BOSTON PROPERTIES INC
Form 8-K/A
October 24, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 12, 2008

BOSTON PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	1-13087	04-2473675
(State or other jurisdiction	(Commission File Number)	(IRS Employer

of incorporation) **Identification No.)**

800 Boylston Street, Suite 1900, Boston, Massachusetts 02199-8103

(Address of principal executive offices) (Zip Code)

(617) 236-3300

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

On August 12, 2008 and August 13, 2008, Boston Properties Inc. (the Company) completed the acquisitions of 540 Madison Avenue, Two Grand Central Tower and 125 West 55th Street in New York City through joint ventures among the Company, US Real Estate Opportunities I, L.P., which is a partnership managed by Goldman Sachs, and Meraas Capital LLC, a Dubai-based private equity firm. The Company has a 60% interest in each venture and provides property management and leasing services for the ventures.

The Company filed a Current Report on Form 8-K on August 14, 2008 (the Form 8-K) to report, among other things, the completion of the acquisitions. The Company hereby amends the Form 8-K to include in Item 9.01 thereof required financial statements, pro forma financial information and the Consent of Pannell Kerr Forster, PC.

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements of Businesses Acquired*.

The Combined Statements of Revenue over Certain Operating Expenses, in accordance with Rule 3-14 of Regulation S-X, of Two Grand Central Tower, 125 West 55th Street and 540 Madison Avenue for the six months ended June 30, 2008 (unaudited) and for the year ended December 31, 2007.

(b) *Pro Forma Financial Information*.

Pro Forma Consolidated Balance Sheet of Boston Properties, Inc. as of June 30, 2008 (unaudited).

Pro Forma Consolidated Statements of Operations of Boston Properties, Inc. for the six months ended June 30, 2008 (unaudited) and for the year ended December 31, 2007 (unaudited).

(d) *Exhibits.*

*2.1 Purchase and Sale Agreement, dated as of May 23, 2008, between 125 West 55th Street Owner LLC, Two Grand Central Tower LLC, 540 Investment Land Company LLC, 540 Madison Avenue Lease LLC and BP Manhattan LLC, and (for purposes of Sections 10(h), 20(c)(i), 38(e) and 38(f)) Boston Properties Limited Partnership (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Boston Properties, Inc. filed on May 28, 2008).

+23.1 Consent of Pannell Kerr Forster, PC, Independent Registered Public Accounting Firm.

* Previously filed
\+ Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BOSTON PROPERTIES, INC.

Date: October 24, 2008

By: /s/ Michael E. LaBelle
Name: Michael E. LaBelle
Title: Senior Vice President, Chief Financial Officer & Treasurer

Independent Auditors   Report

To the Board of Directors and Stockholders of

Boston Properties, Inc.:

We have audited the accompanying combined statements of revenue over certain operating expenses (the   Statement) of Two Grand Central Tower, 125 West 55th Street and 540 Madison Avenue located in New York City, New York (the   Properties) for the year ended December 31, 2007. This Statement is the responsibility of the Properties   management. Our responsibility is to express an opinion on this Statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion in the current report on Form 8-K/A of Boston Properties, Inc. dated August 12, 2008) as described in Note 2 and is not intended to be a complete presentation of the Properties   revenue and expenses.

In our opinion, the Statement referred to above presents fairly, in all material respects, the combined revenue over certain operating expenses (as described in Note 2), of the Properties for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ Pannell Kerr Forster, PC

Pannell Kerr Forster, PC

Boston, Massachusetts

October 24, 2008

Two Grand Central Tower, 125 West 55th Street and 540 Madison Avenue

Combined Statements of Revenue over Certain Operating Expenses

(in thousands)

	For the six months ended June 30, 2008 (Unaudited)	For the year ended December 31, 2007
Revenue (Note 2):		
Rental:		
Base rent	$ 38,717	$ 74,056
Recoveries from tenants	9,288	20,773
Parking and other	479	812
	48,484	95,641
Certain operating expenses (Note 2):		
Cleaning	2,130	4,240
Utilities	3,169	6,323
Repairs and maintenance	3,114	7,882
Security	826	1,598
Management fees	1,069	2,062
General and administrative	296	769
Insurance	392	996
Real estate taxes	9,300	19,187
	20,296	43,057
Excess of revenue over certain operating expenses	$ 28,188	$ 52,584

The accompanying notes are an integral part of these statements.

Two Grand Central Tower, 125 West 55th Street and 540 Madison Avenue

Notes to the Combined Statements of Revenue

over Certain Operating Expenses

1. Description of the Properties

The accompanying combined statements of revenue over certain operating expenses (the Statement) include the operations of Two Grand Central Tower, 125 West 55th Street and 540 Madison Avenue (the Properties) located in New York City, New York. Two Grand Central Tower is a 44-story mid-block tower that runs from 44th to 45th Street between Lexington and Third Avenue and contains approximately 664,000 rentable square feet. 125 West 55th Street is a 23-story building, spanning from 55th to 56th Street between Avenue of the Americas and Seventh Avenue, that contains approximately 591,000 rentable square feet. 540 Madison Avenue is a 39-story building located at Madison Avenue at 55th Street that contains approximately 292,000 rentable square feet.

On August 12, 2008, Boston Properties Limited Partnership (Company), a Delaware limited partnership and the entity through which Boston Properties, Inc. conducts substantially all of its business, completed the acquisitions of 540 Madison Avenue and Two Grand Central Tower from affiliates of Macklowe Properties for a purchase price of approximately $277.1 million and $427.9 million, respectively. On August 13, 2008, the Company completed the acquisition of 125 West 55th Street from an affiliate of Macklowe Properties for a purchase price of approximately $444.0 million.

Each acquisition was completed through a separate joint venture among the Company, US Real Estate Opportunities I, L.P., which is a partnership managed by Goldman Sachs, and Meraas Capital LLC, a Dubai-based private equity firm. The Company has a 60% interest in each venture and will provide customary property management and leasing services for the ventures.

The acquisitions were financed with cash contributions from the ventures partners aggregating approximately $575.6 million and the assumption of approximately $573.4 million of secured and mezzanine loans (See Note 4).

2. Significant Accounting Policies

Basis of Presentation

The accompanying Statement has been prepared in accordance with Rule 3-14 of Regulation S-X promulgated by the Securities and Exchange Commission for real estate properties acquired or to be acquired. Accordingly, this Statement excludes certain historical expenses not comparable to the operations of the Properties after acquisition such as certain ancillary income, amortization, depreciation, interest, corporate expenses and certain other costs not directly related to the future operations of the Properties.

An audited statement is being presented for the most recent fiscal year available instead of the three most recent years based on the following factors: (i) the Properties were acquired from an unaffiliated party and (ii) based on the investigation of the Properties, the Company is not aware of any material factors, other than those factors described above, relating to the Properties that would cause this financial information not to be necessarily indicative of future operating results.

Rental Revenue

Rental revenue is recognized on a straight-line basis over the terms of the related leases. The difference between recognized rentals and amounts due pursuant to lease terms is recorded as accrued rent. The impact of the straight-line rent adjustment decreased revenue by approximately $1.5 million and $0.7 million for the year ended December 31, 2007 and for the six months ended June 30, 2008 (unaudited), respectively.

Unaudited Interim Information

The Statement for the six months ended June 30, 2008 is unaudited. In the opinion of management, all adjustments necessary for a fair statement of such Statement (in accordance with the Basis of Presentation as described in Note 2) have been included. The results of operations for the period are not necessarily indicative of the Properties future results of operations.

Use of Estimates

The preparation of the accompanying Statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Description of Leasing Arrangements

The space is leased to tenants under leases with terms that vary in length. Certain leases contain reimbursement clauses and renewal options. Minimum lease payments due under non-cancelable operating leases in effect as of June 30, 2008, for the remainder of 2008 and annually thereafter are as follows:

	Amount (in thousands)
2008 (July 1, 2008 through December 31, 2008)	$ 30,494
2009	84,611
2010	81,855
2011	75,550
2012	63,148
Thereafter	328,113

As of December 31, 2007 and June 30, 2008, one tenant leased approximately 13% of the leasable square feet at Two Grand Central Tower, three tenants leased approximately 91% of the leasable square feet at 125 West 55th Street and two tenants leased approximately 29% of the leasable square feet at 540 Madison Avenue with base rents aggregating approximately $31.6 million and $16.8 million for the year ended December 31, 2007 and for the six months ended June 30, 2008 (unaudited), respectively.

4. Debt Assumption

In connection with the acquisition, the joint ventures assumed debt consisting of the following: Two Grand Central Tower a $190.0 million secured loan having a per annum stated interest rate of 5.10%, which matures in July 2010; 125 West 55th Street an aggregate principal amount of $263.5 million of secured and mezzanine loans having a weighted-average stated interest rate of 6.25% per annum, all of which mature in March 2010; and 540 Madison Avenue two secured loans having an aggregate principal amount of $119.9 million and a weighted-average stated interest rate of 5.20% per annum, each of which matures in July 2013. The assumed debt will be accounted for by the Company on a fair value basis and as a result interest expense for the year ended December 31, 2007 and the six months ended June 30, 2008 is not comparable to future operations of the Properties and has been excluded from the Statement. Combined aggregate principal payments of the secured and mezzanine loans payable at June 30, 2008 are as follows:

	Amount (in thousands)
2008 (July 1, 2008 through December 31, 2008)	$ 200
2009	400
2010	453,900
2011	400
2012	400
Thereafter	118,200

5. Transactions with Affiliates

The owners of the Properties have property management agreements with an affiliate of Macklowe Properties (the Property Manager). Under these agreements, the Property Manager provided overall property management services for fees ranging from 2.0% to 2.5% of gross rent receipts. Property management fees totaling approximately $2.1 million and $1.1 million for the year ended December 31, 2007 and for the six months ended June 30, 2008 (unaudited) were incurred and are included within the caption Management Fees in the Statement.

6. Commitments and Contingencies

The Properties are subject to legal claims and disputes in the ordinary course of business. Management believes that the ultimate settlement of any existing potential claims and disputes would not have a material impact on the Properties revenue and certain expenses.

The Properties may be potentially liable for costs and damages related to environmental matters, including asbestos-containing materials that may be located at the Properties. The Properties have not been notified by any governmental authority of any non-compliance, liability or other claim, and management is not aware of any environmental condition that management believes will have a material adverse effect on the Properties revenue and certain expenses.

Boston Properties, Inc.

Pro Forma Consolidated Financial Statements

Introduction to the Pro Forma Consolidated Balance Sheet

June 30, 2008

(Unaudited)

The accompanying unaudited Pro Forma Consolidated Balance Sheet of Boston Properties, Inc. (the Company) is presented as if the acquisition and the related assumption of mortgage indebtedness of Two Grand Central Tower, 125 West 55th Street and 540 Madison Avenue, which were completed on August 12, 2008 and August 13, 2008 through unconsolidated joint ventures in each of which the Company has a 60% interest, had been consummated on June 30, 2008.

The Company has not presented the pro forma impact of the acquisition of the General Motors Building, which was completed on June 9, 2008, as the acquisition is already reflected as an investment in an unconsolidated joint venture in the Consolidated Balance Sheet of Boston Properties, Inc. as of June 30, 2008, which is included in Boston Properties, Inc. s Form 10-Q which was filed with the Securities and Exchange Commission on August 11, 2008.

Such pro forma information is based on the historical Consolidated Balance Sheet of the Company as of that date, giving effect to the transactions described above. This pro forma consolidated financial information should be read in conjunction with the Company s historical consolidated financial statements and notes thereto, reported on Form 10-Q for the six months ended June 30, 2008 (unaudited). In management s opinion, all adjustments necessary to reflect the above transactions have been made.

The following Pro Forma Consolidated Balance Sheet is not necessarily indicative of what the actual financial position would have been assuming the above transactions had been consummated on June 30, 2008, nor does it purport to represent the future financial position of the Company.

BOSTON PROPERTIES, INC.

PRO FORMA CONSOLIDATED BALANCE SHEET

(Unaudited)

(in thousands, except for share and par value amounts)

	Historical June 30, 2008	2 Grand Central, 125 West 55th & 540 Madison	Pro Forma
ASSETS			
Real estate, at cost	$ 9,277,500	$	$ 9,277,500
Construction in process	735,372		735,372
Land held for future development	253,313		253,313
Less: accumulated depreciation	(1,647,145)		(1,647,145)
Total real estate	8,619,040		8,619,040
Cash and cash equivalents	112,110		112,110
Cash held in escrows	59,644		59,644
Investments in securities	20,372		20,372
Tenant and other receivables	42,116		42,116
Related party note receivable	270,000		270,000
Accrued rental income	326,149		326,149
Deferred charges, net	305,287		305,287
Prepaid expenses and other assets	26,511		26,511
Investments in unconsolidated joint ventures	606,696	345,000 **(A)**	951,696
Total assets	$ 10,387,925	$ 345,000	$ 10,732,925
LIABILITIES AND STOCKHOLDERS EQUITY			
Liabilities:			
Mortgage notes payable	$ 2,535,496	$	$ 2,535,496
Unsecured senior notes	1,472,141		1,472,141
Unsecured exchangeable senior notes	1,296,252		1,296,252
Unsecured line of credit	200,000	345,000 **(B)**	545,000
Accounts payable and accrued expenses	183,192		183,192
Dividends and distributions payable	96,451		96,451
Accrued interest payable	55,979		55,979
Other liabilities	187,104		187,104
Total liabilities	6,026,615	345,000	6,371,615
Commitments and contingencies			
Minority interests	663,313		663,313
Stockholders equity:			
Excess stock, $.01 par value, 150,000,000 shares authorized, none issued or outstanding			
Preferred stock, $.01 par value, 50,000,000 shares authorized, none issued or outstanding			
Common stock, $.01 par value, 250,000,000 shares authorized, 119,835,140 issued and 119,756,240 outstanding	1,198		1,198
Additional paid-in capital	3,341,887		3,341,887
Earnings in excess of dividends	399,502		399,502
Treasury common stock at cost	(2,722)		(2,722)
Accumulated other comprehensive loss	(41,868)		(41,868)
Total stockholders equity	3,697,997		3,697,997

Total liabilities and stockholders equity	$ 10,387,925	$ 345,000	$ 10,732,925

The accompanying notes are an integral part of these financial statements.

Boston Properties, Inc.

Notes to the Pro Forma

Consolidated Balance Sheet

June 30, 2008

(Unaudited)

(A) Reflects the Company s net investment in the unconsolidated joint ventures that own Two Grand Central Tower, 125 West 55th Street and 540 Madison Avenue, consisting of the Company s share (60%) of the aggregate gross purchase prices of approximately $1,149.0 million, less assumed aggregate indebtedness of approximately $573.4 million.

(B) Reflects the portion of the Company s draw from its unsecured revolving credit facility, which was used to fund the consideration for the Company s interest in the joint ventures that own Two Grand Central Tower, 125 West 55th Street and 540 Madison Avenue.

Boston Properties, Inc.

Introduction to the Pro Forma Consolidated Statements of Operations

For the six months ended June 30, 2008 and for the year ended December 31, 2007

(Unaudited)

The accompanying unaudited Pro Forma Consolidated Statements of Operations of Boston Properties, Inc. (the Company) are presented as if (1) the acquisition and the related assumption of mortgage indebtedness of the General Motors Building, which was completed on June 9, 2008 and (2) the acquisitions and the related assumption of mortgage indebtedness of Two Grand Central Tower, 125 West 55th Street and 540 Madison Avenue, which were completed on August 12, 2008 and August 13, 2008, each of which were completed through unconsolidated joint ventures in which the Company has a 60% interest, had been consummated on January 1, 2007.

These Pro Forma Consolidated Statements of Operations should be read in conjunction with the historical consolidated financial statements and notes thereto of the Company, reported in the Company s Form 10-K for the year ended December 31, 2007 and in the Company s Form 10-Q for the six months ended June 30, 2008.

The unaudited pro forma consolidated financial information prepared by Boston Properties management is not necessarily indicative of what the actual results of operations would have been for the six months ended June 30, 2008 or for the year ended December 31, 2007, had the acquisitions of the General Motors Building on June 9, 2008 and the acquisitions of Two Grand Central Tower, 125 West 55th Street and 540 Madison Avenue on August 12, 2008 and August 13, 2008, each of which were completed through unconsolidated joint ventures in which the Company has a 60% interest, and the related assumption of mortgage indebtedness, occurred on January 1, 2007, nor does it purport to present the future results of operations of the Company.

BOSTON PROPERTIES, INC.

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(in thousands, except for per share amounts)

	Historical Six Months Ended June 30, 2008	The General Motors Building	2 Grand Central, 125 West 55th & 540 Madison	Other Adjustments	Pro Forma
Revenue					
Rental:					
Base rent	$ 562,466	$	$	$	$ 562,466
Recoveries from tenants	98,732				98,732
Parking and other	33,818				33,818
Total rental revenue	695,016				695,016
Hotel revenue	16,232				16,232
Development and management services	11,937			3,258**(B)**	15,195
Interest and other	15,894			(5,738)**(C)**	10,156
Total revenue	739,079			(2,480)	736,599
Expenses					
Real estate operating:					
Rental	236,836				236,836
Hotel	12,346				12,346
General and administrative	37,055				37,055
Interest	132,403			10,400**(D)**	142,803
Depreciation and amortization	149,060				149,060
Net derivative losses	3,531				3,531
Losses from early extinguishments of debt					
Total expenses	571,231			10,400	581,631
Income before minority interests in property partnerships, income from unconsolidated joint ventures, minority interest in Operating Partnership and gains on sales of real estate	167,848			(12,880)	154,968
Minority interests in property partnerships	(1,045)				(1,045)
Income from unconsolidated joint ventures	2,897	3,277**(A)**	259**(A)**		6,433
Income before minority interest in Operating Partnership and gains on sales of real estate	169,700	3,277	259	(12,880)	160,356
Minority interest in Operating Partnership	(27,044)	(476)**(E)**	(38)**(E)**	1,873**(E)**	(25,685)
Income available to common shareholders before gains on sales of real estate	$ 142,656	$ 2,801	$ 221	$ (11,007)	$ 134,671
Basic earnings per common share:					
Income available to common shareholders before gains on sales of real estate	$ 1.19				$ 1.13
Weighted average number of common shares outstanding	119,644				119,644

Diluted earnings per common share:		
Income available to common shareholders before gains on sales of real estate	$ 1.18	$ 1.11
Weighted average number of common and common equivalent shares outstanding	121,168	121,168

The accompanying notes are an integral part of these financial statements.

BOSTON PROPERTIES, INC.

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(in thousands, except for per share amounts)

	Historical Year ended December 31, 2007	The General Motors Building	2 Grand Central, 125 West 55th & 540 Madison	Other Adjustments	Pro Forma
Revenue					
Rental:					
Base rent	$ 1,084,308	$	$	$	$ 1,084,308
Recoveries from tenants	184,929				184,929
Parking and other	64,982				64,982
Total rental revenue	1,334,219				1,334,219
Hotel revenue	37,811				37,811
Development and management services	20,553			6,162**(B)**	26,715
Interest and other	89,706			(25,500)**(C)**	64,206
Total revenue	1,482,289			(19,338)	1,462,951
Expenses					
Real estate operating:					
Rental	455,840				455,840
Hotel	27,765				27,765
General and administrative	69,882				69,882
Interest	285,887			31,338**(D)**	317,225
Depreciation and amortization	286,030				286,030
Net derivative losses					
Losses from early extinguishments of debt	3,417				3,417
Total expenses	1,128,821			31,338	1,160,159
Income before minority interests in property partnerships, income from unconsolidated joint ventures, minority interest in Operating Partnership, gains on sales of real estate and discontinued operations	353,468			(50,676)	302,792
Minority interests in property partnerships	(84)				(84)
Income from unconsolidated joint ventures	20,428	(2,517)**(A)**	(2,230)**(A)**		15,681
Income before minority interest in Operating Partnership, gains on sales of real estate and discontinued operations	373,812	(2,517)	(2,230)	(50,676)	318,389
Minority interest in Operating Partnership	(64,916)	370**(E)**	327**(E)**	7,439**(E)**	(56,780)
Income available to common shareholders before gains on sales of real estate and discontinued operations	$ 308,896	$ (2,147)	$ (1,903)	$ (43,237)	$ 261,609
Basic earnings per common share:					
Income available to common shareholders before gain on sale of real estate and discontinued operations	$ 2.60				$ 2.20

Weighted average number of common shares outstanding	118,839	118,839
Diluted earnings per common share:		
Income available to common shareholders before gain on sale of real estate and discontinued operations	$ 2.56	$ 2.17
Weighted average number of common and common equivalent shares outstanding	120,780	120,780

The accompanying notes are an integral part of these financial statements.

Boston Properties, Inc.

Notes to the Pro Forma

Consolidated Statements of Operations

(Unaudited)

(A) The following tables reflect the historical combined summarized statements of operations of the Company s unconsolidated joint ventures (reflected in the first column), which have been adjusted to reflect (1) the historical results of operations as reflected in the Statements of Revenue over Certain Operating Expenses (the Statement) of the General Motors Building (which Statement was included in the Form 8-K/A of Boston Properties, Inc., which was filed on August 12, 2008) and (2) the historical results of operations as reflected in the Combined Statements of Revenue over Certain Operating Expenses of Two Grand Central Tower, 125 West 55th Street and 540 Madison Avenue, as adjusted for the impact of straight-line and above- and below-market rental income, interest expense and depreciation and amortization for the year ended December 31, 2007 (unaudited) and the six months ended June 30, 2008 (unaudited).

	Six Months Ended June 30, 2008	**The General Motors Building**	**2 Grand Central, 125 West 55th & 540 Madison**	**Other Adjustments**	**Pro Forma**
Total revenue	$ 81,894	$ 100,683	$ 48,484	$ 61,138**(1)**	$ 292,199
Expenses					
Operating	26,767	32,434	20,296		79,497
Interest	28,469			87,364**(2)**	115,833
Depreciation and amortization	26,229			86,042**(3)**	112,271
Losses from early extinguishments of debt	152				152
Total expenses	81,617	32,434	20,296	173,406	307,753
Net income (loss)	$ 277	$ 68,249	$ 28,188	$ (112,268)	$ (15,554)
Company share of net income (loss)	$ 1,082	$ 40,949	$ 16,913	$ (67,361)**(4)**	$ (8,417)
Elimination of inter-entity interest on partner loan	1,815			13,035**(5)**	14,850
Income from unconsolidated joint ventures	$ 2,897	$ 40,949	$ 16,913	$ (54,326)	$ 6,433

	Year Ended December 31, 2007					
Depreciation and amortization		437	72	31	117	657
Interest income	9			29	38	
Interest expense	3			37	40	
Capital expenditures	792	42	2	6	842	
Identifiable assets	31,000	11,318	2,314	17,837	62,469	
Six months ended June 30, 2004						
Net revenue	$ 20,492	$ 5,451	$ 3,760	$	$ 29,703	
Income before income taxes	4,311	1,114	265	(3,064)	2,626	

Depreciation and amortization	922	100	61	233	1,316
Interest income	1			53	54
Interest expense	2			54	56
Capital expenditures	910	69	20	70	1,069
Identifiable assets	40,752	11,647	2,355	11,959	66,713
Six months ended June 30, 2003					
Net revenue	$ 17,828	$ 5,603	$ 4,090	$	$ 27,521
Income before income taxes	4,327	1,106	(172)	(3,009)	2,252
Depreciation and amortization	863	141	61	229	1,294
Interest income	19			61	80
Interest expense	5			72	77
Capital expenditures	1,050	70	2	74	1,196
Identifiable assets	31,000	11,318	2,314	17,837	62,469

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ITEM 2.

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis presents our consolidated financial condition at June 30, 2004 and the results of operations for the three and six months ended June 30, 2004 and 2003. You should read the following discussion together with our consolidated financial statements and the related notes contained elsewhere in this quarterly report. In addition to the historical information provided below, we have made certain estimates and forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated or implied by these estimates and forward-looking statements as a result of certain factors, including those discussed in the CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS on page 18 of this quarterly report.

Overview

We consider our core business to be the ownership and operation of ambulatory surgery centers (ASCs). As of June 30, 2004, we owned and operated 20 ASCs of which 17 were jointly owned with physician-partners. We also own other businesses including an optical laboratory, an optical products purchasing organization, and a marketing products and services company. We also provide management services to two eye care practices.

Year-to-Date Financial Highlights:

Consolidated revenue increased 7.9% to $29.7 million. Surgical facilities revenue increased 14.9% to $20.5 million (same-facility surgical revenue increased 7.9% to $18.0 million).

Operating income increased 28.5% to $4.3 million.

Cash balance of $6.3 million with zero debt outstanding under our credit facility at June 30, 2004.

Acquired majority interests in three ASCs during the second quarter of 2004.

Sold minority interests in two ASCs resulting in cash proceeds of $1.0 million.

Results of Operations

The following table summarizes our operating results as a percentage of net revenue:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Net Revenue:				
Surgical facilities	72.0%	66.2%	69.0%	64.8%
Product sales and other	28.0	33.8	31.0	35.2
Total net revenue	100.0	100.0	100.0	100.0
Operating expenses:				
Salaries, wages and benefits	33.8	35.6	34.7	37.2
Cost of sales and medical supplies	24.0	24.6	24.4	24.7
Selling, general and administrative	21.7	21.0	21.9	21.1
Depreciation and amortization	4.1	4.7	4.4	4.7
Total operating expenses	83.6	85.9	85.4	87.7
Operating income	16.4	14.1	14.6	12.3
Minority interests in earnings of consolidated entities	7.6	4.8	6.5	4.6
Other (income) expense	(0.1)	(0.1)	(0.7)	(0.5)
Income before income taxes	8.9	9.4	8.8	8.2
Income tax provision	3.6	3.8	3.5	3.3
Net income from continuing operations	5.3	5.6	5.3	4.9
Net income from discontinued operations			2.0	
Net income	5.3%	5.6%	7.3%	4.9%

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Three Months Ended June 30, 2004 Compared to the Three Months Ended June 30, 2003

Net Revenue

Consolidated. Total net revenue increased 10.4% from $14.0 million to $15.5 million. Net revenue by segment is discussed below.

Surgical Facilities. The table below summarizes surgical facilities net revenue and procedures performed for the second quarter of 2004 and 2003. Revenues generated from surgical facilities are derived from the fees charged for the procedures performed in our ASCs and through our laser services agreements. Our procedure volume is directly impacted by the number of ASCs we operate, the number of excimer lasers in service, and their respective utilization rates. Net surgical facilities revenue increased 20.1% from $9.3 million to $11.1 million. This increase was primarily the result of $1.2 million of net revenue from ASCs acquired or developed after April 1, 2003 (new ASCs) and a $0.7 million increase from ASCs that we owned for the entire comparable reporting periods (same-facility). The increase in same-facility revenue was primarily the result of a 14.7% increase in the total number of procedures performed.

	Three Months Ended June 30,		
Dollars in millions	**2004**	**2003**	**Increase (Decrease)**
Surgical Facilities:			
Same-facility:			
Net revenue	$ 9.9	$ 9.2	$ 0.7
# of procedures	12,637	11,014	1,623
New ASCs:			
Net revenue	$ 1.2	$	$ 1.2
# of procedures	1,311		1,311
Laser services agreement terminations:			
Net revenue	$	$ 0.1	$ (0.1)
# of procedures		141	(141)

In early 2004, two of our physician-partners in one of our Kansas City, Missouri ASCs informed us that they intended to begin performing their surgical procedures at a new ASC that was being developed closer to their practice locations. As a result, we entered into an agreement with these physicians in which they purchased from us a release from their restrictions on owning competing facilities. These two physicians performed the majority of the surgical procedures at this ASC and their departure in April has had a negative impact on procedure volume, revenue, and operating income at this ASC during the second quarter of 2004. We exercised our option to repurchase their equity interests in this ASC effective July 1, 2004. Although we are currently working to attract new physicians to this ASC, the negative impact on our cash flow from operations is expected to continue until this occurs. The negative financial impact is being mitigated, in part, by the payments the physicians are making for the release of their restrictive covenants.

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Product Sales and Other. The table below summarizes net product sales and other revenue by significant business component. Product sales and other revenue decreased 8.5% from $4.7 million to $4.3 million. Net revenue from our ophthalmology practice decreased $0.3 million, or 17.6%, from 2003 primarily due to the divestiture of one of our practice locations in Chattanooga, TN.

Dollars in millions	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Increase (Decrease)
Product Sales:			
Optical laboratories	$ 1.3	$ 1.2	$ 0.1
Optical products purchasing organization	0.5	0.5	
Marketing products and services	0.4	0.5	(0.1)
Optometric practice/retail store	0.4	0.5	(0.1)
	2.6	2.7	(0.1)
Other:			
Ophthalmology practice	1.6	1.9	(0.3)
Other	0.1	0.1	
	1.7	2.0	(0.3)
Total Net Product Sales and Other Revenue	$ 4.3	$ 4.7	$ (0.4)

Salaries, Wages and Benefits

Consolidated. Salaries, wages and benefits expense increased 4.7% from $5.0 million to $5.2 million. As a percentage of net revenue, salaries, wages and benefits expense decreased from 35.6% to 33.8%. Salaries, wages and benefits expense by segment is discussed below.

Surgical Facilities. Salaries, wages and benefits expense in our surgical facilities segment increased 29.5% from $1.8 million to $2.3 million. The increase was the result of costs attributed to new ASCs and an increase in procedures performed at same-facility ASCs.

Product Sales and Other. Salaries, wages and benefits expense in our product sales and other segments decreased 15.8% from $2.0 million to $1.7 million. The decrease was primarily the result of the divestiture of our practice location in Chattanooga, TN and staff reductions within our optical laboratory business.

Corporate. Salaries, wages and benefits expense remained flat at $1.2 million.

Cost of Sales and Medical Supplies

Consolidated. Cost of sales and medical supplies expense increased 8.1% from $3.4 million to $3.7 million. As a percentage of net revenue, cost of sales and medical supplies expense decreased from 24.6% to 24.0%. Our product sales segment has lower profit margins than our surgical facilities segment. Accordingly, the decrease as a percentage of revenue is due to product sales revenue decreasing to 17.1% of total revenue in 2004, down from 19.3% in 2003. Cost of sales and medical supplies expense by segment is discussed below.

Surgical Facilities. Cost of sales and medical supplies expense in our surgical facilities segment increased 16.8% from $2.2 million to $2.6 million. As a percentage of net revenue, cost of sales and medical supplies expense decreased from 23.8% to 23.1%. The expense increase was the result of costs associated with our new ASCs and an increase in procedures performed at same-facility ASCs.

Product Sales and Other. Cost of sales and medical supplies expense in our product sales and other segments decreased 7.4% from $1.2 million to $1.1 million. This decrease is primarily a result of a reduction in the costs of sales at our optical laboratory business due to variable labor reductions.

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Selling, General and Administrative

Consolidated. Selling, general and administrative expense increased 13.9% from $2.9 million to $3.4 million. As a percentage of net revenue, selling, general and administrative expense increased from 21.0% to 21.7%. Selling, general and administrative expense by segment is discussed below.

Surgical Facilities. Selling, general and administrative expense in our surgical facilities segment increased 24.0% from $1.8 million to $2.3 million. The increase is due to costs associated with our new ASCs, increased professional liability insurance premiums and higher management and billing/collections fees charged to the ASCs for services rendered by corporate personnel.

Product Sales and Other. Selling, general and administrative expense in our product sales and other segments decreased 4.6% from $0.9 million to $0.8 million. The decrease is primarily due to the divestiture of our practice location in Chattanooga, TN.

Corporate. Corporate selling, general and administrative expense remained flat at $0.2 million. Occupancy and temporary staffing cost savings were offset by additional costs associated with being a public company. We anticipate incurring additional costs associated with being a public company over the remainder of 2004 and in future years.

Depreciation and Amortization. Depreciation and amortization expense remained flat at $0.6 million. Increases in depreciation associated with our new ASCs and capital expenditures in our surgical facilities segment were offset by decreases within the product sales segment.

Minority Interests and Other (Income) Expense. Minority interests in the earnings of our ASCs were $1.2 million in 2004 as compared to $0.7 million in 2003. Minority interests are expected to continue to be higher during 2004 due to ASCs acquired in 2004, the full year impact of the 2003 sale of minority interests and additional sale of minority interests in 2004.

Provision for Income Taxes. Our effective tax rate was unchanged at 40.0%. Our effective tax rate is affected by expenses that are deducted from operations in arriving at pre-tax income that are not allowed as a deduction on our federal income tax return.

Six Months Ended June 30, 2004 Compared to the Six Months Ended June 30, 2003

Net Revenue

Consolidated. Total net revenue increased 7.9% from $27.5 million to $29.7 million. Net revenue by segment is discussed below.

Surgical Facilities. The table below summarizes surgical facilities net revenue and procedures performed for the first six months of 2004 and 2003. Revenues generated from surgical facilities are derived from the fees charged for the procedures performed in our ASCs and through our laser services agreements. Our procedure volume is directly impacted by the number of ASCs we operate, the number of excimer lasers in service, and their respective utilization rates. Net surgical facilities revenue increased 14.9% from $17.8 million to $20.5 million. This increase was primarily the result of $1.5 million of net revenue from ASCs acquired or developed after January 1, 2003 (new ASCs) and a $1.3 million increase from ASCs that we owned for the entire comparable reporting periods (same-facility). The increase in same-facility revenue was primarily the result of a 14.0% increase in the total number of procedures performed.

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Dollars in millions	Six Months Ended June 30, 2004	2003	Increase (Decrease)
Surgical Facilities:			
Same-facility:			
Net revenue	$ 19.0	$ 17.6	$ 1.4
# of procedures	23,957	21,010	2,947
New ASCs:			
Net revenue	$ 1.5	$	$ 1.5
# of procedures	1,616		1,616
Laser services agreement terminations:			
Net revenue	$	$ 0.2	$ (0.2)
# of procedures		446	(446)

In early 2004, two of our physician-partners in one of our Kansas City, Missouri ASCs informed us that they intended to begin performing their surgical procedures at a new ASC that was being developed closer to their practice locations. As a result, we entered into an agreement with these physicians in which they purchased from us a release from their restrictions on owning competing facilities. These two physicians performed the majority of the surgical procedures at this ASC and their departure in April has had a negative impact on procedure volume, revenue, and operating income at this ASC during the first six months of 2004. We exercised our option to repurchase their equity interests in this ASC effective July 1, 2004. Although we are currently working to attract new physicians to this ASC, the negative impact on our cash flow from operations is expected to continue until this occurs. The negative financial impact is being mitigated, in part, by the payments the physicians are making for the release of their restrictive covenants.

Product Sales and Other. The table below summarizes net product sales and other revenue by significant business component. Product sales and other revenue decreased 5.0% from $9.7 million to $9.2 million. Net revenue from our ophthalmology practice decreased $0.3 million, or 7.3%, from 2003 primarily due to the divestiture of one of our practice locations in Chattanooga, TN. Net revenue at our marketing products and services business decreased $0.2 million, or 17.9%, from 2003. This decrease is attributed to the high demand in 2003 for marketing products supporting a new refractive technology.

Dollars in millions	Six Months Ended June 30, 2004	2003	Increase (Decrease)
Product Sales:			
Optical laboratories	$ 2.6	$ 2.6	$
Optical products purchasing organization	1.1	1.0	0.1
Marketing products and services	0.9	1.1	(0.2)
Optometric practice/retail store	0.9	0.9	
	5.5	5.6	(0.1)
Other:			
Ophthalmology practice	3.5	3.8	(0.3)
Other	0.2	0.3	(0.1)

	3.7	4.1	(0.4)
Total Net Product Sales and Other Revenue	$ 9.2	$ 9.7	$ (0.5)

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Salaries, Wages and Benefits

Consolidated. Salaries, wages and benefits expense increased 0.7% from $10.2 million to $10.3 million. As a percentage of net revenue, salaries, wages and benefits expense decreased from 37.2% to 34.7%. Salaries, wages and benefits expense by segment is discussed below.

Surgical Facilities. Salaries, wages and benefits expense in our surgical facilities segment increased 19.5% from $3.6 million to $4.3 million. The increase was the result of costs attributed to new ASCs and an increase in procedures performed at same-facility ASCs.

Product Sales and Other. Salaries, wages and benefits expense in our product sales and other segments decreased 14.5% from $4.2 million to $3.6 million. The decrease was primarily the result of the divestiture of our practice location in Chattanooga, TN and staff reductions within our optical laboratory business.

Corporate. Salaries, wages and benefits expense remained flat at $2.4 million.

Cost of Sales and Medical Supplies

Consolidated. Cost of sales and medical supplies expense increased 6.6% from $6.8 million to $7.2 million. As a percentage of net revenue, cost of sales and medical supplies expense decreased from 24.7% to 24.4%. Our product sales segment has lower profit margins than our surgical facilities segment. Accordingly, the decrease as a percentage of revenue is due to product sales revenue decreasing to 18.4% of total revenue in 2004, down from 20.4% in 2003. Cost of sales and medical supplies expense by segment is discussed below.

Surgical Facilities. Cost of sales and medical supplies expense in our surgical facilities segment increased 14.0% from $4.3 million to $4.9 million. As a percentage of net revenue, cost of sales and medical supplies expense decreased from 23.9% to 23.7%. The expense increase was the result of costs associated with our new ASCs and an increase in procedures performed at same-facility ASCs. The increase was partially offset by the termination of laser services agreements during 2003.

Product Sales and Other. Cost of sales and medical supplies expense in our product sales and other segments decreased 6.5% from $2.6 million to $2.4 million. The decrease is primarily a result of a reduction in the costs of sales at our optical laboratory business due to variable labor reductions.

Selling, General and Administrative

Consolidated. Selling, general and administrative expense increased 11.7% from $5.8 million to $6.5 million. As a percentage of net revenue, selling, general and administrative expense increased from 21.1% to 21.9%. Selling, general and administrative expense by segment is discussed below.

Surgical Facilities. Selling, general and administrative expense in our surgical facilities segment increased 21.9% from $3.5 million to $4.3 million. The increase is due to costs associated with our new ASCs, increased professional liability insurance premiums and higher management and billing/collections fees charged to the ASCs for services rendered by corporate personnel. The increase in expense was partially offset by reductions related to termination of laser services agreements during 2003.

Product Sales and Other. Selling, general and administrative expense in our product sales and other segments decreased 6.6% from $1.8 million to $1.7 million. The decrease is primarily due to the divestiture of our practice location in Chattanooga, TN.

Corporate. Corporate selling, general and administrative expense remained flat at $0.5 million. Occupancy and temporary staffing cost savings were offset by additional costs associated with being a public company. We anticipate incurring additional costs associated with being a public company over the remainder of 2004 and in future years.

Depreciation and Amortization. Depreciation and amortization expense remained flat at $1.3 million. Increases in depreciation associated with our new ASCs and capital expenditures in our surgical facilities segment were offset by decreases within the product sales segment.

Minority Interests and Other (Income) Expense. Minority interests in the earnings of our ASCs were $1.9 million in 2004 as compared to $1.3 million in 2003. Minority interests are expected to continue to be higher during 2004 due to ASCs acquired in 2004, the full year impact of the 2003 sale of minority interests and additional sale of minority interests in 2004. Other (income) expense is primarily net gains on the sale of minority interests of $0.2 million in 2004 as compared to $0.1 million in 2003.

Provision for Income Taxes. Our effective tax rate was unchanged at 40.0%. Our effective tax rate is affected by expenses that are deducted from operations in arriving at pre-tax income that are not allowed as a deduction on our federal income tax return.

Liquidity and Capital Resources

Operating activities for 2004 generated $2.2 million in cash flow from continuing operations compared to $1.5 million in 2003. The increase in operating cash flow from continuing operations resulted primarily from an increase in earnings and working capital management, offset by increased cash distributions to our minority interest partners.

Investing activities in 2004 resulted in negative cash flow of $8.0 million. Investing activities include the acquisition of three ASCs for $8.1 million and the purchase of property and equipment for $1.1 million. These investments were partially offset by proceeds from the sale of minority equity interests in two of our ASCs of $1.0 million and proceeds of $0.1 million from the sale of certain assets of our ophthalmology practice location in Chattanooga, TN. As of June 30, 2004 we had cash and cash equivalents of $6.3 million and working capital of $12.6 million.

At June 30, 2004, we had no borrowings outstanding under our revolving credit facility. We entered into a new amended and restated credit facility effective June 26, 2003. The maximum commitment available under our facility is $30 million. Interest on borrowings under the credit agreement is payable at an annual rate equal to our lender s published base rate plus the applicable borrowing margin ranging from 0% to .5% or LIBOR plus a range from 1.25% to 2.0%, varying upon our ability to meet financial covenants. In addition, a fee ranging from .175% to .250% is charged on the unused portion of the commitment. The credit agreement contains covenants that include limitations on indebtedness, liens, capital expenditures, acquisitions and affiliations and ratios that define borrowing availability and restrictions on the payment of dividends. As of June 30, 2004, we were in compliance with all of our credit agreement covenants. The credit agreement expires on June 30, 2006.

We expect our cash flow from operations, our existing cash balance and funds available under our existing credit facility to be sufficient to fund our operations for at least 12 months. Our future capital requirements and the adequacy of our available funds will depend on many factors, including the timing of our acquisition and expansion activities, capital requirements associated with our surgical facilities, and the future cost of surgical equipment.

We are a party to option agreements with various physicians pursuant to which the physicians have the right to purchase or sell equity interests in four of our ASCs. These are summarized as follows:

One of our former affiliated physicians who owns a 5% interest in our River Forest, IL ASC has the option to acquire an additional 5% interest, exercisable on or before July 1, 2005;

Two of our former affiliated physicians who own a 49% interest in our Overland Park, KS ASC have an option to purchase our remaining 51% interest. We have received notice of their intention to purchase and anticipate finalizing the transaction on April 15, 2005;

One of our former affiliated physicians who owns a 49% interest in our Merrillville, IN ASC has an option to purchase our remaining 51% interest, exercisable at periodic intervals beginning March 1, 2005 through March 1, 2008;

One of our existing physician-partners who owns a 40% interest in our Thibodaux, LA ASC has the right to sell us up to a 10% interest in the ASC in November 2004 and up to an additional 10% interest in November 2006.

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In the event the options to purchase are exercised, we will receive cash proceeds from these sales. In many of these instances, we also have corresponding rights to sell the stated equity interests to the physicians at the same timing intervals. Moreover, depending on the circumstances, we may also agree in the future from time to time to sell equity interests in one or more of our ASCs to the physicians who are parties to these option agreements on terms and at timing intervals different than those set forth in these agreements.

We have a nonexclusive supply agreement with Alcon Laboratories, Inc. pursuant to which we can procure and utilize excimer lasers and other equipment manufactured by Alcon. Through the termination date of December 31, 2006, we will pay Alcon monthly based on the number of procedures performed on each of our APEX/Infinity lasers and LADARVision Systems. We are required to pay for a minimum number of annual procedures on each LADARVision System during the remaining term, whether or not these procedures are performed. Assuming we don t procure additional LADARVision Systems under the agreement, the annual minimum commitment for each of the next three years commencing with 2004 would be approximately $1.0 million, $1.2 million and $0.9 million, respectively.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS. This Form 10-Q contains certain forward-looking statements that reflect our current expectations about our future results of operations, performance and achievements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We have tried, wherever possible, to identify these forward-looking statements by using words such as anticipates, believes, estimates, expects, plans, intends and similar expressions. These statements reflect our current beliefs and are based on information currently available to us. Accordingly, these statements are subject to certain risks, uncertainties and contingencies that could cause our actual results, performance or achievements in 2004 and beyond to differ materially from those expressed in, or implied by, such statements. These risks and uncertainties include: our ability to acquire, develop or manage a sufficient number of profitable surgical facilities, including facilities that are not exclusively dedicated to eye-related procedures; reduced prices and reimbursement rates for surgical procedures; our ability to maintain successful relationships with the physicians who use our surgical facilities; our future profitability could decrease because of existing agreements with physicians that may require us to sell additional equity interests in our ASCs at varying future intervals; the application of existing or proposed government regulations, or the adoption of new laws and regulations that could limit our business operations and require us to incur significant expenditures; the continued acceptance of laser vision correction and other refractive surgical procedures; and demand for elective surgical procedures generally and in response to a protracted economic downturn. See Management s Discussion and Analysis of Financial Conditions and Results of Operations Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2003 for further discussion. We undertake no obligation to update or revise any such forward-looking statements that may be made to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

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Item 4. Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chairman and Chief Executive Officer and Executive Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

We have carried out an evaluation under the supervision and with the participation of the Company s management, including the Company s Chairman and Chief Executive Officer and Executive Vice President and Chief Financial Officer (its principal executive officer and principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on their evaluation, the Chairman and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that these controls and procedures were effective as of the end of the period covered by this report, in all material respects, to ensure that required information will be disclosed on a timely basis in our reports filed under the Exchange Act.

In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply their judgment in evaluating the cost-benefit relationship of possible controls and procedures. We believe our disclosure controls and procedures provide such reasonable assurance.

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PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

We held our 2004 Annual Meeting of Stockholders on May 26, 2004 at which the stockholders voted to elect two Class II directors for a term of three years expiring at our 2007 Annual Meeting of Stockholders. Results of the voting were as follows:

Directors	For	Authority Withheld
Robert J. Kelly	18,093,176	162,480
C.A. Lance Piccolo	18,092,576	163,080

The remaining directors, Stephen J. Winjum, R. Judd Jessup, Scott H. Kirk, M.D. and Steven V. Napolitano, all continued their terms of office as directors of the Company after the 2004 Annual Meeting of Stockholders. The election of two Class II directors was the only item submitted to and voted upon by the stockholders.

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

21	Subsidiaries of the Registrant
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of the CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

B. Reports on Form 8-K

We furnished a report on Form 8-K dated May 5, 2004 during the second quarter of 2004 disclosing our press release that announced our results of operations for the first quarter ended March 31, 2004.

We furnished a report on Form 8-K dated May 7, 2004 during the second quarter of 2004 disclosing additional information about tax fees reported in our proxy statement for our 2004 Annual Meeting of Stockholders at the request of Institutional Shareholder Services.

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SIGNATURE

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NOVAMED, INC.

/s/ Scott T. Macomber

Scott T. Macomber Executive Vice President and Chief Financial Officer (on behalf of Registrant and as principal financial officer)	August 13, 2004 Date

/s/ John P. Hart

John P. Hart Vice President, Corporate Controller (as principal accounting officer)	August 13, 2004 Date

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