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NOVAMED INC  
Form 10QSB  
August 14, 2002

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2002.

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 000-26927  
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NOVAMED, INC.  
(Exact name of small business issuer as specified in its charter)

Nevada  
-----  
(State or other jurisdiction of incorporation or organization)

77-0443643  
-----  
(I.R.S. Employer Identification No.)

1403 East 900 South, Salt Lake City, Utah 84105  
-----  
(Address of principal executive office) (Zip Code)

(801) 582 9609  
-----  
(Issuer's telephone number)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes    X                      No  
      ---                      -----

The number of outstanding shares of the issuer's common stock, \$0.001 par value (the only class of voting stock), as of August 13, 2002 was 869,858.

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PART I

ITEM 1. FINANCIAL STATEMENTS

As used herein, the term "Company" refers to NovaMed, Inc., a Nevada corporation, and its subsidiaries and predecessors unless otherwise indicated. Consolidated, unaudited, condensed interim financial statements including a balance sheet for the Company as of the quarter ended June 30, 2002, and statements of operations, and statements of cash flows for the interim period up to the date of such balance sheet and the comparable period of the preceding year are attached hereto as Pages F-1 through F-4 and are incorporated herein by this reference.

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NOVAMED, Inc.  
Unaudited Consolidated Balance Sheet  
As of June 30, 2002

ASSETS

Cash

\$

AssetsCurrent Assets

TOTAL ASSETS

LIABILITIES AND STOCK HOLDERS' EQUITY

Current Liabilities:

Accounts payable and accrued liabilities

\$

Notes payable

Total Current Liabilities

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Total Current Liabilities

Stockholders' equity

Common stock, \$.01 par value, 50,000,000 shares authorized;  
869,858 shares issued and outstanding June 30, 2002  
Additional paid in capital  
Accumulated deficit

Total stockholders' equity

TOTAL LIABILITIES AND EQUITY

\$

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

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NOVAMED, Inc.  
Unaudited Consolidated Statements of Operations  
For the Three and Six Months Ended June 30,  
2002 and 2001, and since the inception of the  
Development Stage on January 1, 2002

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	Three Months Ended June 30,		Six Mo
	2002	2001	2002
Net Sales	\$ -	\$ -	\$ -
Costs and expenses:			
Cost of sales/manufacturing	-	20,130	33
Selling, general and administrative	14,050	50,357	24,65
Total costs and expenses	14,050	70,487	24,98
Net Income (Loss) from operations	\$ (14,050)	\$ (70,487)	\$ (24,98)
Extraordinary items			
Gain on settlement of accrued interest	-	-	6,76
Gain on settlement of debt in exchange for manufacturing equipment	47,151	-	47,15
Net Income (Loss) before Income taxes	33,101	(70,487)	28,92
Provision for income taxes	-	-	
Net Income (Loss)	\$ 33,101	\$ (70,487)	\$ 28,92
Loss per common share-basic and diluted	\$ 0.04	\$ (0.08)	\$ 0.0
Weighted average common shares - basic and diluted	869,900	869,900	869,90

The accompanying notes are an integral part of these financial statements

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NOVAMED, Inc.  
 Unaudited Consolidated Statements of Cash Flows  
 For The Six Months Ended June 30, 2002 and 2001

	Six Months End June 30,	
	2002	
	-----	
	-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ 28,925	\$
Adjustments to reconcile net loss to net cash provided by (used in) operations:		
Depreciation	4,481	
Gain on settlement of accrued interest	(6,761)	
Gain on disposition of assets and debt settlement	(47,151)	
Stock issued for royalties and license fees	-	
(Increase) decrease in:		
Receivables	15,000	
Increase (decrease) in:		
Accounts payable and accrued expenses	6,229	
	-----	
Net cash provided by (used in ) Operating Activities	723	
	-----	
CASH FLOWS FROM INVESTING ACTIVITIES		
	-	
	-----	
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of convertible debentures	-	
Issuance of common stock	-	
	-----	
Net cash provided by Financing Activities	-	
NET CASH INCREASE (DECREASE) FOR PERIOD	723	
CASH, BEGINNING OF PERIOD	10,034	

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CASH, END OF PERIOD \$ 10,757 \$  
=====

The accompanying notes are an integral part of these financial statements

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NOVAMED, INC  
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS  
June 30, 2002

### 1. Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared by management in accordance with the instructions in Form 10-QSB and, therefore, do not include all information and footnotes required by generally accepted accounting principles and should, therefore, be read in conjunction with the Company's financial statements filed on Form 10-KSB, filed with the Securities and Exchange Commission on April 16, 2002. These statements do include all normal recurring adjustments which the Company believes necessary for a fair presentation of the statements. The interim operations results are not necessarily indicative of the results for the full year ended December 31, 2002.

### 2. Changes in securities and stock splits

The Company effected a reverse 1 for 50 stock split on May 7, 2002. The action was approved by holders of 61% of the shares issued and outstanding on April 26, 2002 by consent resolution in lieu of a special shareholders meeting. All partial shares were rounded up to the nearest share. Prior to the reverse split, there were 43,486,464 shares outstanding and after the split there were 869,858 shares outstanding. All per share amounts have been retroactively adjusted to reflect this reverse split. For more information see the Company's Form 8-K filed with the Commission on May 21, 2002.

### 3. Disposition of Assets and Debt Settlement

The Company disposed of all its fixed assets through an Assets Sale and Assignment of Liabilities Agreement with Kingsley Corporation ("Kingsley") through which Kingsley acquired all of the Company's manufacturing equipment and patents in exchange for the assumption of \$75,741 of the Company's liabilities. In conjunction with this transaction, the Company booked an extraordinary gain on the settlement of debt and disposition of assets in the amount of \$47,151.

### 4. Additional footnotes included by reference

Except as indicated in notes above, there have been no other material changes in the information disclosed in the notes to the financial statements included in the Company's Form 10-KSB, filed with the Securities and Exchange Commission on April 16, 2002. Therefore, those notes are included herein by reference.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Forward Looking Statement

This quarterly report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Investors are cautioned that all forward-looking statements involve risks and uncertainty. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this quarterly report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

General

The Company was a medical device holding company that developed, manufactured, and marketed hydrogel and saline filled breast implant products. Due to an inability to obtain funding or generate revenues, the Company made the decision to abandon the breast implant business during the current quarter. The Company's remaining assets were sold to relieve some of its outstanding liabilities and the process of seeking out new business opportunities was undertaken.

The Company's plan of operation for the remainder of the year is to identify and acquire a favorable business opportunity. The Company does not plan to limit its options to any particular industry, but will evaluate each opportunity on its merits. The Company anticipates that its owners, affiliates, and consultants will provide it with sufficient capital to continue operations until the end of the current fiscal year, but there can be no assurance that this expectation will be fully realized.

The Company does not expect to generate any meaningful revenue or incur operating expenses unless and until it acquires an interest in an operating company.

Results of Operations

Net sales were \$0 for the three and six months ended June 30, 2002, compared to \$0 for the comparable periods in 2001. The lack of sales was due to having no significant operations.

Cost of Sales

Cost of sales were \$330 for the six months ended on June 30, 2002, compared to



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\$28,436 for the comparable period in 2001. The decrease in cost of sales was a result of no significant operations in the period.

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### Gains and Losses

The Company recorded a net income of \$33,101 for the three months ended June 30, 2002, compared to a net loss of \$70,487 for the comparable period in 2001. The Company recorded net income of \$28,925 for the six months ended June 30, 2002 compared to a net loss of \$419,191 for the comparable period in 2001. The change is due to the reduction of operations in 2002 and the sale of the Company's operating assets in the settlement of debts.

The Company expects to continue to incur losses at least through fiscal 2002 and there can be no assurance that the Company will achieve or maintain profitability or that its revenue growth can be sustained in the future.

### Expenses

Selling, general and administrative expenses were \$24,657 for the six months ended June 30, 2002 as compared to \$390,755 for the comparable period in 2001. The decrease in selling, general and administrative costs was the result of no significant operations

### Capital Expenditures

The Company expended no amounts on capital expenditures for the quarterly period ending June 30, 2002, and in fact disposed of essentially all of its capital assets during the quarter in assets sale and assignment of debt agreement. (For more information regarding this transaction see the Company's Form 8-K filed with the SEC on June 18, 2002).

### Capital Resources and Liquidity

The Company had current and total assets of \$10,757 as of the six month period ending June 30, 2002. These assets consisted of cash on hand of \$10,757. Stockholders' deficit in the Company was \$129,828 at June 30, 2002.

Cash flow provided by operating activities was \$723 for the six months ending June 30, 2002, compared to cash flow used in operating activities of \$156,031 for six months ended June 30, 2001. The decrease in cash flows used in operations for the six months ended June 30, 2002, was the result of a significant reduction in operations, coupled with the receipt of receivables and a lack of royalty payments.

The Company has a working capital deficit of \$129,828 on June 30, 2002. The Company's plan for liquidity resources include delaying payments on accounts payable and debts by renegotiated terms, and obtaining equity or debt financing. Management can provide no assurance that these efforts will be successful. The Company believes that its owners, affiliates and consultants will provide

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sufficient additional capital to continue operations through debt or equity financing, though the Company can provide no assurance that this assumption can be realized if necessary.

The Company has no intention of conducting any research or development until such time as a new business opportunity is identified and acquired.

The Company currently has no employees and does not believe that employees will be added until such time as another business opportunity is identified and acquired.

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The Company's auditors have expressed an opinion as to the Company's ability to continue as a going concern on their report dated April 10, 2002, for the period ended December 31, 2001, as a result of accumulated deficits. The Company's ability to continue as a going concern is subject to the ability of the Company to obtain a profit and /or obtaining the necessary funding from outside sources. Management's plan to address the Company's ability to continue as a going concern, includes: (1) obtaining funding from private placement sources; (2) obtaining additional funding from the sale of the Company's securities; (3) establishing revenues from a suitable business opportunity; (4) obtaining loans and grants from various financial institutions where possible. Although management believes that it will be able to obtain the necessary funding to allow the Company to remain a going concern through the methods discussed above, there can be no assurances that such methods will prove successful.

### PART II

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF THE SECURITY HOLDERS

Shareholders Action in Lieu of an Extraordinary Special Meeting of the Shareholders was held on April 26, 2002 to consider a reverse split of the Company's common shares on a one for five (1-5) basis. The proposal was adopted by 26,725,000 pre-reverse shares or approximately a majority of 61% of the Company's then issued and outstanding shares. The shareholder action did not involve the election of directors.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits Exhibits required to be attached by Item 601 of Regulation S-B are listed in the Index to Exhibits on page 8 of this Form 10-QSB, and are incorporated herein by this reference.

(b) Reports on Form 8-K. The Company filed two reports on Form 8-K during the quarter covered by this report. They are as follows:

1.) A Form 8-K was filed with the Commission on May 21, 2002 detailing the 1 for 50 reverse stock split.

2.) A Form 8-K was filed with the Commission on June 18, 2002 reflecting the assets disposition and debt settlement agreement with Kingsley and the Company, wherein the Company disposed of essentially all its property and equipment in exchange for Kingsley's assumption of \$71,065 of the Company's liabilities.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized, this 14th day of August, 2002.

NOVAMED, INC.

/s/ Ruairidh Campbell  
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Ruairidh Campbell  
President, Chief Financial Officer and Director

August 14, 2002

CERTIFICATION

In connection with the accompanying Form 10Q of NovaMed, Inc. for the quarter ended June 30, 2002, the following sole officer of NovaMed, Inc. does hereby certify that, to the best of their knowledge and belief:

1.  
Said Form 10Q fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act of 1934; and
2.  
The information contained in said Form 10Q fairly presents, in all material respects, the financial condition and results of NovaMed, Inc.

-/s/ Ruairidh Campbell-----  
Ruairidh Campbell  
President, Chief Financial Officer and Director

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INDEX TO EXHIBITS

EXHIBIT NO.	PAGE NO.	DESCRIPTION
3(i)	*	Articles of Incorporation of the Company formerly known as Conceptual Technologies, Inc., a Nevada corporation dated November 26, 1996.(Incorporated herein by reference to the Company's Form 10SB/A-1 filed on November 2, 1999 as exhibit 2(i)).

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- 3(ii) \* By-laws of the Company adopted on November 12, 1996. (Incorporated herein by reference to the Company's Form 10SB/A-1 filed on as exhibit 2(iv)).

MATERIAL CONTRACTS

- 10 \* Contract for the disposition of assets and settlement of \$71,065 in liabilities with Kingsley (incorporated by reference to the Company's Form 8-K as exhibit A, filed with the Commission on June 18, 2002)

\* Incorporated by reference to previously filed reports with the Commission as individually noted.

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