24.2%	28.9%	34.2%	41.0%	50.8%	69.4%
	19.7%	6.7%	14.4%	23.2%	31.8%	37.5%	44.3%	53.8%	72.8%
	22.6%	4.4%	15.7%	21.7%	29.4%	42.2%	49.6%	63.0%	73.3%
	69.2%	(6.3)%	9.7%	18.9%	26.9%	27.4%	49.1%	64.4%	88.9%

William Blair also reviewed data from 22 acquisitions of publicly traded healthcare services companies announced since January 1, 2005 in which 100% of the target s equity was acquired. A complete list of the target and acquirer in the 22 acquisitions considered for purposes of the premiums paid analysis is set forth on Appendix E.

The purpose of this analysis was to provide an overview of the premiums paid by acquirers that is, the amount by which the per-share consideration exceeded the target s pre-announcement share price - in other comparable public transactions involving the acquisition of companies in NovaMed s industry. Using its professional judgment and experience and pursuant to industry standards, William Blair chose this measurement for analysis to compare the premium represented by the merger consideration relative to premiums paid in change of control transactions in the healthcare industry. None of these transactions or the associated companies is identical to the merger or NovaMed. Accordingly, any analysis of the selected transactions necessarily involved complex considerations and judgments concerning the differences in financial and operating characteristics, parties involved and terms of their transactions and other factors that would necessarily affect the implied value of NovaMed in the merger versus the values of the companies in the selected transactions. Specifically, William Blair analyzed the acquisition price per share as a premium to the closing share price one day, one week, one month, 60 days, 90 days and 180 days prior to the announcement of the transaction, for all 22 transactions. William Blair compared the range of resulting per share stock price premiums for the reviewed transactions to the premiums implied by the merger based on NovaMed s common stock price one day, one week, one month, 60 days, 90 days and 180 days prior to an assumed announcement date of the merger of January 21, 2011. Information regarding the premiums from William Blair s analysis of these selected transactions is set forth in the following table: