VITAL SIGNS INC
Form DEFM14A
September 26, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant R

Filed by a Party other than the Registrant £

Check the appropriate box:

£ Preliminary Proxy Statement

£ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

R Definitive Proxy Statement

£ Definitive Additional Materials

£ Soliciting Material Pursuant to §240.14a-12

VITAL SIGNS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

£ No fee required.

R 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, no par value, of Vital Signs, Inc. (Vital Signs common stock)

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

13,298,615 shares of Vital Signs common stock and

566,712 shares of Vital Signs common stock, representing shares of Vital Signs common stock issuable upon exercise of options outstanding as of September 15, 2008 having a per share exercise price less than $74.50

(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 filing fee was determined by multiplying 0.00003930 by the sum of:

the product of (i) 13,298,615 outstanding shares of Vital Signs common stock and (ii) the merger consideration of $74.50 per share in cash; and

the product of (i) 566,712 shares of Vital Signs common stock, representing shares of Vital Signs common stock issuable upon exercise of options outstanding as of

September 15, 2008 having a per share exercise price less than $74.50 and (ii) $29.68, representing the excess of $74.50 over the weighted-average exercise price per share of such options.

(4) Proposed maximum aggregate value of transaction:

$1,007,566,829.66

(5) Total fee paid:

$39,597.38

R Fee paid previously with preliminary materials:

$39,597.38

£ 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:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

VITAL SIGNS, INC.
20 Campus Road
Totowa, New Jersey 07512

September 26, 2008

Dear Shareholder:

You are cordially invited to attend a special meeting of shareholders of Vital Signs, Inc. (the Company or Vital Signs), which will be held at the offices of our counsel, Lowenstein Sandler PC, 65 Livingston Avenue, Roseland, New Jersey on Wednesday, October 29, 2008, beginning at 10:00 A.M., local time.

On July 23, 2008, the board of directors of Vital Signs adopted, and Vital Signs entered into, a merger agreement with General Electric Company, a New York corporation (GE), and its wholly owned subsidiary, Tonic Acquisition Corp. If the merger is completed, Vital Signs will become a wholly owned subsidiary of GE, and you will be entitled to receive $74.50 in cash, without interest, for each share of Vital Signs common stock that you own on the effective date of the merger. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement, and you are encouraged to read it in its entirety.

At the special meeting, you will be asked to approve the merger agreement. After careful consideration, our board unanimously adopted the merger agreement and determined that the merger and the merger agreement are fair to the Company and its shareholders, advisable and in the best interests of the Company and its shareholders. **Our board unanimously recommends that you vote FOR the approval of the merger agreement**.

The proxy statement attached to this letter provides you with information about the proposed merger and the special meeting. I encourage you to read the entire proxy statement carefully. You may also obtain additional information about Vital Signs from documents filed with the U.S. Securities and Exchange Commission.

Your vote is very important. The merger cannot be completed unless the merger agreement is approved by the affirmative vote of a majority of the votes cast by the holders of shares entitled to vote thereon at the special meeting. Failing to vote on the merger agreement will have no effect on the approval of the merger agreement, assuming that a quorum is present.

On July 23, 2008, holders of 4,972,070 shares of our common stock, representing approximately 37% of our outstanding shares as of that date, excluding currently exercisable options held by such shareholders as well as shares held in the Company s 401(k) plan on behalf of such shareholders, agreed with GE, pursuant to a shareholder agreement, to approve the merger agreement. On August 21, 2008, I transferred 400,000 of those shares to the Vance Wall Foundation, a private charitable foundation, in accordance with the provisions of the shareholder agreement. Carol Vance Wall, in her capacity as the president of the Vance Wall Foundation, intends to vote such shares in favor of the merger agreement.

Whether or not you are able to attend the special meeting in person, please complete, sign and date the enclosed proxy card and return it in the envelope provided as soon as possible, or follow the instructions provided for submitting a proxy by telephone or the Internet. If you hold shares through a broker or other nominee, you should follow the procedures provided by your broker or nominee. These actions will not limit your right to vote in person if you wish to attend the special meeting and vote in person.

Thank you for your cooperation and your continued support of Vital Signs.

Sincerely,

TERRY D. WALL
President and Chief Executive Officer

Neither the U.S. Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosures in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated September 26, 2008 and is first being mailed to shareholders on or about September 29, 2008.

VITAL SIGNS, INC.
20 Campus Road
Totowa, New Jersey 07512

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON OCTOBER 29, 2008

To the Shareholders of Vital Signs, Inc.:

A special meeting of shareholders of Vital Signs, Inc., a New Jersey corporation, will be held at the offices of our counsel, Lowenstein Sandler PC, 65 Livingston Avenue, Roseland, New Jersey, on Wednesday, October 29, 2008, beginning at 10:00 A.M., local time, for the following purposes:

(1) To consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of July 23, 2008, by and among General Electric Company, Tonic Acquisition Corp and Vital Signs, Inc.

(2) To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Only shareholders of record of our common stock as of the close of business on September 15, 2008 are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting.

You are cordially invited to attend the meeting in person.

Your vote is important, regardless of the number of shares of our common stock you own. The merger cannot be completed unless the merger agreement is approved by the affirmative vote of a majority of the votes cast by the holders of shares entitled to vote thereon, assuming a quorum is present. Even if you plan to attend the meeting in person, we request that you complete, sign, date and return the enclosed proxy, or follow the instructions provided for submitting a proxy by telephone or the Internet, and thus ensure that your shares will be represented at the meeting if you are unable to attend. If you are a shareholder of record and attend the meeting and wish to vote in person, you may withdraw your proxy and vote in person.

If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote in favor of the approval of the merger agreement and in accordance with the recommendation of the board on any other matters properly brought before the meeting for a vote.

YOU MAY SUBMIT A PROXY FOR YOUR SHARES ELECTRONICALLY ON THE INTERNET, BY TELEPHONE OR BY SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD.

By Order of the Board of Directors,

Jay Sturm,
Secretary

Totowa, New Jersey
September 26, 2008

YOUR VOTE IS IMPORTANT.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED. GIVING YOUR PROXY NOW WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING.

SUMMARY OF PRINCIPAL TERMS

The following summary briefly describes the principal terms of the acquisition of Vital Signs, Inc. (Vital Signs) by General Electric Company (GE) through the merger of Tonic Acquisition Corp (Merger Sub), a wholly owned subsidiary of GE, with and into Vital Signs. While this summary describes the principal terms of the merger, the proxy statement contains a more detailed description of these terms. We encourage you to read this summary together with the enclosed proxy statement before voting. We have included in this summary section references to the proxy statement to direct you to a more complete description of the topics described in this summary.

GE is a diversified technology, media and financial services company whose products and services include aircraft engines, power generation, financial services, medical imaging, television programming and plastics. GE Healthcare, a division of GE, offers a broad range of products and services designed to improve productivity in healthcare and enhance patient care by enabling healthcare providers to better diagnose and treat cancer, heart disease, neurological diseases and other conditions. Headquartered in the United Kingdom, GE Healthcare is a $15 billion unit

of GE. Merger Sub is a wholly owned subsidiary of GE formed for the purpose of participating in the merger. Please read SUMMARY The Companies beginning on page 1.

If the merger is completed:

we will be wholly-owned by GE;

you will be entitled to receive a cash payment of $74.50, without interest and less applicable taxes, for each share of our common stock that you hold;

you will no longer participate in our growth or in any synergies resulting from the merger; and

we will no longer be a public company, and our common stock will no longer be quoted on The

NASDAQ Global Select Market.

Please read QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER beginning on page i, THE MERGER Reasons for the Merger and Recommendation of Our Board of Directors beginning on page 17 and THE MERGER Delisting and Deregistration of Vital Signs Common Stock beginning on page 24.

For the merger to occur, the merger agreement must be approved by the affirmative vote of a majority of the votes cast at the special meeting by the holders of shares entitled to vote thereon, assuming a quorum is present. As a result of an agreement among GE and our chief executive officer, Terry D. Wall, his wife, his adult children, his brother, his sister and the trustees of certain family trusts (each a Wall Family Shareholder and collectively, the Wall Family Shareholders), holders of approximately 37% of Vital Signs outstanding common stock have agreed to vote in favor of the merger agreement. Please read THE SPECIAL MEETING Vote Required beginning on page 11 and THE SHAREHOLDER AGREEMENT beginning on page 47.

If the merger agreement is terminated, under certain

circumstances, we will be required to pay a termination fee to GE in the amount of $30 million. Please read PROPOSAL 1 THE MERGER AGREEMENT Termination Fee beginning on page 44.

For U.S. federal income tax purposes, you will generally be treated as if you sold your common stock for the cash received in the merger. You will recognize taxable gain or loss equal to the difference between the amount of cash received and your adjusted tax basis in the shares of our common stock exchanged. Please read MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page 29.

A NOTE REGARDING VOTING

You may ensure that your shares are voted by completing and returning the enclosed proxy card, by submitting a proxy by telephone or the Internet, or by voting in person at the special meeting. Whether or not you plan to attend the meeting, please take the time to submit a proxy.

Your shares may be voted by one of the following methods:

- by traditional paper proxy card;
- by submitting a proxy on the telephone;
- by submitting a proxy via the Internet; or
- in person at the special meeting.

Please take a moment to read the instructions, choose the way to submit a proxy that you find most convenient and submit your proxy as soon as possible.

Submitting a Proxy Card. If the enclosed proxy card is properly executed and returned, the shares of common stock represented thereby will be voted in the manner specified therein. If not otherwise specified, the shares of common stock represented by executed proxy cards will be voted **FOR** approval of the merger agreement.

Any shareholder who has submitted a proxy may revoke it by written notice addressed to and received by the General Counsel of Vital Signs or by submitting a later dated proxy card with respect to the same shares at any time before the proxy is voted (or by submitting a later dated proxy by telephone or the Internet at any time prior to the deadline for submitting a proxy by telephone or via the Internet) or by attending the special meeting and voting in person. Merely attending the special meeting, without voting, will not revoke a previously submitted proxy.

Submitting a Proxy by Telephone or via the Internet. If you are a shareholder of record (that is, if your stock is registered with Vital Signs in your own name), you may submit a proxy by telephone, or through the Internet, by following the instructions included with your proxy card. If your shares are registered in the name of a broker or other nominee, your nominee may be participating in a program that allows you to submit a proxy by telephone or the Internet. If so, the voting form your nominee sent you will provide instructions for submitting your proxy by telephone or via the Internet. The last dated proxy you submit (by any means) will supersede any previously submitted proxy. Also, if you submit a proxy by telephone or the Internet, and later decide to attend the special meeting, you may revoke your previously submitted proxy and vote in person at the meeting.

The deadline for submitting a proxy by telephone or through the Internet as a shareholder of record is 11:59 P.M., EST, on October 28, 2008. For shareholders whose shares are registered in the name of a broker or other nominee, please consult the instructions provided by your broker for information about the deadline for submitting a proxy by telephone or through the Internet.

Voting in Person. If you attend the special meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

Attendance at the special meeting will not, by itself, result in the revocation of a previously submitted proxy. Even if you are planning to attend the special meeting, we encourage you to submit your proxy in advance to ensure the representation of your shares at the special meeting.

The presence, in person or by proxy, of the holders of record of a majority of the issued and outstanding shares of our common stock is necessary to constitute a quorum at the meeting. Votes of shareholders of record who are present at the meeting in person or by proxy, as well as abstentions, are counted as present or represented at the meeting for purposes of determining whether a quorum exists.

If you hold your shares of Vital Signs common stock through a broker, bank or other representative, generally the broker or your representative may only vote the Vital Signs stock that it holds for you in accordance with your instructions. Your broker or representative will not have discretionary authority with respect to your vote on the merger agreement. **If you have instructed a broker, banker or other representative to vote your shares, the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by your broker to change your vote.**

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are provided for your convenience, and briefly address some commonly asked questions about the proposed merger and the special meeting. You should still carefully read this entire proxy statement, including each of the annexes. In this proxy statement, the terms Vital Signs, Company, we, our, ours, and us refer to Vital Signs, Inc. and its subsidiaries, the term GE refers to General Electric Company, and the term Merger Sub refers to Tonic Acquisition Corp.

The Special Meeting

Q. Who is soliciting my proxy?

A. This proxy is being solicited by our board.

Q. What matters will be voted on at the special meeting?

A. You will be asked to vote on the following proposals:

to approve the merger agreement; and

to act on other matters and transact such other business as may properly come before the meeting.

Q. How does Vital Signs board of directors recommend that I vote on the proposals?

A. Our board recommends that you vote in favor of the proposal to approve the merger agreement.

Q. What vote is required for Vital Signs shareholders to approve the merger agreement?

A. In order to approve the merger agreement, the agreement must be approved by the affirmative vote of a majority of the votes cast at the special meeting by the holders of shares entitled to vote thereon, assuming that a quorum is present. On July 23, 2008, holders of 4,972,070 shares of our common stock, representing approximately 37% of our outstanding

shares as of that date, excluding currently exercisable options held by such shareholders as well as shares held in the Company s 401(k) plan on behalf of such shareholders, agreed with GE, pursuant to a shareholder agreement, to approve the merger agreement. On August 21, 2008, Terry Wall transferred 400,000 of those shares to the Vance Wall Foundation, a private charitable foundation, in accordance with the provisions of the shareholder agreement. Carol Vance Wall, in her capacity as the president of the Vance Wall Foundation, intends to vote such shares in favor of the merger agreement. Our current directors and executive officers, including Terry

Wall, own approximately 19.5% of Vital Signs outstanding common stock.

Q. Who is entitled to vote at the special meeting?

A. Holders of record of our common stock as of the close of business on September 15, 2008, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting. On the record date, 13,298,615 shares of our common stock, held by approximately 225 holders of record, were outstanding and entitled to vote. You may vote all shares you owned as of the record date. You are entitled to one vote per share.

Q. What should I do now?

A. After carefully reading and considering the information contained in this proxy

statement, including the annexes hereto, please vote your shares by returning the enclosed proxy card. Alternatively, you may follow the instructions on the proxy card to submit your proxy by telephone or via the Internet. You may also attend the special meeting and vote in person. Please do NOT enclose or return your stock certificate(s) with your proxy.

Q. If my shares are held in street name by my broker, will my broker vote my shares for me?

A. Your broker will only be permitted to vote your shares on the approval of the merger agreement if you instruct your broker how to vote. You should follow the procedures provided

by your broker regarding the voting of your shares. If you do not instruct your broker to vote your shares on the approval of the merger agreement, your shares will not be voted.

Q. How are votes counted?

A. For the proposal to approve the merger agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions and broker non-votes will not count as votes cast on the proposal to approve the merger agreement, but abstentions will count for the purpose of determining whether a quorum is present. Thus, assuming a quorum is present, abstentions and broker non-votes will have no effect on the outcome of the voting with respect to the merger agreement.

If you sign your proxy card without indicating your vote, your shares will be voted FOR the approval of the merger agreement and in accordance with the recommendations of our board on any other matters properly brought before the meeting for a vote.

Q. When should I send in my proxy card?

A. You should send in your proxy card as soon as possible so that your shares will be voted at the special meeting.

Q. What does it mean if I get more than one proxy or vote instruction card?

A. If your shares are registered differently and are in more than one account, you will receive more than one proxy card. Please complete and return all of the proxy and vote instruction cards you receive (or submit your proxy by telephone or the Internet, if available to you) to ensure that all of your shares are voted.

Q. May I change my vote after I have mailed my signed proxy card?

A. Yes. You may revoke your proxy and change your vote at any time before your proxy card is voted at the special meeting. You may do this in one of three ways. First, you may send a written, dated notice to Jay Sturm, the Company s General Counsel, stating that you would like to revoke your proxy. Second, you may complete, date and submit a new proxy card (or you may submit a later dated proxy by telephone or via the Internet). Third, you may attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions.

Q. May I vote in person?

A. Yes. You may attend the special meeting and vote your shares of common stock in person. If you hold shares in street name, you must provide a legal proxy executed by your bank or broker

in order to vote your shares at the special meeting.

The Merger

Q. What is the proposed transaction?

A. The proposed transaction is the acquisition of Vital Signs by GE, pursuant to an agreement and plan of merger, dated as of July 23, 2008, by and among us, GE and its wholly owned subsidiary, Merger Sub. In the merger, Merger Sub will merge with and into us, and we will be the surviving corporation. When the merger is completed, we will cease to be a publicly traded company and will instead become a wholly owned subsidiary of GE.

Q. If the merger is completed, what will I be entitled to receive for my shares of Vital Signs common stock and when will I receive it?

A. Upon completion of the merger, you will be entitled to receive $74.50 in cash, without interest, for each share of our common stock that you own. For example, if you own 100 shares of our common stock, you will be entitled to receive $7,450 in cash, without interest, in exchange for your Vital Signs shares.

After the merger closes, GE will arrange for a letter of transmittal to be sent to each of our shareholders. The merger consideration will be paid to each shareholder once that shareholder submits the letter of transmittal, properly endorsed stock certificates and any other required documentation to the paying agent identified in the letter of transmittal.

Q. If the merger is completed, what will happen to options to purchase Vital Signs common stock?

A. Upon consummation of the merger, all options to acquire shares of our common stock not exercised prior to the merger will be cancelled and, to the extent you hold options, you will be entitled to receive a cash payment equal to the amount by which $74.50 exceeds the exercise price for each share of our common stock underlying your options.

Q. Am I entitled to dissenters rights?

A. No. Under New Jersey law, the Company s shareholders do not have dissenters (or appraisal) rights.

Q. Why is the Vital Signs board recommending the merger?

A. Our board believes that the merger and the merger agreement are fair to Vital Signs and its shareholders, advisable and in the best interests of Vital Signs and its shareholders. Our board unanimously recommends that you vote FOR the approval of the merger agreement. To review our board s reasons for recommending the merger, see the section entitled THE MERGER Reasons for the Merger and Recommendation of Our Board of Directors on pages 17 through 19 of this proxy statement.

Q. Will the merger be a taxable transaction to me?

A. If you are a U.S. holder of Vital Signs common stock, the merger will be a taxable transaction to you. For U.S. federal income tax purposes, your receipt of cash in exchange for your shares of Vital Signs common stock generally will cause you to recognize a gain or loss measured by the difference, if any, between the cash you receive in the merger and your adjusted tax basis in your shares. If you are a non-U.S. holder of our common stock, the merger will generally not be a taxable transaction to you under U.S. federal income tax laws unless you have certain connections to the United States. See the section entitled MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES on pages 29 through 31 of this proxy statement for a more detailed explanation of the tax consequences of the merger. **You should consult your tax advisor on how specific tax consequences of the merger, including the federal, state, local and/or non-U.S. tax consequences, apply to you**.

Q. When is the merger expected to be completed?

A. We are working towards completing the merger as soon as possible. We currently expect to complete the merger as soon as all of the conditions to the merger are satisfied or waived, including shareholder approval of the merger agreement at the special meeting, expiration or termination of the waiting period under U.S. antitrust law and receipt of all applicable foreign antitrust approvals. We and GE filed pre-merger notifications with the U.S. antitrust authorities pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act, on August 11, 2008 and August 12, 2008, respectively. The waiting period under the HSR Act expired on September 11, 2008. We and GE have also made antitrust filings in Austria, Brazil, Germany, Bulgaria and Italy. We expect to receive all necessary foreign regulatory approvals during the fourth calendar quarter of this year.

Q. Should I send in my Vital Signs stock certificates now?

A. No. Shortly after the merger is completed, you will receive a letter of transmittal from the paying agent with written instructions for exchanging your Vital Signs stock certificates. You must return your Vital Signs stock certificates as described in the instructions. You will receive your cash payment as soon as practicable after the paying agent receives your Vital Signs stock

certificates and any completed documents required in the instructions. PLEASE DO NOT SEND YOUR VITAL SIGNS STOCK CERTIFICATES NOW.

Q. What will happen to our directors if the merger agreement is approved?

A. If the merger agreement is approved by our shareholders and the merger is completed, our directors will no longer be directors of the surviving corporation after the consummation of the merger. Our current directors will serve only until the merger is completed.

Q. What should I do if I have questions?

A. If you have more questions about the special meeting, the merger or this proxy statement, or would like additional copies of this proxy statement or the proxy card, you should contact The Altman Group, our proxy solicitor, toll-free at 866-530-8631.

SUMMARY

This summary highlights selected information from this proxy statement. It does not contain all of the information that is important to you. Accordingly, we urge you to read carefully this entire proxy statement and the annexes to this proxy statement.

The Companies

VITAL SIGNS, INC.
20 Campus Road
Totowa, New Jersey 07512
(973) 790-1330

Vital Signs, Inc., a corporation organized under the laws of the State of New Jersey, designs, manufactures, and markets primarily single-patient-use medical products for the anesthesia and respiratory/critical care markets. Vital Signs also provides devices and services for the diagnosis and treatment of obstructive sleep apnea. Our common stock is quoted on The NASDAQ Global Select Market under the symbol VITL.

GENERAL ELECTRIC COMPANY
TONIC ACQUISITION CORP
3135 Easton Turnpike
Fairfield, Connecticut 06828
(203) 373-2211

General Electric Company, a corporation organized under the laws of the State of New York, is a diversified technology, media and financial services company whose products and services include aircraft engines, power generation, financial services, medical imaging, television programming and plastics.

GE Healthcare, a division of GE, offers a broad range of products and services designed to improve productivity in healthcare and enhance patient care by enabling healthcare providers to better diagnose and treat cancer, heart disease, neurological diseases and other conditions.

Tonic Acquisition Corp, a corporation organized under the laws of the State of New Jersey, is a wholly owned subsidiary of GE and was formed exclusively for the purpose of effecting the merger. This is the only business of Merger Sub.

The Merger (page 13)

Upon the terms and subject to the conditions of the merger agreement, Merger Sub will be merged with and into Vital Signs, and each holder of shares of our common stock will be entitled to receive, upon surrender of his or her stock certificate(s), $74.50 in cash, without interest, for each share of our common stock held immediately prior to the merger. As a result of the merger, we will cease to be a publicly traded company and will become a wholly owned subsidiary of GE.

The merger agreement is attached as Annex A to this proxy statement. Please read it carefully.

The Special Meeting (page 11)

The special meeting will be held on Wednesday, October 29, 2008, starting at 10:00 A.M., local time at the offices of our counsel, Lowenstein Sandler PC, 65 Livingston Avenue, Roseland, New Jersey. At the special meeting, you will be asked to consider and vote upon a proposal to approve the merger agreement and transact such other business as

may properly come before the meeting.

Record Date (page 11)

If you owned shares of our common stock at the close of business on September 15, 2008, the record date for the special meeting, you are entitled to notice of and to vote at the special meeting. You have one vote for each share of our common stock that you own on the record date. As of the close of

business on September 15, 2008, there were 13,298,615 shares of our common stock outstanding and entitled to be voted at the special meeting.

Vote Required (page 11)

Approval of the merger agreement requires the affirmative vote of a majority of the votes cast at the special meeting by the holders of shares entitled to vote thereon.

Voting (page 12)

You may grant a proxy by completing and returning the enclosed proxy card. If you hold your shares through a broker or other nominee, you should follow the procedures provided by your broker or nominee.

Submitting Proxies Via the Internet or by Telephone (page 12)

Shareholders of record and many shareholders who hold their shares through a broker or bank will have the option to submit their proxies or voting instructions via the Internet or by telephone.

Revocability of Proxies (page 13)

You may revoke your proxy at any time before it is voted. If you have not submitted a proxy through your broker or nominee, you may revoke your proxy by:

giving written notice of revocation to Jay Sturm, General Counsel of Vital Signs;

submitting another properly completed proxy by telephone, the Internet or mail bearing a later date; or

voting in person at the special

meeting.

Simply attending the special meeting will not constitute revocation of your proxy. If your shares are held in street name, you should follow the instructions of your broker or nominee regarding revocation of proxies.

Shareholder Agreement (pages 11 and 47)

At GE s request, our chief executive officer, Terry D. Wall, his wife, his adult children, his brother, his sister and the trustees of certain family trusts (each a Wall Family Shareholder and collectively, the Wall Family Shareholders) entered into a shareholder agreement dated as of July 23, 2008, a copy of which is attached as Annex B to this proxy statement. Pursuant to the shareholder agreement, each Wall Family Shareholder has agreed, among other things:

to vote his, her or its shares in favor of the merger, the approval of the merger agreement and the other transactions contemplated by the merger agreement;

to vote his, her or its shares against (i) a merger agreement with another party and certain other alternative transactions, which the shareholder agreement refers to as alternative transactions, and (ii) any amendment of our certificate of incorporation or bylaws or other proposal or transaction

involving us or our subsidiaries that would in any manner impede, frustrate, prevent or nullify the merger, the merger agreement or any of the other transactions contemplated by the merger agreement or change in any manner the voting rights of any class of our common stock; and

to not directly or indirectly take any action to facilitate an alternative transaction.

As of July 23, 2008, the individuals and trusts signing the shareholder agreement owned 4,972,070 shares of our common stock, representing approximately 37% of our outstanding shares as of that date, excluding currently exercisable options as well as shares held in our 401(k) plan.

The shareholder agreement restricts the Wall Family Shareholders ability to transfer their shares, except that Terry Wall and his wife, Carol Vance Wall, are permitted to transfer, without restriction, up to 400,000 shares of our common stock to the Vance Wall Foundation, a private charitable foundation,

during the term of the shareholder agreement. Terry Wall transferred 400,000 shares to the Vance Wall Foundation on August 21, 2008. Carol Vance Wall, in her capacity as the president of the Vance Wall Foundation, intends to vote such shares in favor of the merger agreement.

The shareholder agreement terminates upon the earliest of:

- the consummation of the merger;
- the termination of the merger agreement in accordance with its terms; or
- the amendment or modification of the merger agreement in such a manner that the per share consideration is reduced below $74.50 or is changed to a form other than cash.

Recommendation of Our Board of Directors (page 17)

After careful consideration, our board has determined that the merger agreement and the merger are advisable, fair to and in the best interests of Vital Signs and its shareholders. Accordingly, our board has unanimously adopted the merger agreement and unanimously recommends that you vote FOR the approval of the merger agreement. For a description of the factors considered by our board of directors in reaching its decision to approve the merger agreement and recommend its adoption, see THE MERGER Reasons for the Merger and Recommendation of Our Board of Directors on pages 17 through 19.

Opinion of JPMorgan Securities Inc. (page 19)

In connection with the merger, J.P. Morgan Securities Inc. (JPMorgan), financial advisor to Vital Signs, delivered a written opinion, dated July 23, 2008, to our board as to the fairness (as of the date of such opinion), from a financial point of view, of the merger consideration to the holders of our common stock. The full text of JPMorgan s written opinion is attached as Annex C to this proxy statement. We encourage you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the scope of review undertaken. JPMorgan s opinion was provided to our board in connection with its evaluation of the merger consideration, does not address any other aspect of the proposed merger and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to any matters relating to the merger. For a description of the factors considered by JPMorgan in evaluating the fairness of the merger consideration, see THE

MERGER Opinion of JPMorgan Securities Inc. on pages 19 through 23.

JPMorgan s opinion is addressed to the Company s board of directors and is directed only to the fairness, from a financial point of view, of the merger consideration of $74.50 in cash per share to be received by holders of the Company s common stock and does not address any other aspect of the merger. The opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available with respect to the Company or the Company s underlying business decision to effect the merger. The opinion does not constitute a recommendation to any shareholder as to how to vote or act with respect to the merger.

Conditions to the Merger (page 41)

Our and GE s and Merger Sub s obligations to effect the merger are subject to the satisfaction (or waiver, if permissible under applicable law) of the following conditions:

our shareholders must have approved the merger agreement;

the waiting period applicable to consummation of the merger under the Hart Scott Rodino Antitrust Improvements Act must have expired or been terminated and the applicable filings, approvals or expiration or termination of any applicable waiting periods under applicable foreign antitrust or trade regulation laws must have been made, obtained,

expired or terminated; and

the absence of any order, executive order, stay, decree, judgment or injunction (preliminary or permanent), statute, law, rule or regulation enacted, issued, promulgated, enforced, obtained or

entered by a governmental entity making the merger illegal or otherwise prohibiting consummation of the merger.

In addition, our obligation to effect the merger is subject to the satisfaction or waiver of the following conditions:

the representations and warranties of GE and Merger Sub in the merger agreement must be true and correct as of the closing date of the merger (or as of a particular date, in the case of representations and warranties that are made as of a particular date) except where the failure to be true and correct, without giving effect to any materiality qualifications, individually or in the aggregate, would not reasonably be expected to prevent or materially delay or materially impair the ability of GE or Merger Sub to

consummate the transactions contemplated by the merger agreement; and

GE and Merger Sub must have performed, in all material respects, all obligations required to be performed by them under the merger agreement.

In addition, the obligations of GE and Merger Sub to effect the merger are subject to the satisfaction or waiver of the following conditions:

our representations and warranties (i) regarding our capitalization must be true and correct except for immaterial numerical inaccuracies, (ii) regarding the absence of a Company Material Adverse Effect since September 30, 2007 must be true and correct, (iii) regarding our authority to enter into the merger agreement, our required filings and consents and the absence

of conflicts must be true and correct in all material respects and (iv) regarding all other matters must be true and correct as of the closing date of the merger (or as of a particular date, in the case of representations and warranties that are made as of a particular date) except to the extent the failure of such representations and warranties to be true and correct, individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect (as defined in the merger agreement);

we must have performed, in all material respects, all obligations required to be performed by us under the merger

agreement;

the absence of any instituted, pending or threatened action, investigation, litigation or proceeding by a governmental entity which seeks to:

restrain, enjoin, prevent, prohibit or make illegal the consummation of the merger;

impose limitations on the ability of GE or its affiliates to vote, transfer, receive dividends with respect to or otherwise exercise full ownership rights with respect to the stock of Vital Signs after the merger is complete;

restrain, enjoin, prevent, prohibit or make illegal, or impose material limitations on, GE s or any of

its affiliates ownership or operation of all or any material portion of our and our subsidiaries businesses and assets, taken as a whole; or

as a result of the transactions contemplated by the merger agreement, compel GE or any of its affiliates to dispose of or hold separate any material portion of our or our subsidiaries businesses or assets, taken as a whole, or of GE and its subsidiaries, taken as a whole;

there must not have occurred any Company Material Adverse Effect since July 23, 2008; and

with respect to our reports filed with the U.S. Securities and Exchange Commission after July 23, 2008, our chief executive

officer and our chief financial officer must have provided all necessary certifications required under the Sarbanes-Oxley Act of 2002 in the form required under the Sarbanes-Oxley Act of 2002 and as previously filed by us.

Termination (page 42)

The merger agreement may be terminated at any time prior to the effective time of the merger:

- by the mutual written consent of us, GE and Merger Sub;
- by either us or GE, if:

the merger has
not been
consummated
by January 23,
2009 (the
Outside Date),
provided that
this right to
terminate is not
available to any
party whose
failure to fulfill
any obligation
under the
merger
agreement has
been a principal
cause of the
failure of the
merger to occur
on or before
January 23,
2009; provided
further that the
Outside Date
shall be
extended to July
23, 2009 if the
merger has not
been
consummated
by January 23,
2009 because
the waiting
period
applicable to
consummation
of the merger
under the HSR
Act has not
expired or been
terminated or
the applicable
filings,
approvals or
expiration or
termination of
any applicable
waiting periods
under applicable

foreign antitrust or trade regulation laws have not been made, obtained or expired, or terminated, and we elect to extend the Outside Date to July 23, 2009; provided further that if the merger shall not be consummated by the Outside Date (or by July 23, 2009 if extended as provided above) because we fail to perform, in all material respects, our obligations under the merger agreement, and such failure is first disclosed by us to GE or first identified by GE to us, less than ninety days prior to January 23, 2009 (or less than ninety days prior to July 23, 2009 if the Outside Date is extended as provided above), then the Outside Date may be extended ninety days from such disclosure if we elect to do so;

we become subject to any final and nonappealable order, executive order, stay, decree, judgment or injunction, or regulation that would have the effect of making the merger illegal or otherwise prohibiting consummation of the merger, unless such governmental action was primarily due to a breach or failure of the party seeking to terminate the merger agreement to perform any of its representations, warranties, or agreements under the merger agreement; or

the required vote of our shareholders to approve the merger agreement is not obtained at the meeting of our shareholders where such vote is taken;

by GE, if:

our board had not included in this proxy statement its recommendation (set forth on page 19) that our shareholders vote in favor of approval of the merger agreement, or our board withdraws or modifies that recommendation in a manner adverse to GE;

our board approves or recommends to our shareholders an acquisition proposal by any party other than GE;

our board fails to reject and recommend against any such acquisition proposal within ten business days of the making of such proposal (including by taking no position with respect to acceptance of a tender offer or exchange offer by our shareholders);

in response to an acquisition proposal or announcement of an intention to make an acquisition proposal that is in the public domain, our board fails to publicly reconfirm its recommendation that our shareholders vote in favor of approval of the merger agreement within five business days after receipt of a written request from GE that it do so;

we breach our obligations under the merger agreement to prepare, file and take certain other actions with respect to this proxy statement or we breach our obligation to call and hold as promptly as possible our special meeting of shareholders, in each case in such a manner as would reasonably be expected to delay the date of our special meeting of shareholders, provided that we

fail to cure the breach after notice;

we enter into an acquisition agreement with a party other than GE;

we breach any representation or warranty in the merger agreement or any representation or warranty becomes untrue, subject to limited exceptions, unless such breach or failure to perform is curable by the Outside Date through our reasonable best efforts and we continue to exercise diligently such reasonable efforts;

we breach or fail to perform any of our obligations in the merger agreement in a material respect, unless such breach or failure to perform is curable by the Outside Date through our reasonable best efforts and we continue to exercise diligently such

reasonable best
efforts; or

any order, executive order, stay, decree, judgment or injunction or statute, law, rule or regulation has been enacted, issued, promulgated, enforced, obtained or entered by a governmental entity of competent jurisdiction, becomes final and nonappealable and has the effect of granting or implementing any of the following types of relief:

imposing limitations on the ability of GE or its affiliates to vote, transfer, receive dividends with respect to or otherwise exercise full rights of ownership with respect to the stock of Vital Signs after the merger is complete;

restraining, enjoining, preventing, prohibiting or making illegal, or imposing material limitations on, GE s or any of its affiliates ownership or operation of all or any material portion of our and our subsidiaries businesses and assets, taken as a whole; or

as a result of the transactions contemplated by the merger agreement, compelling GE or any of its affiliates to dispose of or hold separate any material portion of our or our subsidiaries businesses or assets, taken as a whole, or of GE and its subsidiaries businesses or assets, taken as a whole; or

by us,

if:

prior to the approval of the merger agreement by our shareholders, we enter into an alternative acquisition agreement providing for a superior proposal, provided that we have not breached the no solicitation provisions of the merger agreement and if we concurrently pay to GE the termination fee described below;

GE or Merger Sub breach any representation or warranty in the merger agreement or any representation or warranty becomes untrue, subject to limited exceptions, unless such breach is curable by the Outside Date through their reasonable best efforts and they

continue to exercise diligently such reasonable best efforts; or

GE or Merger Sub breach or fail to perform any of their obligations in the merger agreement in a material respect, unless such breach or failure to perform is curable by the Outside Date through their reasonable best efforts and they continue to exercise diligently such reasonable best efforts.

Termination Fee (page 44)

In general, all fees and expenses incurred by a party to the merger agreement will be paid by the party incurring such fees and expenses. However, if the merger agreement is terminated in certain circumstances described below, we will be required to pay to GE a termination fee of $30 million in cash.

The merger agreement obligates us to pay a termination fee to GE of $30 million in cash, if:

the merger agreement is terminated by us or GE and the following conditions are satisfied:

a third party has made an

acquisition proposal directly to our shareholders or publicly announced its intention to make an acquisition proposal or an acquisition proposal shall have otherwise become publicly known and, in each such case, such acquisition proposal is not withdrawn prior to such termination;

the merger has not been consummated by the Outside Date (and at the time of such termination the vote of our shareholders to approve the merger agreement has not been held) or the required vote of our shareholders to approve the merger agreement was not obtained at the meeting of our shareholders where such vote was taken; and

we enter into a definitive

agreement with respect to any acquisition proposal (defined for the purpose of this particular provision of the merger agreement to require a greater threshold than the threshold applicable to the non-solicitation provison of the merger agreement) or consummate such an acquisition proposal within 12 months after termination of the merger agreement; or

the merger agreement is terminated by GE under any of the following circumstances:

a third party has made an acquisition proposal directly to our shareholders or publicly announced its intention to make an acquisition proposal or an acquisition proposal shall have otherwise become publicly known, and, in each such case, such acquisition proposal is not withdrawn prior to such termination, and we have breached or failed to perform in any material respect any covenant or agreement set forth in the merger agreement, unless such breach or failure is curable by the Outside Date through the Company s reasonable best efforts and the Company continues to exercise diligently such reasonable best efforts, and we enter into a definitive agreement with respect to any

acquisition proposal (defined for the purpose of this particular provision of the merger agreement to require a greater threshold than the threshold applicable to the non-solicitation provision of the merger agreement) or consummate such an acquisition proposal within 12 months after termination of the merger agreement;

a third party has made an acquisition proposal directly to our shareholders or publicly announced its intention to make an acquisition proposal or an acquisition proposal shall have otherwise become publicly known, and, in each such case, such acquisition proposal is not withdrawn prior to such termination, and we breach our obligations under the merger agreement to prepare, file and

take certain other actions with respect to this proxy statement or we breach our obligation to call and hold as promptly as possible our special meeting of shareholders to obtain our shareholders approval of the merger agreement and effect the transactions contemplated by the merger agreement, provided that we do not cure such breach within 14 days following our receipt of written notice of the breach from GE, and we enter into a definitive agreement with respect to any acquisition proposal (defined for the purpose of this particular provision of the merger agreement to require a greater threshold than the threshold applicable to the non-solicitation provision of the merger agreement) or consummate such an acquisition proposal within

12 months after termination of the merger agreement;

our board had not included in this proxy statement its recommendation that our shareholders vote in favor of approval of the merger agreement, or our board withdraws or modifies that recommendation in a manner adverse to GE;

our board approves or recommends to our shareholders an acquisition proposal by any party other than GE;

our board fails to reject and recommend against any such acquisition proposal within ten business days of the making of the proposal (including by taking no position with respect to acceptance of a tender offer or exchange offer by our shareholders);

in response to an acquisition proposal or announcement of an intention to make an acquisition proposal that is in the public domain, our board fails to publicly reconfirm its recommendation that our shareholders vote in favor of approval of the merger agreement within five business days after receipt of a written request from GE that it do so;

we enter into an acquisition agreement with a party other than GE; or

the merger agreement is terminated by us prior to our shareholders approval of the merger agreement and we have entered into an alternative acquisition agreement providing for a superior proposal pursuant to

and in compliance with the no solicitation provisions of the merger agreement.

Regulatory Matters (page 28)

Under the provisions of the HSR Act, we and GE may not complete the merger until we have made certain filings with the Federal Trade Commission and the United States Department of Justice and the applicable waiting period has expired or been terminated. We and GE filed pre-merger notifications with the U.S. antitrust authorities pursuant to the HSR Act on August 11, 2008 and August 12, 2008, respectively, and the applicable waiting period expired on September 11, 2008.

We and GE made a competition filing in Brazil on August 29, 2008 and in Austria, Bulgaria, Germany and Italy on September 1, 2008.

Except as noted above with respect to the required filings under the HSR Act and competition filings in foreign jurisdictions, and the filing of a certificate of merger with the Department of the Treasury of the State of New Jersey at or before the effective date of the merger, we are unaware of any material federal, state or foreign regulatory requirements or approvals required for the execution of the merger agreement or completion of the merger.

Material U.S. Federal Income Tax Consequences (page 29)

If the merger is completed, the exchange of common stock by our shareholders for the cash merger consideration will be treated as a taxable transaction for federal income tax purposes under the Internal Revenue Code of 1986, as amended. Because of the complexities of the tax laws, we advise you to consult your own personal tax advisors concerning the applicable federal, state, local, foreign and other tax consequences of the merger.

Stock Options (page 32)

The merger agreement provides that at the effective time of the merger, each option to purchase shares of our common stock, including those options held by our directors and executive officers, will terminate in exchange for a payment, without interest, equal to the number of shares of our common stock subject to such option multiplied by the amount, if any, by which $74.50 exceeds the exercise price of the option.

We have agreed to terminate, at or before the effective time of the merger, our 2003 Investment Plan, 2002 Incentive Plan and any other stock option plans, employee stock purchase plans or other equity-related plans we may have in effect.

Interests of Certain Persons in the Merger (page 24)

Our directors and executive officers have interests in the merger that may be in addition to, or different from, the interests of our shareholders. The merger agreement provides that each holder of shares of our common stock, including our directors and executive officers, will be entitled to receive $74.50 in cash, without interest, for each share of our common stock held immediately prior to the merger. The merger agreement also provides that at the effective time of the merger, each option to purchase shares of our common stock, including those options held by our directors and executive officers, will terminate in exchange for a payment equal to the number of shares of our common stock subject to such option multiplied by the amount, if any, by which $74.50 exceeds the exercise price of the option. Also, our chief executive officer, Terry D. Wall, has entered into a consulting and advisory services agreement with Merger Sub that will become effective upon consummation of the merger. Other executive officers have received offer letters pertaining to their compensation for periods after the merger is consummated. Our directors and officers will continue to be indemnified for acts or omissions occurring at or prior to the effective time of the merger and will have the benefit of liability insurance for a period of not less than six years after completion of the merger.

No Solicitation (page 38)

We have agreed that we will not solicit, initiate, cause, knowingly encourage or knowingly facilitate any inquiry or any proposal or offer that is, or would reasonably be expected to lead to, an acquisition proposal by any party other than GE or to participate in discussions or furnish information for the purpose of knowingly encouraging or knowingly facilitating an acquisition proposal. However, prior to the approval of the merger agreement by our shareholders, if we determine that an unsolicited written acquisition proposal constitutes or would be reasonably likely to result in a superior proposal and we give GE two business days prior written notice of our intention to do so, we may provide information to and engage in discussions and negotiations with the person making such proposal if our board determines in good faith that the failure to do so would be inconsistent with its fiduciary duties, provided that such person has entered into a confidentiality agreement no less restrictive of such other person than our confidentiality agreement with GE, and which does not include any provision calling for an exclusive right to

negotiate with us or precluding compliance by us with the merger agreement.

We have agreed to keep GE informed of the status and the material terms and conditions of any such proposal. In addition, prior to the approval of the merger agreement by our shareholders, if our board determines in good faith that the failure to do so would be inconsistent with its fiduciary duties, we may, through our outside counsel, contact and engage in discussions with any person or group who has made an unsolicited written acquisition proposal solely for the purpose of clarifying such proposal and any material terms thereof and the conditions to consummation so as to enable our board to determine whether there is a reasonable possibility that such acquisition proposal could lead to a superior proposal provided that we inform GE in advance of our intentions to do so.

Furthermore, our board may not withhold, withdraw or modify (or propose publicly to withhold, withdraw or modify) in a manner adverse to GE its recommendation of the merger to our shareholders or approve or recommend (or propose publicly to approve or recommend) or cause or permit us or our subsidiaries to enter into an alternative acquisition agreement, or approve or recommend (or propose publicly to approve or recommend) an acquisition proposal. However, our board may withhold, withdraw or modify its recommendation of the merger to our shareholders if our board determines in good faith, after considering applicable New Jersey law and after consultation with outside counsel, that the failure to do so would be inconsistent with its fiduciary obligations under New Jersey law. In addition, if we receive a written proposal that was not principally caused by a breach of our obligation not to solicit acquisition proposals and that the board determines in good faith constitutes a superior proposal, we may, at any time before our shareholders approve the merger agreement, enter into an alternative acquisition agreement and concurrently with entering into such alternative acquisition agreement, terminate the merger agreement pursuant to its terms if:

our board provides four business days prior written notice to GE that it is prepared to enter into an alternative acquisition agreement with respect to such superior proposal and terminate the merger agreement; and

during the four business day notice period described above, we and our representatives have been reasonably available to GE and its

representatives to negotiate any adjustments to the terms of the merger agreement proposed by GE as would enable GE to proceed with the transactions contemplated by the merger agreement and, at the end of such period, after taking into account any such adjusted terms, our board again in good faith makes the determination that the third party s proposal constitutes a superior proposal.

In addition, in the event of any such termination of the merger agreement, we must pay a $30 million termination fee to GE concurrently with and as a condition of such termination.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements about our plans, objectives, expectations and intentions. Forward-looking statements include information concerning possible or assumed future results of operations of our company, the expected completion and timing of the merger and other information relating to the merger. You can identify these statements by words such as expect, anticipate, intend, plan, believe, seek, estimate, may, will and continue or similar words. You should that contain these words carefully. They discuss our future expectations or state other forward-looking information, and may involve known and unknown risks over which we have no control, including, without limitation,

- the satisfaction of the conditions to consummate the merger, including the approval of the merger agreement by our shareholders;
- receipt of necessary approvals under applicable antitrust laws and from other relevant regulatory authorities;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement;
- the outcome of any legal proceeding that may be instituted against us and

others following the announcement of the merger agreement;

the amount of the costs, fees, expenses and charges related to the merger;

the effect of the announcement of the merger on our customer relationships, operating results and business generally, including the ability to retain key employees;

and other risks detailed in our current filings with the U.S. Securities and Exchange Commission, including our most recent filings on Forms 10-Q and 10-K. See WHERE YOU CAN FIND MORE INFORMATION on page 51 of this proxy statement. You should not place undue reliance on forward-looking statements. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent our views as of the date of this proxy statement, and you should not assume that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

THE SPECIAL MEETING

We are furnishing this proxy statement to you, as a shareholder of Vital Signs, as part of the solicitation of proxies by our board for use at the special meeting of shareholders.

Date, Time, Place and Purpose of the Special Meeting

The special meeting will be held at the offices of our counsel, Lowenstein Sandler PC, 65 Livingston Avenue, Roseland, New Jersey, on Wednesday, October 29, 2008, at 10:00 A.M., local time. The purpose of the special meeting is:

- To consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of July 23, 2008, by and among GE, Merger Sub and Vital Signs.
- To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Recommendation of Our Board of Directors

Our board has, by unanimous vote, determined that the merger agreement and the merger are advisable, fair to and in the best interests of Vital Signs and its shareholders, and has adopted the merger agreement. Our board unanimously recommends that our shareholders vote FOR approval of the merger agreement.

Record Date; Stock Entitled to Vote; Quorum

The holders of record of shares of our common stock as of the close of business on September 15, 2008, which is the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting.

On the record date, there were 13,298,615 shares of our common stock outstanding held by approximately 225 shareholders of record. Holders of a majority of the shares of our common stock issued and outstanding as of the record date and entitled to vote at the special meeting must be present in person or represented by proxy at the special

meeting to constitute a quorum to transact business at the special meeting. Both abstentions and broker non-votes will be counted as present for purposes of determining the existence of a quorum.

Vote Required

Approval of the merger agreement requires the affirmative vote of a majority of the votes cast by the holders of shares of our common stock outstanding on the record date and entitled to vote thereon.

Each holder of a share of our common stock is entitled to one vote per share.

Brokers or other nominees who hold shares of our common stock in street name for customers who are the beneficial owners of such shares may not give a proxy to vote those customers shares in the absence of specific instructions from those customers. These non-voted shares of our common stock, referred to as broker non-votes, will not be counted as votes cast or shares voting and, assuming a quorum is present, will not affect the outcome of the vote regarding the proposal to approve the merger agreement.

Shareholder Agreement

At GE s request, the Company s chief executive officer, Terry D. Wall, his wife, his adult children, his brother, his sister and the trustees of certain family trusts (each a Wall Family Shareholder and collectively, the Wall Family Shareholders) entered into a shareholder agreement dated as of July 23, 2008, a copy of which is attached as Annex B to this proxy statement. Pursuant to the shareholder agreement, each Wall Family Shareholder has agreed, among other things:

to vote his, her or its shares in favor of the merger, the approval of the merger agreement and the other transactions contemplated by the merger agreement;

to vote his, her or its shares against (i) a merger agreement with another party and certain other alternative transactions, which the shareholder agreement refers to as alternative transactions, and (ii) any amendment of our certificate of incorporation or bylaws or other proposal or transaction involving us or our subsidiaries that would in any manner impede, frustrate, prevent or nullify the merger, the merger agreement or any of the other transactions contemplated by the merger agreement or change in any manner the voting rights of any class of our common stock; and

to not directly or indirectly take any action to facilitate an alternative transaction.

The shareholder agreement automatically terminates upon the earliest to occur of (i) the effective time of the merger, (ii) the termination of the merger agreement in accordance with its terms or (iii) any amendment or other modification of the merger agreement that reduces the amount of the merger consideration below $74.50 per share or provides that the merger consideration shall be payable otherwise than in cash.

The shareholder agreement restricts the Wall Family Shareholders ability to transfer their shares, except that Terry Wall and his wife, Carol Vance Wall, are permitted to transfer, without restriction, up to 400,000 shares to the Vance Wall Foundation, a private charitable foundation, during the term of the shareholder agreement. Terry Wall transferred 400,000 shares to the Vance Wall Foundation on August 21, 2008. Carol Vance Wall, in her capacity as the president of the Vance Wall Foundation, intends to vote such shares in favor of the merger agreement.

Voting

Shareholders may vote their shares by attending the special meeting and voting their shares of our common stock in person, by completing the enclosed proxy card, signing and dating it and mailing it in the enclosed postage-prepaid envelope or by submitting proxies by means of the Internet or telephone as described below. All shares of our common stock represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the holder. If a written proxy card is signed by a shareholder and returned without instructions, the shares of our common stock represented by the proxy will be voted FOR approval of the merger agreement.

Shareholders who have questions or requests for assistance in completing and submitting proxy cards should contact The Altman Group, our proxy solicitor, toll-free at 866-530-8631.

Shareholders who hold their shares of Vital Signs common stock in street name, meaning in the name of a bank, broker or other person who is the record holder, must either direct the record holder of their shares of our common stock how to vote their shares or obtain a legal proxy from the record holder to vote their shares at the special meeting.

Submitting Proxies Via the Internet or by Telephone

Shareholders of record and many shareholders who hold their shares through a broker or bank will have the option to submit their proxies or voting instructions via the Internet or by telephone. There are separate arrangements for using the Internet and telephone to submit your proxy depending on whether you are a shareholder of record or your shares are held in street name by your broker. If your shares are held in street name, you should check the voting instruction card provided by your broker to see which options are available and the procedures to be followed.

In addition to submitting the enclosed proxy card by mail, Vital Signs shareholders of record may submit their proxies:

via the Internet, by visiting a website established for that

purpose at www.voteproxy.com and following the instructions on the website; or

by telephone, by calling the toll-free number 1-800-776-9437 on a touch-tone telephone and following the recorded instructions.

Revocability of Proxies

You can revoke your proxy at any time before it is voted at the special meeting by:

- giving written notice of revocation to Jay Sturm, General Counsel to Vital Signs;
- submitting another properly completed proxy by telephone, the Internet or mail bearing a later date; or
- voting in person at the special meeting.

If your shares of our common stock are held in the name of a bank, broker, trustee or other holder of record, you must follow the instructions of your broker or other holder of record to revoke a previously given proxy.

Solicitation of Proxies

In addition to solicitation by mail, our directors, officers and employees may solicit proxies by telephone, other electronic means or in person. These people will not receive any additional compensation for their services, but we will reimburse them for their out-of-pocket expenses. We will reimburse banks, brokers, nominees, custodians and fiduciaries for their reasonable expenses in forwarding copies of this proxy statement to the beneficial owners of shares of our common stock and in obtaining voting instructions from those owners. We will pay the costs of this proxy solicitation, including all expenses of filing, printing and mailing this proxy statement.

We have retained The Altman Group to assist in the solicitation of proxies by mail, telephone or other electronic means, or in person, for a fee of approximately $8,000 plus expenses relating to the solicitation.

Other Business

We are not currently aware of any business to be acted upon at the special meeting other than the matters discussed in this proxy statement. Under New Jersey law, business transacted at the special meeting is limited to matters specifically designated in the notice of special meeting, which is provided at the beginning of this proxy statement. If other matters do properly come before the special meeting, we intend that shares of our common stock represented by properly submitted proxies will be voted by and at the discretion of the persons named as proxies on the proxy card. We are not aware of any such other matters as of the date of this proxy statement.

In addition, the grant of a proxy will confer discretionary authority on the persons named as proxies on the proxy card to vote in accordance with their best judgment on procedural matters incident to the conduct of the special meeting. Any adjournment or postponement may be made without notice by an announcement made at the special meeting. If the persons named as proxies on the proxy card are asked to vote for one or more adjournments or postponements of the meeting for matters incidental to the conduct of the meeting, such persons will have the authority to vote in their discretion on such matters.

THE MERGER

This discussion of the merger is qualified by reference to the merger agreement, which is attached to this proxy statement as Annex A. You should read the entire merger agreement carefully as it is the legal document that governs the merger.

Background of the Merger

Our board of directors on several occasions over the past several years has discussed various strategic alternatives for Vital Signs. Terry Wall (our Chief Executive Officer) is responsible on an ongoing basis for developing, pursuing and presenting to the board strategic priorities for our business that reflect evolution in the markets in which we operate with a view to maximizing long term shareholder value.

In that regard, during the summer of 2007, we explored the possibility of expanding our footprint in ventilation by growing our Breas subsidiary through an acquisition. We had extensive negotiations with one prospective seller and made several offers to purchase the seller s company. By late November, we determined that that transaction was not feasible but that GE Healthcare, a division of GE, might have an interest in acquiring Breas. As a result, we contacted GE and had a brief telephone conversation to discuss the possibility of a sale of Breas to GE.

Through follow-up telephone calls in December 2007 and January 2008 between John Easom (our Executive Vice President - Global Business Development & International Operations) and Geoffrey Martha, a Business Development Director with GE Healthcare, Mr. Martha communicated to us that GE would be interested in discussing the possibility of purchasing our entire company. In order to enable those discussions to proceed in a meaningful manner, on January 21, 2008, GE and Vital Signs entered into a confidentiality agreement regarding an unspecified potential transaction.

On February 6, 2008, Terry Wall and John Easom met with Joseph Hogan, then President and Chief Executive Officer of GE Healthcare, and Michael Jones, Executive Vice President, Business Development of GE Healthcare, in New York City. Messrs. Hogan and Jones reiterated GE s interest in pursuing a purchase of our entire business and expressed a desire to learn about the fundamentals of our business. On the following day, Omar Ishrak, President and Chief Executive Officer of GE Healthcare s Clinical Systems business, and Mr. Martha visited Vital Signs headquarters in Totowa, New Jersey and met with Messrs. Wall and Easom to discuss our company s products and operations.

Over the course of the next month a series of telephone conversations took place between executives at GE and Vital Signs in which GE sought to obtain sufficient information to enable GE to submit an initial indication of interest.

On March 12, 2008, Joseph Hogan called Terry Wall and presented GE s non-binding and informal verbal indication of interest in acquiring Vital Signs involving a per share price range of $64.00 to $66.00. On March 13, 2008, Mr. Wall convened a meeting of our board of directors at which he described the recent discussions with GE and advised our board of GE s preliminary price range. While both management and our board was of the view that the price range did not provide our shareholders with full value for their shares, the board determined to defer any formal response to GE until JPMorgan had an opportunity to analyze GE s proposal. Mr. Wall met with Mr. Hogan in New York City on March 26, 2008 to discuss GE s proposal in further detail.

Following Mr. Wall s meeting with Mr. Hogan, members of Vital Signs management met with representatives of JPMorgan to provide detailed financial, strategic and operational information, including current forecasts, to permit JPMorgan to continue its analysis. On April 3, 2008, at a meeting of our board of directors, JPMorgan representatives made a detailed presentation analyzing the then-current state of the markets and offering a review of the strategic alternatives identified by management as well as a review of GE s proposal and suggestions regarding next steps. The strategic alternatives our board considered consisted of maintaining the status quo, pursuing previously discussed strategic acquisitions, recapitalizing or pursuing a sale of the business. Senior management expressed their views of the various alternatives. At the end of this meeting, our board directed management to inform GE that it was willing to continue discussions regarding a possible transaction with GE, but not within the price range proposed by GE.

While GE initially did not offer a price that was attractive to us, our board believed that by providing GE with greater insight into our business and potential, GE could be convinced to increase its offer. As a result, we arranged a meeting to demonstrate why GE s price range did not properly value our company. On April 14, 2008, our officers made a management presentation at the headquarters of GE Healthcare Clinical Systems in Wauwatosa, Wisconsin. We were represented at that meeting by Terry Wall, John Easom and Alex Chanin (currently our Chief Operating Officer), as well as by representatives of JPMorgan. GE was represented at that meeting by Omar Ishrak, Michael Jones, Geoff Martha and other senior managers of the Clinical Systems business of GE Healthcare as well as by a representative of Goldman Sachs, GE s financial advisor. During that meeting, we provided background information regarding various aspects of our business. After the session in Wisconsin, representatives of JPMorgan and representatives of GE

conducted a number of telephonic discussions in April and May regarding pricing and valuation of a potential transaction.

Terry Wall, John Easom and Omar Ishrak met in Shenzhen, China on April 19, 2008 to discuss potential synergies, opportunities and the possibility of a transaction.

Our management continued to work with representatives of JPMorgan to assess the situation. During this period, a transaction with GE was only one of several alternatives that management was considering. Thus, during these discussions, and then again at a board meeting held on May 6, 2008, our board, management and advisors discussed and compared the proposed GE transaction with scenarios in which Vital Signs would pursue other alternatives including a strategic acquisition with other acquisition candidates.

Mr. Martha of GE met with our senior management on May 8 and 9, 2008 about our business and the parties general expectations regarding valuation, but did not engage in further price discussions.

During May 2008, representatives of GE, Goldman Sachs and JPMorgan engaged in various conversations during which GE indicated that it might be prepared to raise its price. However, GE representatives indicated that they did not believe that GE would be prepared to consider a price in the high $70 s range suggested by certain members of Vital Signs management. During a conversation with Mr. Jones of GE, Jeffrey Stute of JPMorgan indicated that it was his impression that GE would need to approach $75.00 per share in order to be considered. Mr. Jones stated that he perceived that price to be outside GE s range. He also made it clear that if GE were to raise its price at all, it would only do so if Vital Signs were to assure GE that it would negotiate with GE on an exclusive basis.

In late May 2008, the Chairman and Chief Executive Officer of GE, Jeffrey R. Immelt, invited Terry Wall to attend a one-on-one meeting in New York City to explore whether the parties could reach tentative agreement on a purchase price. On June 3, 2008, at a telephonic meeting attended by representatives of JPMorgan and our counsel, Lowenstein Sandler PC, our board gave Mr. Wall guidance on the price discussions he should conduct with Mr. Immelt, setting a goal of approximately $75.00 per share. Our board advised Mr. Wall that if GE were willing to reach that target and were willing to negotiate the balance of the deal on an expedited basis, the board would authorize the negotiation of a transaction with GE on an exclusive basis, provided that if a merger agreement were signed and a bidder were to approach Vital Signs after the announcement of the transaction, Vital Signs would have the flexibility to negotiate with such a bidder under appropriate circumstances. Mr. Wall attended the meeting with Mr. Immelt on June 5, 2008, discussed generally the possibility of a transaction with GE and engaged Mr. Immelt in price discussions. After some discussion, during which Mr. Wall pressed for a price of $75 or higher, Mr. Immelt eventually indicated that he would be prepared to recommend increasing the price GE would pay to $74.50, assuming that confirmatory due diligence did not uncover any material issues and assuming that the parties could agree upon the terms of a definitive merger agreement. The price proposed by Mr. Immelt was within the range our board previously indicated it would require in order to pursue discussions with GE and represented a substantial premium to the then current market price of our common stock (our common stock closed at $57.86 per share on The NASDAQ Global Select Market on June 4, 2008). Mr. Immelt indicated that GE was prepared to conduct its due diligence on an expedited basis and stated that GE s willingness to increase its proposed price to $74.50 was conditional on Vital Signs willingness to negotiate with GE on an exclusive basis.

Our board (with representatives of JPMorgan and Lowenstein Sandler participating) met telephonically on June 6, 2008, as did GE s board. Both boards authorized management of their respective companies to proceed with the negotiation of a definitive merger agreement providing for a cash purchase price of $74.50 per share. Our board authorized management to respond to legitimate due diligence requests made by GE and, in order to satisfy GE s condition for engaging in further discussions, instructed management and our advisors to refrain from contacting any other company to ascertain whether it would be interested in acquiring Vital Signs during the course of the negotiations with GE.

On June 6, 2008, after our boards met, representatives of JPMorgan and GE discussed the process that the parties were expecting to follow. They noted that the principals of both parties had agreed to try to minimize the duration of the due diligence and negotiation period. JPMorgan notified GE that in light of the exclusivity limitations imposed by GE,

Vital Signs board would insist on maintaining

appropriate flexibility to consider an alternative proposal if one were to materialize after a merger agreement was signed.

GE subsequently provided a request for information and reviewed material provided by Vital Signs. In addition, in mid-June, GE conducted several days of due diligence with members of our management.

GE s counsel, Allen & Overy LLP, circulated initial drafts of a definitive merger agreement and shareholder agreement to Vital Signs and its advisors on June 12, 2008. The draft definitive merger agreement provided for the merger of a wholly-owned subsidiary of GE into Vital Signs and the conversion of all outstanding shares of Vital Signs common stock and stock options into cash. The draft shareholder agreement provided for Mr. Wall, his wife, other members of his family and the trustees of certain Wall family trusts to agree to vote their shares of Vital Signs common stock in favor of the proposed merger and, unless the merger agreement were terminated or the shareholder agreement otherwise terminated, against any other competing transaction.

Over the course of the next several weeks, our management, as well as representatives of JPMorgan and Lowenstein Sandler, engaged in face to face as well as telephonic negotiations with representatives of GE as well as Allen & Overy LLP over the terms of the merger agreement as well as the shareholder agreement. Among the issues discussed were the definition of Material Adverse Effect, the scope of the representations and warranties, the closing conditions proposed by GE as well as certain provisions limiting Vital Signs ability to solicit competing proposals prior to the shareholder meeting.

Our counsel, investment bankers and management discussed the revised drafts on June 23, 2008. They acknowledged that the drafts presented deal completion risk to Vital Signs - that is, the risk that an announced deal would not be consummated, resulting in significant damage to Vital Signs both in the capital markets and in the operation of our business. They also concluded that further negotiations were required to confirm that GE s desire to limit its deal protection risks would not adversely affect the flexibility that Vital Signs sought to maintain to enable it to consider an alternative proposal if one were to materialize after the merger agreement was signed.

As a result of subsequent negotiations, GE agreed to certain concessions that increased certainty of closing (such as the definition of Material Adverse Effect) for Vital Signs and relaxed some of the elements of deal protection for GE (such as the provisions limiting Vital Signs ability to solicit competing proposals prior to the shareholder meeting and the size of the termination fee). Negotiations continued throughout the first few weeks of July principally regarding other closing conditions and other elements of deal protection proposed by GE but also including the terms of employment and consulting arrangements that GE indicated it wished to establish with certain members of our management after closing.

On July 3, 2008, Lowenstein Sandler circulated drafts of our disclosure schedules, supplementing the disclosures made in our representations and warranties. These schedules resulted in several additional due diligence inquiries being made by GE. GE advised Vital Signs that before the final open issues were negotiated, GE wanted to make sure that its diligence inquiries were completed and that it had focused on any areas of exposure that may have been disclosed during the due diligence process.

On or about July 14, 2008, the parties signaled to each other that they had substantially completed their analysis and reporting with respect to diligence issues and that the open issues regarding employment and consulting terms for management were in the process of being resolved. On July 15, 2008, Michael Jones, Geoff Martha and Elizabeth Newell (General Counsel, Strategic Transactions of GE Healthcare) of GE, Jeff Stute of JPMorgan and representatives of Allen & Overy LLP and Lowenstein Sandler participated in a telephone conversation in which each of the open points was discussed and a potential compromise proposed, but final resolution was not reached. Later in the week, our management advised GE that before it made a final commitment on certain of the remaining open issues, a subsequent board meeting would be conducted at which the views of board members would be solicited.

On July 17, 2008, GE announced that Joseph Hogan had resigned and would be replaced as the chief executive officer of GE Healthcare by John Dineen, who was not known to our management prior

to this announcement. Messrs. Martha, Ishrak and Hogan separately contacted Terry Wall to assure him that Mr. Hogan s resignation would not affect GE s interest in pursuing the transaction in any respect.

On July 20, 2008, our board met by telephone. In addition to each of our board members, representatives of Lowenstein Sandler and JPMorgan participated in the meeting. Our counsel reviewed the course of the negotiations and focused the board on the substantive issues outstanding, including certain matters relating to closing conditions and Vital Signs pre-closing covenants. Our board concluded that under the circumstances, it would be appropriate to assume certain risks identified at the meeting, provided that GE agreed to certain compromise positions proposed by Vital Signs.

On July 21, 2008, draft copies of the merger agreement, shareholder agreement, disclosure schedules and Terry Wall s consulting agreement, together with explanatory memoranda, were delivered to each member of our board. Thereafter, our counsel and GE s counsel worked together to finalize the agreements for execution, including the provisions insisted upon by our board.

On July 23, 2008, our board met to consider the revised terms of the merger agreement. At this board meeting, JPMorgan reviewed with the board its financial analysis of the merger consideration and rendered an oral opinion, which opinion was later confirmed by delivery of a written opinion, dated July 23, 2008, to the effect that, as of that date and based on and subject to the matters described in its opinion, the merger consideration was fair, from a financial point of view, to our shareholders. Management reviewed with our board Vital Signs financial performance for the quarter ended June 30, 2008, the financial condition of Vital Signs and other matters, including a potential acquisition that management was considering if we were to remain independent. Representatives of Lowenstein Sandler reviewed the board s fiduciary duties and certain significant provisions contained in the revised merger agreement and shareholder agreement, including the modifications negotiated after the final drafts were circulated to the board. Lowenstein Sandler also reviewed with our board the terms of the consulting agreement negotiated by Terry Wall and GE, the terms of offer letters to be provided by GE to certain of our executive officers and the indemnification and insurance provisions of the merger agreement that apply to our board. Following a detailed discussion, the board unanimously approved the merger and authorized the execution of the merger agreement.

Following the board meeting, we, GE and GE s merger subsidiary executed the merger agreement, GE and certain of our shareholders executed the shareholder agreement, Terry Wall and GE s merger subsidiary executed the consulting agreement and, prior to the opening of the U.S. financial markets on July 24, 2008, we and GE issued a joint press release announcing the transaction.

Reasons for the Merger and Recommendation of Our Board of Directors

In the course of reaching its decision to adopt the merger agreement, our board consulted with senior management and our financial and legal advisors, and reviewed a significant amount of information and considered a number of factors, including the following:

the value of the consideration to be received by our shareholders pursuant to the merger agreement, as well as the fact

that shareholders will receive the consideration in cash, which provides certainty of value to our shareholders;

the fact that the $74.50 per share to be paid as the consideration in the merger represents a 28.4% premium over Vital Signs closing stock price on the day prior to the announcement of the transaction;

the board s assessment of the challenges facing Vital Signs if it were to remain a stand-alone company, including the prospects of competing with other companies with greater resources, better global distribution capabilities and broader product offerings, thereby positioning such

competitors to be better able to capitalize on the growth opportunities in the airway management products market;

the fact that GE was viewed as a strategic participant in respiratory and airway management products with substantially greater resources and a commitment to provide Vital Signs existing customers with strong product support and solutions;

historical and current information concerning our business, financial performance and condition, operations, technology, management and competitive position, and current industry, economic and market conditions;

the internal estimates of our future financial performance, as well as the potential impact on such future financial performance if the challenges and risks to our business identified were in fact realized;

the then current financial market conditions, and historical market prices, volatility and trading

information with respect to our common stock, including the possibility that if we remained as a publicly owned corporation, in the event of a decline in the market price of our common stock or the stock market in general, the price that might be received by holders of our common stock in the open market or in a future transaction might be less than the $74.50 per share cash price to be paid pursuant to the merger;

the terms and conditions of the merger agreement, including:

the ability of the board, under certain circumstances, to furnish information to and conduct negotiations

with a third party and, upon the payment to GE of a termination fee of $30 million, to terminate the merger agreement to accept a superior proposal; and

the board s belief that the $30 million termination fee payable to GE was reasonable in the context of termination fees that were payable in other comparable transactions and would not be likely to preclude another party from making a competing proposal;

the terms and conditions of the shareholder agreement; and

the financial presentation of JPMorgan Securities Inc., including its opinion, dated July 23, 2008, to our board as to the fairness to the

Company s shareholders, from a financial point of view and as of the date of its opinion, of the merger consideration, as more fully described below under the caption Opinion of JPMorgan Securities Inc.

In the course of its deliberations, our board also considered a variety of risks and other countervailing factors, including:

- the risks and costs to us if the merger does not close, including the diversion of management and employee attention, employee attrition and the effect on customer and vendor relationships;
- the restrictions that the merger agreement imposes on our soliciting competing bids, and the fact that we would be obligated to pay a $30 million termination fee to GE under certain circumstances;
- the fact that we will no longer exist as an independent, publicly traded company and our

shareholders will no longer participate in any of our future earnings or growth and will not benefit from any appreciation in value of our company;

the fact that gains from an all-cash transaction would be taxable to our shareholders for U.S. federal income tax purposes;

the restrictions on the conduct of our business prior to the completion of the merger, requiring us to conduct our business only in the ordinary course, subject to specific limitations, which may delay or prevent us from undertaking business opportunities that may arise pending completion of the merger; and

the interests of our officers and directors in the merger described below under THE MERGER Interests of Certain Persons in the Merger.

The foregoing discussion of the factors considered by our board is not intended to be exhaustive, but does set forth all of the material factors considered by the board. Our board collectively reached the unanimous conclusion to adopt the merger agreement in light of the various factors described above and other factors that each member of our board felt

were appropriate. In view of the wide variety of factors considered by our board in connection with its evaluation of the merger and the complexity of these matters, our board did not consider it practical, and did not attempt to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular

factor, was favorable or unfavorable to the ultimate determination of the board. Rather, our board made its recommendation based on the totality of information presented to it and the investigation conducted by it. In considering the factors discussed above, individual directors may have given different weights to different factors.

After evaluating these factors and consulting with our legal counsel and our financial advisors, our board determined that the merger agreement was advisable, fair to and in the best interests of Vital Signs and our shareholders. Accordingly, our board has unanimously adopted the merger agreement. **Our board unanimously recommends that you vote FOR the approval of the merger agreement.**

Opinion of JPMorgan Securities Inc.

Vital Signs retained JPMorgan to act as its financial advisor in connection with the analysis and consideration of the transactions contemplated by the merger agreement, and for the purpose of rendering to the board an opinion as to the fairness, from a financial point of view, of the consideration to be received by the holders of Vital Signs common stock in a transaction resulting therefrom. Although JPMorgan s engagement letter was dated July 18, 2008, JPMorgan was actively involved in these matters since March 2008.

At the meeting of the Vital Signs board of directors on July 23, 2008, JPMorgan rendered its oral opinion, subsequently confirmed in writing, to the board that, as of such date and based upon and subject to the factors, procedures, assumptions, qualifications and limitations set forth in its opinion, the consideration to be paid to the holders of Vital Signs common stock in the merger was fair, from a financial point of view, to such holders. No limitations were imposed by the board upon JPMorgan with respect to the investigations made or procedures followed by it in rendering its opinion.

The full text of the written opinion of JPMorgan dated July 23, 2008, which sets forth, among other things, the assumptions made, procedures followed, matters considered, qualifications and limitations on the review undertaken in connection with its opinion, is included as Annex C to this proxy statement and is incorporated herein by reference. The summary of JPMorgan s opinion below is qualified in its entirety by reference to the full text of the opinion, and you are urged to read the opinion carefully and in its entirety. JPMorgan provided its opinion for the information of the Vital Signs board in connection with and for the purposes of the evaluation of the transactions contemplated by the merger agreement. JPMorgan s written opinion addresses only the consideration to be paid to the holders of Vital Signs common stock in the merger, and does not address any other matter. JPMorgan s opinion does not constitute a recommendation to any shareholder of Vital Signs as to how such shareholder should vote with respect to the merger or any other matter. The consideration to be paid to the holders of Vital Signs common stock in the merger was determined in negotiations between Vital Signs and GE, and the decision to approve and recommend the merger was made by the Vital Signs board.

In arriving at its opinion, JPMorgan, among other things:

- reviewed the merger agreement;
- reviewed certain publicly available business and financial information

concerning Vital Signs and the industries in which it operates;

compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies JPMorgan deemed relevant and the consideration received for such companies;

compared the financial and operating performance of Vital Signs with publicly available information concerning certain other companies JPMorgan deemed relevant and reviewed the current and historical market prices of Vital Signs common stock and certain

publicly traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared by or at the direction of the management of Vital Signs relating to its business; and

performed such other financial studies and analyses and considered such other information as JPMorgan deemed appropriate for the purposes of its opinion.

In addition, JPMorgan held discussions with certain members of the management of Vital Signs with respect to certain aspects of the merger, and the past and current business operations of Vital Signs, the financial condition and future prospects and operations of Vital Signs, and certain other matters JPMorgan believed necessary or appropriate to its inquiry.

In giving its opinion, JPMorgan relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with JPMorgan by Vital Signs or otherwise reviewed by or for JPMorgan, and JPMorgan did not independently verify (nor did JPMorgan assume responsibility or liability for independently verifying) any such information or its accuracy or completeness. JPMorgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, nor did JPMorgan evaluate the solvency of Vital Signs or GE under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to JPMorgan or derived therefrom, JPMorgan assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Vital Signs to which such analyses or forecasts relate. JPMorgan expressed no view as to such analyses or forecasts or the assumptions on which they were based. JPMorgan also assumed that the merger and the other transactions contemplated by the merger agreement will be consummated as described in the merger agreement. JPMorgan also assumed that the representations and warranties made by Vital Signs and GE in the merger agreement and the related agreements are and will be true and correct in all respects material to JPMorgan s analysis. JPMorgan is not a legal, regulatory or tax expert and relied on the assessments made by advisors to Vital Signs with respect to such issues. JPMorgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on Vital Signs or on the contemplated benefits of the merger.

JPMorgan s opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to JPMorgan as of, the date of its opinion. It should be understood that subsequent developments may affect its opinion and that JPMorgan does not have any obligation to update, revise, or reaffirm its opinion. JPMorgan s opinion is limited to the fairness, from a financial point of view, of the consideration to be paid to the holders of Vital Signs common stock in the merger and JPMorgan expresses no opinion as to the fairness of the merger to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors or other constituencies of Vital Signs or as to the underlying decision by Vital Signs to engage in the merger. Furthermore, JPMorgan expresses no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the merger, or any class of such persons relative to the consideration to be received by the holders of Vital Signs common stock in the merger or with respect to the fairness of any such compensation.

Based upon the parties negotiating history, the price offered by GE and other benefits associated with the merger transaction, JPMorgan was not authorized to and did not solicit any expressions of interest from any other parties with respect to the sale of all or any part of Vital Signs or any other alternative transaction.

In accordance with customary investment banking practice, JPMorgan employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses utilized by JPMorgan in connection with providing its opinion.

Comparable precedent public company trading multiples analysis

Using publicly available information, JPMorgan compared selected financial data of Vital Signs with similar data for selected publicly traded companies engaged in businesses which JPMorgan judged to be analogous to Vital Signs business. The companies include Teleflex Incorporated, CONMED Corporation, Merit Medical Systems, Inc., Fisher & Paykel Healthcare Corporation Limited, ICU Medical, Inc., and Medical Action Industries. These companies were selected, among other reasons, because they share similar business characteristics with Vital Signs based on operational characteristics and financial metrics. However, none of the companies selected is identical or directly

comparable to Vital Signs. Accordingly, JPMorgan made judgments and assumptions concerning differences in

financial and operating characteristics of the selected companies and other factors that could affect the public trading value of the selected companies.

For each selected company, JPMorgan calculated (i) such company s firm value divided by its estimated earnings before interest, taxes, depreciation and amortization (EBITDA) for fiscal years 2008 (FV/2008 EBITDA) and 2009 (FV/ 2009 EBITDA) and (ii) the per share closing price of such company s common stock on July 21, 2008, divided by such company s estimated earnings per share (EPS) for fiscal years 2008 (P/2008 E) and 2009 (P/2009 E). For purposes of this analysis, a company s firm value is calculated as the market value of such company s common stock (as of July 21, 2008) plus the value of such company s indebtedness and minority interests, in-the-money options and warrants, net of option proceeds, and preferred stock, minus such company s cash, cash equivalents and marketable securities. Management s estimate of EBITDA was $62 million for 2008 and $73 million for 2009. Analyst estimates of EBTIDA were $59 million for 2008 and $65 million for 2009.

The following table represents the results of this analysis:

Peer Group	Mean	Median
FV/2008 EBITDA	10.3x	8.6x
FV/2009 EBITDA	9.0x	8.1x
P/2008 E	20.6x	18.7x
P/2009 E	16.9x	15.9x

Based on the results of this analysis and other factors that JPMorgan considered appropriate, JPMorgan applied (i) a FV/2008 EBITDA ratio of 8.5x to 10.5x and a FV/2009 EBITDA ratio of 8.0x to 9.0x and (ii) a P/2008 E ratio of 18.5x to 21.0x and a P/2009 E ratio of 15.5x to 17.0x to both management and analyst projections of the Vital Signs EBITDA and EPS, which resulted in implied equity values per share of Company Common Stock as follows:

Valuation Basis	Implied Equity Value per Share	
FV/EBITDA (Management)	$	47.50 to $57.50
FV/EBITDA (Analysts)	$	45.75 to $54.25
P/E (Management)	$	50.50 to $60.25
P/E (Analysts)	$	50.75 to $61.50

Selected precedent transactions analysis

Using publicly available information, JPMorgan examined the following selected transactions involving businesses which JPMorgan judged to be analogous to Vital Signs business:

Date Announced	Acquiror	Target
March 11, 2008	Mindray Medical	Datascope (Patient Monitoring Business)
December 21, 2007	Philips Electronics	Respironics
July 23, 2007	Teleflex	Arrow International
May 14, 2007	Cardinal Health	Viasys Healthcare
March 26, 2007	Coloplast	Mentor s (Surgical and Urology Business)
January 26, 2007	Investor HB	Molnlycke Healthcare

May 2, 2005	Madison Dearborn Partners	Sirona
April 21, 2005	Apax Partners	Molnlycke Healthcare
December 6, 2004	Smiths Medical	Medex

These transactions were, in JPMorgan s judgment, deemed to be most relevant in evaluation of the merger.

For each of the selected transactions, to the extent information was publicly available, JPMorgan calculated the target company s firm value divided by its estimated EBITDA for the 12 calendar months ending prior to the announcement of the transaction (FV/LTM EBITDA). This analysis indicated the following:

Transaction Group	Mean	Median
FV/LTM EBITDA	13.3x	12.4x

Based on the results of this analysis and other factors that JPMorgan considered appropriate, JPMorgan applied a FV/LTM EBITDA ratio of 12.5x to 17.0x to Vital Signs estimated EBITDA for the 12 calendar months ending March 2008. This resulted in an implied equity value per share of Vital Signs common stock of $60.25 to $78.50.

Discounted cash flow analysis

JPMorgan conducted a discounted cash flow analysis for the purpose of determining the fully diluted equity value per share of Vital Signs common stock. JPMorgan calculated the unlevered free cash flows that Vital Signs is expected to generate in fiscal years 2008 through 2017 based upon (i) financial projections prepared by Vital Signs management and (ii) certain equity analysts estimates for Vital Signs. JPMorgan also calculated a range of terminal firm values, terminal equity values and implied terminal EBITDA multiples for Vital Signs by applying, based upon Vital Signs management guidance and JPMorgan s judgment and experience, a terminal growth rate ranging from 2.5% to 3.5% to Vital Signs unlevered free cash flow during the final year of the 10-year period ending 2017 for each of the management and analyst projections. The unlevered free cash flows and the range of terminal firm values, terminal equity values and implied terminal EBITDA multiples were then discounted to present values using a range of discount rates from 9.5% to 10.5%. This discount rate range was based upon an analysis of the weighted average cost of capital of Vital Signs conducted by JPMorgan. The present value of the unlevered free cash flows and the range of terminal firm values, terminal equity values and implied terminal EBITDA multiples were then adjusted for Vital Signs expected excess cash, option exercise proceeds and total debt as of June 21, 2008 and based on actual data from May 31, 2008. Based on the foregoing, this analysis indicated implied equity values per share of Vital Signs common stock of between $51.00 to $61.50 based on analyst projections and $67.00 to $83.00 based on management projections.

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by JPMorgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. JPMorgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its opinion. In arriving at its opinion, JPMorgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, JPMorgan considered the results of all its analyses as a whole and made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses.

Analyses based on forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by JPMorgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, JPMorgan s analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold. None of the selected companies reviewed as described in the above summary is identical to Vital Signs, and none of the selected transactions reviewed as described in the above summary was identical to the merger. However, the companies selected were chosen because they are publicly traded companies with operations and businesses that, for purposes of JPMorgan s analysis, may be considered similar to those of Vital Signs. The transactions selected were similarly chosen for their participants, size and other factors that, for purposes of JPMorgan s analysis, may be considered similar to those of the merger. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies compared to Vital Signs and the transactions compared to the merger.

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The opinion of JPMorgan was one of the many factors taken into consideration by the board in making its determination to approve the merger. The analyses of JPMorgan as summarized above should not be viewed as determinative of the opinion of the board with respect to the value of Vital Signs, or of whether the board would have been willing to agree to different or other forms of consideration.

As part of its investment banking and financial advisory business, JPMorgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

JPMorgan acted as financial advisor to Vital Signs with respect to the merger and will receive a fee from Vital Signs for its services if the proposed transaction is consummated. In addition, Vital Signs has agreed to indemnify JPMorgan for certain liabilities arising out of JPMorgan s engagement. During the two years preceding the date of JPMorgan s opinion, JPMorgan and its affiliates had commercial or investment banking relationships with GE, for which JPMorgan and its affiliates have received customary compensation. Such services during such period have included (i) acting as financial advisor to GE in the September 2006 sale of GE Advanced Materials to Apollo Management L.P.; (ii) acting as financial advisor to GE Commercial Finance Inc. in the October 2006 acquisitions of ASL Auto Service-Leasing GmbH, Diskont und Kredit AG and Disko Leasing GmbH from KG Allgemeine Leasing GmbH & Co.; (iii) acting as financial advisor to GE Commercial Finance Inc. in the March 2008 acquisition of Interbanca SpA from Banco Santander SA; (iv) acting as financial advisor to NBC Universal Inc. in the October 2007 acquisition of Oxygen Media LLC; and (v) acting as lead or joint lead manager or bookrunner for 89 issuances of debt securities, convertible debt securities, syndicated loans and asset-backed debt securities for GE or its affiliates. In the ordinary course of JPMorgan s businesses, JPMorgan and its affiliates may actively trade the debt and equity securities of Vital Signs or GE for its own account or for the accounts of customers and, accordingly, JPMorgan may at any time hold long or short positions in such securities.

Certain Effects of the Merger

If the merger agreement is approved by our shareholders and the other conditions to the closing of the merger are either satisfied or waived, Merger Sub will be merged with and into us, and we will be the surviving corporation. When the merger is completed, we will cease to be a publicly traded company and will instead become a wholly owned subsidiary of GE.

Upon completion of the merger, each share of our common stock issued and outstanding immediately prior to the effective time of the merger (other than shares owned by GE, Merger Sub or any wholly owned subsidiary of GE or Vital Signs) will be converted into the right to receive $74.50 in cash, without interest. The merger agreement provides that at the effective time of the merger, each option to purchase shares of our common stock, including those options held by our directors and executive officers, will terminate in exchange for a payment equal to the number of shares of our common stock subject to such option multiplied by the amount, if any, by which $74.50 exceeds the exercise price of the option.

At the effective time of the merger, our current shareholders will cease to have ownership interests in Vital Signs or rights as our shareholders. Therefore, our current shareholders will not participate in any of our future earnings or growth and will not benefit from any appreciation in our value.

Our common stock is currently registered under the Securities Exchange Act of 1934, which we refer to as the Exchange Act, and is quoted on The NASDAQ Global Select Market under the symbol VITL. As a result of the merger, we will no longer be a publicly traded company, and there will be no public market for our common stock. After the merger, our common stock will cease to be quoted on The NASDAQ Global Select Market, and price quotations with respect to sales of shares of common stock in the public market will no longer be available. In addition, registration of our common stock under the Exchange Act will be terminated. This termination will make

certain provisions of the Exchange Act, such as the requirement of furnishing a proxy or information statement in connection with shareholders meetings, no longer applicable to us. After the effective time of the merger, we will

also no longer be required to file periodic reports with the U.S. Securities and Exchange Commission on account of our common stock.

At the effective time of the merger, the directors of Merger Sub will become the directors of the surviving corporation.

At the effective time of the merger, our certificate of incorporation and our bylaws will be amended in their entirety to be as set forth in the exhibits to the merger agreement.

Effects on Vital Signs if the Merger is Not Completed

In the event that the merger agreement is not approved by our shareholders or if the merger is not completed for any other reason, our shareholders will not receive any payment for their shares in connection with the merger. Instead, we will remain an independent public company and our common stock will continue to be listed on The NASDAQ Global Select Market. In addition, if the merger is not completed, we expect that management will operate our business in a manner similar to the manner in which it is being operated today and that our shareholders will continue to be subject to the same risks and opportunities as they currently are, including, among other things, the risks associated with the airway management products market on which our business largely depends, and general industry, economic and market conditions. Accordingly, if the merger is not consummated, there can be no assurance as to the effect of these risks and opportunities on the future value of your shares of our common stock. In the event the merger is not completed, our board will continue to evaluate and review our business operations, properties, dividend policy and capitalization, among other things, make such changes as are deemed appropriate and continue to evaluate strategic alternatives to maximize shareholder value. If the merger agreement is not approved by our shareholders or if the merger is not consummated for any other reason, there can be no assurance that any other transaction acceptable to us will be offered or that our business, prospects or results of operations will not be materially and adversely impacted.

If the merger agreement is terminated under certain circumstances described in greater detail in PROPOSAL 1 THE MERGER AGREEMENT Termination Fee on page 44 of this proxy statement, we will be obligated to pay a termination fee of $30 million to GE.

Delisting and Deregistration of Vital Signs Common Stock

If the merger is completed, our common stock will be delisted from The NASDAQ Global Select Market and deregistered under the Exchange Act, and we will no longer file periodic reports with the U.S. Securities and Exchange Commission.

Interests of Certain Persons in the Merger

In considering the recommendation of our board with respect to the merger agreement, holders of shares of our common stock should be aware that our executive officers and directors have interests in the merger that may be different from, or in addition to, those of our shareholders generally. These interests may create potential conflicts of interest. Our board was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decision to adopt the merger agreement and to recommend that our shareholders vote in favor of approving the merger agreement. Such interests included the following:

The merger agreement provides that each holder of shares of our

common stock, including our directors and executive officers, will be entitled to receive $74.50 in cash, without interest, for each share of our common stock held immediately prior to the merger. The merger agreement also provides that at the effective time of the merger, each option to purchase shares of our common stock, including those options held by our directors and executive officers, will terminate in exchange for a payment equal to the number of shares of our common stock subject to such option multiplied by the amount, if any, by which $74.50 exceeds the exercise price of the option. See Stockholdings

and Stock Options for additional information regarding the merger consideration expected to be received by our directors and executive officers.

Concurrent with the execution of the merger agreement, our chief executive officer, Terry D. Wall, entered into a consulting and advisory services agreement with Merger Sub that will become effective upon consummation of the merger. Upon consummation of the merger, the consulting and advisory services agreement will become an obligation of Vital Signs. The consulting and advisory services agreement provides that effective upon consummation of the merger, Terry D. Wall will cease to serve as an employee of Vital Signs and will become a consultant to Vital Signs for a term of two years. During the term of the agreement, Mr. Wall will

provide strategic and operational consulting services to Vital Signs, including advice with respect to product innovations, new products and other operational matters. For these services, he will receive consulting payments of $42,000 per month. In addition, Mr. Wall will provide advisory services designed to assist Vital Signs in identifying and evaluating potential acquisitions from among a list of potential target companies identified by Mr. Wall. Mr. Wall will be entitled to a fee, calculated at 1% of the acquisition price, if GE Healthcare or one of its controlled affiliates elects to acquire a target company

identified by Mr. Wall, but only if the following criteria are satisfied:

if the target is a public company, its market capitalization must be less than $200 million;

the target s business must primarily involve (a) single-use products for anesthesia, respiratory, neonatal or emergency care settings, or (b) sleep apnea diagnostics or therapeutics;

the definitive acquisition agreement for the acquisition must be signed within two years after the merger of Merger Sub and Vital Signs is consummated;

negotiations must be private and cannot include an auction; and

if requested, Mr. Wall must participate in due diligence with respect to the acquisition of the target entity.

The consulting and advisory services agreement precludes Mr. Wall from competing with Vital Signs and certain GE entities during the term of the consulting agreement and for a period of at least one year thereafter.

Executive Officers Receiving Offer Letters

Concurrent with the execution of the merger agreement, GE provided offer letters to the following executive officers of Vital Signs (the Covered Executives): Alex Chanin (our Chief Operating Officer), John Easom (our Executive Vice President - International Sales and Business Development), Jay Sturm (our General Counsel and Vice President - Human Resources) and Anthony Martino (our Vice President - Quality Assurance and Regulatory Affairs). The offer letters are effective upon closing of the merger and contemplate the following:

Alex Chanin s title and responsibilities will change. In light of the transition of Terry D. Wall to a consulting status, Mr. Chanin will become Vital Signs chief executive officer upon consummation of the merger. The titles of the other Covered Executives will not change.

Alex Chanin s annual salary will increase from $197,500 to $275,000. John Easom s annual salary will increase from $140,000 to $165,000.

The annual salaries of the other Covered Executives will not change.

Each of the Covered Executives will be eligible to participate in the Vital Signs 2005 Executive Bonus Plan and will be eligible to receive a retention bonus if he is actively employed by Vital Signs or another affiliate of GE 24 months after the closing. The amount of any such retention bonus, if payable, will be equal to the Covered Executive s annualized base salary at the time plus, for each of the Covered Executives other than Mr. Martino, the average of his two bonus payouts following closing, less required withholdings and deductions. The Covered Executives will not be entitled

to a retention bonus if their employment is terminated by GE or themselves prior to such 24 month date regardless of whether cause for such termination exists.

The Covered Executives will receive the following number of GE stock options with an exercise price equal to the fair market value of the underlying GE shares after the merger closes: Alex

Chanin - 10,000 shares; John Easom - 5,000 shares; Jay Sturm - 5,000 shares; and Anthony Martino - 3,000 shares.

Each of the Covered Executives will be entitled to twelve months salary as severance if he is terminated without cause.

Mark Mishler, our chief financial officer who joined Vital Signs in November 2007, did not receive an offer letter, but has been assured that he will receive six months severance if he is terminated without cause.

Other Benefits

Our directors and officers will continue to be indemnified for acts or omissions occurring at or prior to the effective time of the merger and will have the benefit of liability insurance for a period of not less than six years after completion of the merger. See Indemnification of Officers and Directors.

Our employees will receive certain customary benefits associated with existing employee benefit plans. Other than with respect to severance, such benefits will also be extended to those of our officers who continue in the employ of Vital Signs after the merger is consummated. See PROPOSAL 1 THE MERGER AGREEMENT Benefit Arrangements .

Stockholdings and Stock Options

The table below sets forth, as of July 23, 2008, for each of our executive officers and directors since the beginning of the last fiscal year:

- the number of shares of our common stock held as of such date;
- the amount of cash that will be paid in respect of such shares upon consummation of the merger;
- the number of shares subject to options held by such person, whether or not vested;
- the amount of cash that will be paid in respect of

cancellation of such options upon consummation of the merger; and

the total amount of cash that will be received by such person in respect of such shares and options upon consummation of the merger.

All dollar amounts are gross amounts and do not reflect deductions for income taxes and other withholding. In each case with respect to options, the payment is calculated by multiplying the number of shares subject to each option by the amount, if any, by which $74.50 exceeds the exercise price of the option. The merger agreement requires our board to take all actions necessary to cause all outstanding stock options to be cancelled and terminated as of the effective time of the merger.

Name	Common Stock Owned as of July 23, 2008				Options Held as of July 23, 2008			Total Consideration	
	Shares		Consideration		Shares	Consideration			
Non-Employee Directors									
C. Barry Wicker	227,595	(1)	$	16,955,827	6,000	$	131,640	$	17,087,467
Howard W. Donnelly	0			0	20,700	$	508,910	$	508,910
David H. MacCallum	1,700		$	126,650	35,000	$	1,061,620	$	1,188,270
Richard L. Robbins	0			0	47,000	$	1,624,800	$	1,624,800
George A. Schapiro	2,864		$	213,368	25,500	$	1,040,685	$	1,254,053
Executive Officers									
Terry D. Wall	1,468,840	(2)	$	109,428,580	177,674	$	5,619,566	$	115,048,146
Alex Chanin	0			0	33,000	$	766,400	$	766,400
John Easom	325.5	(3)	$	24,250	17,938	$	450,814	$	475,064
Anthony P. Martino	25	(4)	$	1,862	25,625	$	1,302,790	$	1,304,652
Mark Mishler	0			0	10,000	$	216,000	$	216,000
Jay Sturm	0			0	42,750	$	1,448,622	$	1,448,622
William Craig	0			0	0		0		0

All directors and executive officers as a group (12 persons)	701,024	$	126,726,287	423,299	$	12,954,633	$	140,445,085

(1) Includes 15,716 shares held in the Company s 401(k) Plan on Mr. Wicker s behalf.

(2) Includes 36,893 shares held in the Company s 401(k) Plan on Mr. Wall s behalf. On August 21, 2008, Mr. Wall transferred 400,000 of the shares set forth above to the Vance Wall Foundation, a private charitable foundation established by Mr. Wall and his wife. Accordingly, Mr. Wall will not receive merger consideration for those 400,000 shares. The table above does not include 706,748 shares held by Mr.

Wall s wife as of July 23, 2008 (which shares will convert into $52,652,756 of merger consideration), 1,571,439 shares held in trust for the benefit of the Walls children (which shares will convert into $117,072,205 of merger consideration) and 1,277,936 shares held in the TW 2005 Trust (which shares will convert into $95,206,232 of merger consideration). Mr. Wall established the TW 2005 Trust as an estate planning trust and contributed shares of Vital Signs common stock to the Trust. Pursuant to the terms of the Trust, any one of four members of a committee may cause the assets of the Trust to be transferred to Terry Wall. Alternatively, if the four members of the committee

agree, the assets of the Trust could be transferred, in equal one fourth interests, to the members of the committee, who are also the beneficiaries of the Trust. The four members of the committee are Mr. Wall s two adult children, Mr. Wall s brother and Mr. Wall s sister.

(3) Includes 75.5 shares held in the Company s 401(k) Plan on Mr. Easom s behalf.

(4) Includes 25 shares held in the Company s 401(k) Plan on Mr. Martino s behalf.

Indemnification of Officers and Directors

The merger agreement provides that, following the effective time of the merger, the surviving corporation will indemnify, to the fullest extent required by our current certificate of incorporation, any applicable contract in effect on July 23, 2008 or applicable law, our current and former directors and officers with respect to all acts or omissions by them in their capacities as directors or officers of our company at any time prior to the effective time of the merger.

In addition, GE has agreed to cause the surviving corporation to maintain in effect, at no expense to the beneficiaries, for six years after the merger, an insurance and indemnification policy covering our directors and officers with respect to events occurring at or prior to the effective time of the merger. The merger agreement provides that such policy must be at least as favorable to our directors and

officers as our existing policy. However, if the annual premiums of such insurance coverage exceed 200% of the annual premium currently paid by us, GE and the surviving corporation will not be required to pay the excess, but rather will be obligated to obtain a policy with the greatest coverage available for a cost not exceeding 200% of the annual premium currently paid by us. At Vital Signs option, it may purchase, prior to the effective time of the merger, a six-year prepaid tail policy on terms and conditions providing substantially equivalent benefits as the current policies of directors and officers liability insurance, fiduciary liability insurance and employment practices liability insurance for the protection of our officers and directors with respect to matters arising on or before the effective time of the merger. We expect to purchase such tail insurance prior to the consummation of the merger.

REGULATORY MATTERS

Mergers and acquisitions that may have an impact in the United States are subject to review by the Department of Justice and the Federal Trade Commission to determine whether they comply with applicable antitrust laws. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder, which we refer to as the HSR Act, mergers and acquisitions that meet certain jurisdictional thresholds, such as the present transaction, may not be completed until the expiration of a waiting period that follows the filing of notification forms by both parties to the transaction with the Department of Justice and the Federal Trade Commission. The initial waiting period is 30 days, but this period may be shortened if the reviewing agency grants early termination of the waiting period, or it may be lengthened if the reviewing agency determines that an in-depth investigation is required and issues a formal request for additional information and documentary material. We and GE filed pre-merger notifications with the U.S. antitrust authorities pursuant to the HSR Act on August 11, 2008 and August 12, 2008, respectively. The waiting period under the HSR Act expired on September 11, 2008.

We and GE are also required to make competition filings in Austria, Brazil, Germany, Bulgaria and Italy, which filings were made on August 29, 2008 in the case of Brazil, and September 1, 2008 in the case of Austria, Bulgaria, Germany and Italy. We expect to receive all necessary foreign regulatory approvals during the fourth calendar quarter of this year.

Except for the filing of a certificate of merger in New Jersey at or before the effective date of the merger, we are unaware of any other material federal, state or foreign regulatory requirements or approvals required for the execution of the merger agreement or completion of the merger.

It is possible that any of the foreign government entities with which filings are made may seek various regulatory concessions as conditions for granting approval of the merger. There can be no assurance that we will obtain the regulatory approvals necessary to complete the merger or that the granting of these approvals will not involve the imposition of conditions on completion of the merger or require changes to the terms of the merger. These conditions or changes could result in conditions to the merger not being satisfied. See PROPOSAL 1 THE MERGER AGREEMENT Conditions to the Merger on page 41 of this proxy statement.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes the material U.S. federal income tax consequences of the merger. This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, the regulations promulgated under the Code and judicial and administrative rulings in effect as of the date of this proxy statement, all of which are subject to change or varying interpretation, possibly with retroactive effect. Any such changes could affect the accuracy of the statements and conclusions set forth herein.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a holder of our common stock in light of the shareholder s particular circumstances, nor does it discuss the special considerations applicable to those holders of common stock subject to special rules, such as shareholders whose functional currency is not the U.S. dollar, shareholders subject to the alternative minimum tax, shareholders who are financial institutions or broker-dealers, mutual funds, partnerships or other pass-through entities for U.S. federal income tax purposes, tax-exempt organizations, insurance companies, dealers in securities or foreign currencies, traders in securities who elect the mark-to-market method of accounting, controlled foreign corporations, passive foreign investment companies, expatriates, shareholders who acquired their common stock through the exercise of options or similar derivative securities or shareholders who hold their common stock as part of a hedge, straddle, constructive sale or conversion transaction. This discussion also does not address the U.S. federal income tax consequences to holders of our common stock who acquired their shares through stock option or stock purchase plan programs or through other compensatory arrangements. This discussion assumes that holders of our common stock hold their shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). No party to the merger will seek an opinion of counsel or a ruling from the Internal Revenue Service with respect to the U.S. federal income tax consequences discussed herein and accordingly there can be no assurance that the Internal Revenue Service will agree with the positions described in this proxy statement.

We intend this discussion to provide only a general summary of the material U.S. federal income tax consequences of the merger. We do not intend it to be a complete analysis or description of all potential U.S. federal income tax consequences of the merger. We also do not address foreign, state or local tax consequences of the merger or any U.S. tax consequences (e.g., estate or gift tax) other than U.S. federal income tax consequences of the merger. **We urge you to consult your own tax advisor to determine the particular tax consequences to you (including the application and effect of any state, local or foreign income and other tax laws) of the receipt of cash in exchange for shares of our common stock pursuant to the merger, in light of your individual circumstances.**

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner will generally depend on the status of the partners and activities of the partnership. If you are a partner of a partnership holding our common stock, you should consult your own tax advisor.

For purposes of this discussion, we use the term U.S. holder to mean a beneficial owner of our common stock that is:

a citizen or individual resident of the United States for U.S. federal income tax purposes;

a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state or the District of Columbia;

a trust if it (i) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person; or

an estate which is

subject to U.S. federal income tax on all of its income regardless of source.

A non-U.S. holder is a beneficial owner (other than a partnership) of our common stock that is not a U.S. holder.

U.S. Holders

The receipt of cash for shares of common stock pursuant to the merger will be a taxable transaction to U.S. holders for U.S. federal income tax purposes. A U.S. holder will generally recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash received and the U.S. holder s adjusted tax basis for the shares surrendered. Generally, such gain or loss will be capital gain or loss. Gain or loss will be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) that is surrendered for cash pursuant to, or in connection with, the merger.

Capital gain recognized from the disposition of common stock held for more than one year will be long-term capital gain and will be subject (in the case of U.S. holders who are individuals) to tax at a maximum U.S. federal income tax rate of 15%. Capital gain recognized from the disposition of common stock held for one year or less will be short-term capital gain subject to tax at ordinary income tax rates. In general, capital losses are deductible only against capital gains and are not available to offset ordinary income. However, individual taxpayers are permitted to offset a limited amount of net capital losses annually against ordinary income, and unused net capital losses may be carried forward to subsequent tax years.

Under the Code, a U.S. holder of our common stock may be subject, under certain circumstances, to information reporting on the cash received in the merger unless such U.S. holder is a corporation or other exempt recipient. In addition, the paying agent generally is required to and will withhold 28% of all payments to which a shareholder or other payee is entitled, unless the shareholder or other payee (i) is a corporation or comes within other exempt categories and demonstrates this fact or (ii) provides its correct tax identification number (social security number, in the case of an individual, or employer identification number, in the case of other shareholders), certifies under penalties of perjury that the number is correct (or properly certifies that it is awaiting a taxpayer identification number), certifies as to no loss of exemption from backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. Each of our shareholders and, if applicable, each other payee, should complete, sign and return to the paying agent for the merger the substitute Form W-9 that each shareholder will receive with the letter of transmittal following completion of the merger or provide a certification of foreign status on the applicable Form W-8 in order to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption exists and is proved in a manner satisfactory to the paying agent. Backup withholding is not an additional tax. Generally, any amounts withheld under the backup withholding rules described above can be refunded or credited against a payee s U.S. federal income tax liability, if any, provided that the required information is furnished to the Internal Revenue Service in a timely manner. You should consult your own tax advisor as to the qualifications for exemption from backup withholding and the procedures for obtaining such exemption.

Non-U.S. Holders

Any gain realized on the receipt of cash in the merger by a non-U.S. holder generally will not be subject to U.S. federal income tax unless:

the gain is effectively connected with a U.S. trade or business of such non-U.S. holder (and, if an applicable income tax

treaty so provides, is also attributable to a permanent establishment or a fixed base in the United States maintained by such non-U.S. holder), in which case the non-U.S. holder generally will be taxed at the graduated U.S. federal income tax rates applicable to United States persons (as defined under the Code) and, if the non-U.S. holder is a foreign corporation, the additional branch profits tax may apply to its dividend equivalent amount at the rate of 30% (or such lower rate as may be specified by an applicable income tax treaty);

the non-U.S. holder is a nonresident alien individual who is present

in the United States for 183 days or more in the taxable year of the merger and certain other conditions are met, in which case the non-U.S. holder may be subject to a 30% tax on the non-U.S. holder s net gain realized in the merger, which gain may be offset by U.S. source capital losses of the non-U.S. holder, if any, or which tax may be reduced or eliminated by an applicable income tax treaty; or

we are or have been a United States real property holding corporation for U.S. federal income tax purposes and the non-U.S. holder owned more than 5% of our common stock at any time during the five years preceding the merger, in which case the purchaser of our stock may withhold 10% of the cash payable to the non-U.S. holder in connection with the merger and the non-U.S. holder generally will be taxed on the holder s net gain realized in the merger at the

graduated U.S. federal income tax rates applicable to United States persons (as defined under the Code). We do not believe that we are or have been a United States real property holding corporation for U.S. federal income tax purposes.

Information reporting and, depending on the circumstances, backup withholding (currently at a rate of 28%) will apply to the cash received in the merger, unless the non-U.S. holder certifies under penalties of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the holder is a United States person as defined under the Code) or such holder otherwise establishes an exemption. Each non-U.S. holder should complete, sign and return to the paying agent a certification of foreign status on the applicable Form W-8 in order to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption exists and is proved in a manner satisfactory to the paying agent. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a non-U.S. holder s U.S. federal income tax liability, if any, provided that such non-U.S. holder furnishes the required information to the Internal Revenue Service in a timely manner. You should consult your own tax advisor as to the qualifications for exemption from backup withholding and the procedures for obtaining such exemption.

PROPOSAL 1 THE MERGER AGREEMENT

This section of the proxy statement describes the material provisions of the merger agreement but does not purport to describe all the provisions of the merger agreement. The following summary is qualified in its entirety by reference to the complete text of the merger agreement, which is included as Annex A to this proxy statement and is incorporated into this proxy statement by reference. We urge you to read the full text of the merger agreement because it is the legal document that governs the merger. The merger agreement has been included to provide you with information regarding its terms. It is not intended to provide you with any other factual information about us. Such information can be found elsewhere in this proxy statement and in the other public filings we make with the U.S. Securities and Exchange Commission, which are available without charge at www.sec.gov.

Structure of the Merger

If all of the conditions to the merger are satisfied or waived in accordance with the merger agreement, Merger Sub, a wholly owned subsidiary of GE created solely for the purpose of engaging in the transactions contemplated by the

merger agreement, will merge with and into us. Upon consummation of the merger, the separate corporate existence of Merger Sub will cease, and we will continue as the surviving corporation and become a wholly owned subsidiary of GE.

Effective Time of the Merger

The merger will become effective upon the filing of a certificate of merger with the Department of the Treasury of the State of New Jersey or such later time as set forth in the certificate of merger and established by GE and us. The closing of the merger will occur on a date specified by us and GE, which shall be no later than the second business day after the conditions to effect the merger set forth in the merger agreement have been satisfied or waived, or such other date as GE and we may select. Although we expect to complete the merger within the fourth calendar quarter of 2008, we cannot specify when, or assure you that, we, GE and Merger Sub will satisfy or waive all conditions to the merger.

Certificate of Incorporation and Bylaws

At the effective time of the merger, our certificate of incorporation and bylaws will be amended in their entirety to be as set forth in the exhibits to the merger agreement.

Board of Directors and Officers of the Surviving Corporation

The directors of Merger Sub immediately prior to the effective time of the merger will be the initial directors of the surviving corporation. Our directors will cease to serve as directors of Vital Signs. Our officers immediately prior to the effective time of the merger will be the initial officers of the surviving corporation.

Consideration to Be Received in the Merger

At the effective time of the merger, each share of our common stock issued and outstanding immediately prior to the effective time of the merger will automatically be cancelled and converted into the right to receive $74.50 in cash, without interest, other than shares of common stock:

- owned by GE or Merger Sub or any other wholly owned subsidiary of GE immediately prior to the effective time of the merger, all of which will be cancelled without any payment; and

- owned by us or any of our wholly owned subsidiaries immediately prior to the effective time of the merger, all of which will be cancelled without any payment.

GE and the surviving corporation shall be entitled to deduct and withhold from the consideration otherwise payable to any holder of shares of our common stock such amounts that it is required to deduct and withhold with respect to making such payment under the Internal Revenue Code, or any other applicable state, local or foreign tax law.

Payment Procedures

GE will deposit sufficient cash with our transfer agent or another bank or trust company reasonably acceptable to us, which we refer to as the paying agent, promptly after the effective time of the merger to make payment of the merger consideration. Promptly after the effective time of the merger, and in any event within three business days after the effective time, GE shall cause the paying agent to mail to each holder of record of a certificate that immediately prior to the effective time of the merger represented outstanding shares of our common stock, a letter of transmittal and instructions for effecting the surrender of his, her or its stock certificates in exchange for the merger consideration payable with respect to such certificates. Upon surrender of a certificate to the paying agent, together with such letter of transmittal, the holder of such certificate shall be entitled to receive the merger consideration such holder has the right to receive pursuant to the merger agreement. No interest will be paid or will accrue on the cash payable upon surrender of a certificate to the paying agent. GE is entitled to demand that the paying agent deliver to it any funds that have not been distributed, including the proceeds of any investments of the funds, within 270 days after the effective time of the merger. After any such funds are returned to GE, holders of certificates who have not previously complied with the instructions to exchange their certificates will be entitled to look only to GE for payment of their claim for merger consideration. The paying agent will invest the funds as directed by GE and any interest and other income resulting from such investment will be paid to GE.

You should not send your Vital Signs stock certificates to the paying agent until you have received transmittal materials from the paying agent. **Please do not return your Vital Signs stock certificates with the enclosed proxy, and please do not forward your stock certificates to the paying agent without a letter of transmittal.**

If any of your certificates which immediately prior to the effective time represented outstanding shares of our common stock have been lost, stolen or destroyed, you will be entitled to obtain the merger consideration after you make an affidavit of that fact and, if required by GE, post a bond.

Stock Options

At the effective time of the merger, all outstanding options, including those held by our directors and executive officers, will be cancelled and terminated and the holder of each such option will receive from GE, as soon as practicable following the closing of the merger, an amount in cash, without interest and less applicable taxes, equal to the product of:

the number of shares of our common stock subject to such option, as of the effective time of the merger, multiplied by

the excess, if any, of $74.50 over the exercise price per share of common stock subject to such option.

In the event that the exercise price of an option is equal to or greater than $74.50, such option shall be cancelled and have no further force and effect. All of our stock option plans pursuant to which the stock options have been granted, including our 2003 Investment Plan and our 2002 Incentive Plan, will terminate at the effective time of the merger.

Representations and Warranties

The merger agreement contains representations and warranties that we made to GE and Merger Sub regarding, among other things:

corporate matters, including due organization, power and qualification;

our capitalization;

our subsidiaries;

authorization, execution, delivery and performance and the enforceability of the merger agreement;

the absence of conflicts with, or violations of, our or our subsidiaries organizational documents, certain contracts, applicable law or judgments, orders or decrees or other obligations as a result of the consummation of the transactions contemplated by the merger agreement;

identification of required governmental filings and consents;

the accuracy of information contained in registration statements, forms, reports and other documents that we have filed with the U.S. Securities and Exchange Commission since October 1,

2005, including those filings made after July 23, 2008, and the compliance of our filings with applicable requirements of the Securities Act of 1933, as amended, and the Exchange Act and, with respect to financial statements contained therein, preparation in accordance with generally accepted accounting principles applied on a consistent basis;

the absence of pending or threatened investigations of our company or our subsidiaries by the U.S. Securities and Exchange Commission;

the accuracy of information contained in this proxy statement;

maintenance and effectiveness of disclosure controls and procedures and internal control over financial

reporting, and compliance with related certification and reporting requirements under the Exchange Act and the Sarbanes-Oxley Act;

compliance with applicable listing and other rules and regulations of The NASDAQ Global Select Market;

compliance with provisions of the Exchange Act regarding the use of corporate or other funds for unlawful contributions, payments, gifts or entertainment, or unlawful expenditures relating to political activity to government officials or others, the establishment and maintenance of unlawful or unrecorded funds and the acceptance or receipt of unlawful contributions, payments, gifts or expenditures;

the absence since October 1, 2005 of any material complaint, allegation, assertion or claim regarding our or our subsidiaries accounting or auditing practices or procedures;

the absence since October 1, 2005 of evidence of material violations of securities laws, breaches of fiduciary duty or similar violations by our company or our officers, directors, employees or agents reported by an attorney representing us or our subsidiaries;

our adoption of, and disclosure of changes to, our code of ethics for senior financial officers as required by the Sarbanes-Oxley Act and the absence of violations of our code of ethics;

the absence of liabilities, except for liabilities set forth on our September 30, 2007 balance sheet, liabilities incurred after September 30, 2007 in the ordinary course of business consistent with past practice or in connection with the transactions contemplated by the merger agreement, liabilities arising in the ordinary course of business pursuant to the terms of contracts (other than relating to any breaches thereof) which we disclosed to GE or which we were not required to disclose to GE and liabilities that, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect;

the absence of certain changes and events since September 30, 2007, including the absence of changes that have had or would reasonably be expected to have a Company Material Adverse Effect;

the filing of tax returns, status of unpaid taxes and other tax matters;

our owned and leased real property;

our intellectual property;

our contracts;

court orders, governmental investigations and litigation or other proceedings;

environmental matters;

our employee benefits plans;

compliance with laws;

privacy matters, including the Health Insurance

- Portability and Accountability Act of 1996, or HIPAA;
- permits;
- labor matters;
- insurance;
- receipt of an opinion from JPMorgan as to the fairness of the merger consideration, from a financial point of view, to Vital Signs shareholders;
- the inapplicability of U.S. federal or state anti-takeover statutes and regulations;
- the absence of undisclosed brokers fees;
- government contracts;
- compliance with laws and regulations of the U.S. Food and Drug Administration;
- compliance with health care regulations; and
- product liability matters.

In addition, GE and Merger Sub made representations and warranties to us regarding, among other things:

corporate matters, including due organization, power and qualification;

authorization, execution, delivery and performance and the enforceability of the merger agreement;

the absence of conflicts with, or violations of, organizational documents, certain contracts, applicable law or judgments, orders or decrees or other obligations as a result of the consummation of the transactions contemplated by the merger agreement;

identification of required governmental filings and consents;

the accuracy of information supplied for inclusion in this proxy statement;

- the operations of Merger Sub;
- litigation or other proceedings;
- the absence of undisclosed brokers fees; and
- GE s ability to finance the merger.

Many of our representations and warranties are qualified by a Company Material Adverse Effect standard. Pursuant to the merger agreement, a Company Material Adverse Effect means, with respect to us, any change, event, occurrence or state of facts that (a) has had, or would reasonably be expected to have, a material adverse effect (i) on the business, properties, assets, liabilities (contingent or otherwise), results of operations or condition (financial or otherwise) of us and our subsidiaries, taken as a whole, or (ii) on our ability to, in a timely manner, perform our obligations under the merger agreement or consummate the transactions contemplated by the merger agreement, or (b) would subject GE or any affiliate to any criminal or material civil liability resulting from a violation of law; except that facts, circumstances, events, changes, effects or occurrences (collectively, factors) involving the following will not constitute, and will not be considered in determining whether there has occurred, a Company Material Adverse Effect:

- except where we are disproportionately impacted, factors generally affecting the economy or the financial, debt, credit or securities markets in the United States, including as a result of changes in geopolitical conditions;

- except where we are disproportionately impacted, factors generally affecting any of the industries in which we or our subsidiaries operate;

- factors resulting directly or proximately from the announcement of the merger agreement and the transactions contemplated thereby, including any negative impact on the relationships between us and any of our

customers, suppliers, distributors or employees resulting from the identities of the parties to the merger agreement or the performance of the merger agreement and the transactions contemplated by the merger;

except where we are disproportionately impacted, factors resulting from changes after July 23, 2008 in any applicable laws or applicable accounting regulations or principles or interpretations thereof;

except where we are disproportionately impacted, factors resulting from any outbreak or escalation of hostilities or war or any act of terrorism; or

factors resulting from any failure by us to meet any published analyst estimates or expectations of our revenue, earnings or other financial performance or results of

operations for any period, in and of itself, or any failure by us to meet our internal or published projections, budgets, plans or forecasts of our revenues, earnings or other financial performance or results of operations, in and of itself.

This description of the representations and warranties is included to provide investors with information regarding the terms of the merger agreement. It is not intended to provide any other factual information about us. The assertions embodied in the representations and warranties are qualified by information in a confidential disclosure letter that we provided to GE in connection with signing the merger agreement. The disclosure letter contains information that modifies, qualifies and creates exceptions to the representations and warranties. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts at the time they were made or otherwise.

Covenants Relating to the Conduct of Our Business

From July 23, 2008 through the effective time of the merger or the earlier termination of the merger agreement, subject to certain exceptions set forth in our confidential disclosure letter, we have agreed, and have agreed to cause our subsidiaries, to:

act and carry on our business in the ordinary course of business consistent with past practice;

comply in all material respects with applicable laws and the requirements of our permits and to make all appropriate voluntary disclosures to

governmental entities;

use commercially reasonable efforts to maintain and preserve our business organization, assets, intangibles and properties and to preserve the goodwill of our business relationships with third parties with whom we have business dealings;

- use commercially reasonable efforts to retain the services of our current officers and key employees; and

- use commercially reasonable efforts to keep in full force and effect all insurance policies, other than changes to such policies made in the ordinary course of business consistent with past practice.

We have also agreed that, subject to certain exceptions, during the same period, we will not, and will not permit any of our subsidiaries to, do any of the following without the prior written consent of GE (which GE has agreed not to withhold unreasonably):

- declare, set aside or pay any dividend on, or make any other distribution in respect of, shares of our capital stock or otherwise make any payments to our shareholders in their

capacity as shareholders (other than the payment of regular quarterly cash dividends consistent in amount and timing with past practice and dividends or distributions by a wholly owned subsidiary to its parent);

split, combine, subdivide or reclassify any of our capital stock, or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of our capital stock or other securities;

purchase, redeem or otherwise acquire any shares of our capital stock, voting securities or equity interests, or any rights, warrants, options, calls, commitments or other

agreements to acquire any shares of our capital stock, voting securities or equity interests, except for the acquisition of shares of our common stock from our option holders in payment of the exercise price payable by such holders upon exercise of options to the extent required or permitted by the terms of such options or from former employees, directors and consultants in accordance with agreements providing for the repurchase of shares at their original issuance price in connection with a termination of services;

issue or otherwise dispose of or encumber any shares of our capital stock or other securities, other than the

issuance of shares of our common stock pursuant to the exercise of options outstanding on July 23, 2008;

amend our or our subsidiaries certificates of incorporation or bylaws or other organizational documents;

acquire any business or any business organization or division;

sell, transfer, lease, license, pledge, abandon or otherwise dispose of or encumber or subject to any lien any of our properties or assets (including intellectual property and securities of subsidiaries), other than sales of products in the ordinary course of business consistent with past practice, dispositions of obsolete or

worthless assets or other sales of assets of less than $500,000 in the aggregate;

incur, assume or guarantee indebtedness for borrowed money, issue, sell or amend any of our or our subsidiaries debt securities or options, warrants, calls or other rights to acquire debt securities, guarantee any debt security of another person, enter into any agreement to maintain any financial statement condition of another person or enter into any arrangement having the same economic effect or make any material loans, advances (other than routine advances to employees in the ordinary course of business consistent with

past practice) or capital contributions to, or investments in, any other person, other than our wholly owned subsidiaries (other than in the ordinary course of business, pursuant to letters of credit or otherwise, or purchase money security interests in amounts not to exceed $500,000 in the aggregate);

make any changes in financial or tax accounting methods, principles, policies or practices or change any accounting period, or change any assumption underlying, or method of calculating, bad debts, contingencies or other reserves, except in each instance as may be required under generally

accepted accounting principles or applicable law;

other than as required to comply with applicable law, increases in compensation or benefits required by agreements in effect on July 23, 2008 and increases in salaries, wages and benefits of

employees
other than
officers
made in
the
ordinary
course of
business
consistent
with past
practice
and in
amounts
and in a
manner
consistent
with past
practice:

adopt, enter
into, terminate
or amend any
employment,
consulting,
retention,
change in
control or
similar
agreement or
benefit plan
for the benefit
or welfare of
any current or
former
director,
officer,
employee or
consultant or
any collective
bargaining
agreement,

increase in any
respect the
compensation
or fringe
benefits of, or
pay any bonus
to, any
directors,
officers or

employees,

amend or waive any of our rights under, or accelerate the vesting under, any provision of our stock option plans or our other equity-related plans or any agreement evidencing any outstanding stock option or other right to acquire our capital stock or any restricted stock purchase agreement or any similar or related contract, other than as contemplated by the merger agreement,

enter into, establish, amend, modify or terminate any awards under any bonus, incentive, performance or other compensation plan or arrangement or benefit plan, including the grant of stock options, stock appreciation

rights, stock based or stock related awards, performance units or restricted stock, profit-sharing, health or welfare, stock option or other equity or equity-based pension, retirement, vacation, severance, deferred compensation or other compensation or benefit plan, policy, agreement, trust, fund or arrangement with, for or in respect of, any shareholder, director, officer, other employee, consultant or affiliate of our company, or

take any action other than in the ordinary course of business, consistent with past practice, to fund or in any other way secure the payment of compensation or benefits under any employee

benefit plan or policy;

make, change or rescind any material tax election, file any amended tax return, enter into any closing agreement with respect to taxes, settle or compromise any material tax claim or assessment or surrender any right to claim a refund of taxes or obtain any tax ruling;

initiate, compromise or settle any litigation, proceeding or investigation that is material to us and our subsidiaries taken as a whole, other than in connection with the enforcement of our rights under the merger agreement and other than settlements for less than $500,000 or, if greater, the total incurred case reserve amount for such litigation, and that do not

involve equitable relief or admission of wrongdoing or misconduct;

enter into, terminate or amend any material contract or any material permit, including any material environmental permit;

amend or modify our letter of engagement with JPMorgan;

release any person from, or modify or waive any provision of, any confidentiality, standstill or similar agreement, except as permitted by the merger agreement;

make any capital expenditures, other than pursuant to capital expenditure budgets previously delivered to GE and capital expenditures not in excess of $500,000 in the

aggregate for us and our subsidiaries taken as a whole during any three-month period;

adopt a plan or agreement of complete or partial liquidation, dissolution, restructuring, recapitalization, merger, consolidation or other reorganization;

pay, discharge, settle or satisfy any claims, liabilities or obligations, other than the payment, discharge, settlement or satisfaction in the ordinary course of business or in accordance with their terms, of liabilities, claims or obligations reflected or reserved against on our September 30, 2007 balance sheet or incurred since September 30, 2007 in the ordinary course of business consistent with past practice or

in connection with transactions contemplated by the merger agreement; or

authorize, or commit or agree to take, any of the foregoing actions, or take or agree to take any action that would cause any of the conditions to the merger set forth in the merger agreement not to be satisfied as of the closing date of the merger.

No Solicitation

The merger agreement provides that we will not, and we will cause our subsidiaries and our and our subsidiaries directors, officers, employees, investment bankers, financial advisors, attorneys, accountants, agents and other advisors and representatives not to, directly or indirectly:

solicit, initiate, cause, knowingly facilitate or knowingly encourage any inquiries or the making of any proposal or offer that constitutes, or would reasonably be expected to lead to, any acquisition proposal by any party other than GE (we refer to any such proposal as an acquisition proposal);

enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any person any information for the purpose of

knowingly encouraging or knowingly facilitating any such acquisition proposal; or

enter into any agreement related to any such acquisition proposal.

However, prior to obtaining shareholder approval of the merger agreement and in response to a bona fide, unsolicited written acquisition proposal that was made and received by us after July 23, 2008 and was not principally caused by a breach by us of the no solicitation provisions of the merger agreement, we may provide information to and participate in discussions or negotiations with a person making such an acquisition proposal. We may take these actions only:

to the extent the failure to do so would be inconsistent with our board s fiduciary obligations under New Jersey law as determined in good faith by our board after considering applicable provisions of New Jersey law and after consultation with outside counsel;

if such person has entered into a confidentiality agreement no less restrictive of such other

person than our confidentiality agreement with GE and which does not include any provision calling for an exclusive right to negotiate with us or precluding compliance by us with the merger agreement;

if we advise GE of all non-public information provided by us to the person making such acquisition proposal concurrently with its delivery to such person, and deliver to GE concurrently with our delivery to such person all such information not previously provided to GE;

if our board determines in good faith, after consultation with outside counsel and its financial

advisors, that the acquisition proposal constitutes or would be reasonably likely to result in a superior proposal; and

after providing GE not less than two business days written notice of our intention to take such actions.

In addition, prior to the approval of the merger agreement by our shareholders, if our board determines in good faith that the failure to do so would be inconsistent with our board s fiduciary obligations under New Jersey law after considering applicable provisions of New Jersey law and after consultation with outside counsel, we may engage through our outside counsel in discussions with a person making an unsolicited written acquisition proposal for the purpose of clarifying such acquisition proposal so as to enable our board to determine whether there is a reasonable possibility that such acquisition proposal could lead to a superior proposal provided that we notify GE of such acquisition proposal and our intention to instruct counsel to engage in such discussions prior to their engagement.

We have agreed to take all action reasonably requested by GE that is necessary to enforce each confidentiality, standstill or similar agreement relating to an acquisition proposal to which we or our subsidiaries is a party or by which any of us is bound, and promptly to provide GE with a copy of any confidentiality agreement entered into in response to an acquisition proposal in these circumstances no later than 24 hours after execution of such confidentiality agreement.

We have further agreed that our board will not:

withhold, withdraw or modify, or propose publicly to withhold, withdraw or modify in a manner adverse to GE its recommendation with respect to the merger and the approval of the merger agreement by our

shareholders;

approve or recommend, or propose publicly to approve or recommend, or cause or permit us or our subsidiaries to enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, joint venture agreement or similar agreement providing for the consummation of a transaction contemplated by any acquisition proposal (we refer to any such agreement as an alternate acquisition agreement); or

approve or recommend, or propose publicly to approve or recommend, any acquisition proposal.

However, our board may withhold, withdraw or modify its recommendation that our shareholders vote in favor of the merger and the approval of the merger agreement if our board determines in good faith, after reviewing applicable New Jersey law and after consultation with outside counsel, that failure to so act would be inconsistent with its fiduciary obligations under New Jersey law. Furthermore, until such time as our shareholders approve the merger

agreement, our board may, in response to a superior proposal, authorize us to enter into an alternative acquisition agreement with respect to such superior proposal, but only if:

- such proposal is an unsolicited bona fide written proposal;

- the making of such proposal is not principally caused by a breach of the no solicitation provisions of the merger agreement, a standstill agreement or a similar agreement;

- the board determines in good faith that such proposal constitutes a superior proposal;

- concurrently with entering into such alternative acquisition agreement, we terminate the merger agreement pursuant to its terms;

- we comply with the no solicitation provisions of the merger

agreement, including the notification provisions;

our board provides four business days prior written notice to GE that it is prepared to enter into an alternative acquisition agreement with respect to such superior proposal and terminate the merger agreement; and

during the four business day notice period described above, we and our representatives are reasonably available to GE and its representatives to negotiate any adjustments to the terms of the merger agreement proposed by GE as would enable GE to proceed with the transactions contemplated by the merger agreement and, at the end of such period, after taking

into account any such adjusted terms, our board again in good faith makes the determination that the third party s proposal constitutes a superior proposal.

In addition, in the event of any such termination, we must pay the termination fee described below prior to or concurrently with and as a condition of such termination.

We have agreed to promptly, and in any event within 24 hours of receipt, notify GE of our receipt of any proposal, offer, inquiry or other contact, request for confirmation or request to initiate any discussions or negotiations, with respect to an acquisition proposal, the identity of the person making such proposal, offer, inquiry or other contact and the terms and conditions of any such proposal or offer or the nature of any inquiry or contact. We are also required to keep GE reasonably informed in the event of any material developments affecting the status and terms of any such proposals, offers, inquiries or requests and the status of any such discussions or negotiations and promptly and in any event within 24 hours, provide GE with any written materials received by us related thereto.

We have further agreed to immediately cease and cause to be terminated, and to cause our subsidiaries and representatives to immediately cease and cause to be terminated, any discussions or negotiations that commenced prior to July 23, 2008 with any person with respect to any proposal that constitutes, or would reasonably be expected to lead to, an acquisition proposal.

Nothing in the merger agreement prohibits us from taking and disclosing a position to our shareholders with respect to a tender offer contemplated by Rule 14e-2 under the Exchange Act or from making any legally required disclosure to our shareholders. However, if such disclosure has the effect of withdrawing or modifying our board s recommendation that our shareholders vote for the merger and approve the merger agreement in a manner adverse to GE, GE will have the right to terminate the merger agreement and to receive the termination fee described below.

The term acquisition proposal is defined in the merger agreement to be any inquiry, proposal or offer by any party other than GE and its subsidiaries, relating to any:

- merger, consolidation, liquidation, dissolution, sale of substantial assets, tender offer, recapitalization, share exchange, business combination or similar transaction involving us or our subsidiaries,
- acquisition in any manner, directly or indirectly, of 15% or more of any class of equity securities of ours or our subsidiaries, or
- acquisition in any manner, directly or indirectly, of assets of ours and our subsidiaries equal to 15% or more of our consolidated assets or to which 15% or more of our consolidated revenues are attributable.

A superior proposal is defined in the merger agreement to mean any unsolicited, bona fide written proposal made by a third party to acquire, directly or indirectly, for consideration consisting of cash and/or securities, 65% or more of our equity securities or assets of ours and our subsidiaries equal to 65% or more of our consolidated assets or to which 65% or more of our consolidated revenues are attributable, pursuant to a tender or exchange offer, a merger, a consolidation or a purchase of assets or securities, that is not subject to a financing contingency and that our board

determines in its good faith judgment to be, after consultation with its outside legal counsel and a financial advisor of national reputation:

- on terms more favorable from a financial point of view to our shareholders than the transactions contemplated by the merger agreement, taking into account at the time of determination all the terms and conditions of the proposal and the ability of the person making the proposal to consummate the transactions contemplated by the proposal and the merger agreement, including any proposal by GE to amend the terms of the merger agreement; and

- reasonably capable of being completed on the terms proposed, taking into account all

financial, regulatory, legal and other aspects of the proposal.

Shareholders Meeting

The merger agreement requires us, as soon as practicable, to take actions to establish a record date for, duly call, give notice of, convene and hold as promptly as practicable a meeting of our shareholders to approve the merger agreement. Subject to the provisions described above under No Solicitation, our board is required to recommend approval of the merger agreement by our shareholders and include such recommendation in this proxy statement and may not withhold, withdraw or modify, or publicly propose or resolve to withhold, withdraw or modify in a manner adverse to GE, or publicly propose or resolve to withhold, withdraw or modify, in a manner adverse to GE, its recommendation that our shareholders vote in favor of the merger and approval of the merger agreement. Subject to the provisions described above under No Solicitation, we are required to use our reasonable best efforts to solicit from our shareholders proxies in favor of approval of the merger agreement.

Indemnification and Insurance

The merger agreement provides that, following the effective time of the merger, the surviving corporation will indemnify, to the fullest extent required by our current certificate of incorporation, any applicable contract in effect on July 23, 2008 and applicable law, our current and former directors and officers with respect to all acts or omissions by them in their capacities as directors or officers of our company at any time prior to the effective time of the merger.

In addition, GE has agreed to cause the surviving corporation to maintain in effect, at no expense to the beneficiaries, for no less than six years after the merger, an insurance and indemnification policy covering our directors and officers who are insured under our current policies with respect to events occurring at or prior to the effective time of the merger that is no less favorable than our existing policy. However, if the annual premiums of such insurance coverage exceed 200% of the annual premium currently paid by us, GE and the surviving corporation will not be required to pay the excess, and will be obligated to obtain a policy with the greatest coverage available for a cost not exceeding

200% of the annual premium currently paid by us. At Vital Signs option, it may purchase, prior to the effective time of the merger, a six-year prepaid tail policy on terms and conditions providing substantially equivalent benefits as the current policies of directors and officers liability insurance, fiduciary liability insurance and employment practices liability insurance for the protection of our officers and directors with respect to matters arising on or before the effective time of the merger.

Benefit Arrangements

GE has agreed that, until December 31, 2009, it will or it will cause one of its subsidiaries to maintain our company s current severance pay levels and will or will cause one of its subsidiaries to use commercially reasonable efforts to provide generally to continuing employees a total compensation package (including benefits but excluding any equity based compensation) that is in the aggregate no less favorable than the total compensation package provided to such employees immediately prior to July 23, 2008, but has determined to discontinue following the effective time of the merger our prior practice of providing six months severance to employees with a position of Vice President or higher. Continuing employees are those of our employees who continue as employees of the surviving corporation or GE following the effective time of the merger. GE has agreed to give or to cause one of its subsidiaries to give continuing employees full credit for prior service with us for purposes of (i) eligibility and vesting under GE s employee benefits plans, (ii) the determination of benefits levels under GE s employee benefits plans or policies relating to vacation or severance but not for benefit accrual purposes under any other GE employee benefit plan and (iii) the determination of retiree status under GE s employee benefits plans. GE has also agreed to allow or to cause its subsidiaries to allow continuing employees to use accrued but unused personal, sick or vacation time in accordance with GE s practice and policies. In addition, GE has agreed to waive, or cause to be waived, any limitations on benefits relating to pre-existing conditions to the same extent such limitations are waived under any comparable plan of our company and recognize for purposes of annual deductible and out-of-pocket limits under its medical and dental plans, deductible and out-of-pocket expenses paid by continuing employees in the calendar year in which the merger becomes effective.

Agreement to Take Further Action and to Use Commercially Reasonable Efforts

Subject to the terms and conditions of the merger agreement, each party has agreed to use its commercially reasonable efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by the merger agreement as promptly as reasonably practicable. Among other things, each party has committed to use such efforts to make appropriate filings and to use reasonable best efforts to obtain government clearances or approvals required under the Exchange Act, the HSR Act and any other applicable law. We have also agreed to give, or cause our subsidiaries to give, any required notices to third parties and to use, or cause our subsidiaries to use, commercially reasonable efforts to obtain required third party consents. However, we will not be required to make materially burdensome payments in connection with fulfilling such obligations.

Conditions to the Merger

Our and GE s and Merger Sub s obligations to effect the merger are subject to the satisfaction (or waiver, if permissible under applicable law) of the following conditions:

our shareholders must have approved the merger agreement;

the waiting period applicable to consummation of the merger under the Hart Scott Rodino Antitrust Improvements Act must have expired or been terminated and the applicable filings, approvals or expiration or termination of any applicable waiting periods under applicable foreign antitrust or trade regulation laws must have been made, obtained, expired or terminated; and

the absence of any order, executive order, stay, decree, judgment or injunction (preliminary or permanent), statute, law, rule or regulation enacted, issued, promulgated, enforced, obtained or entered by a governmental

entity making
the merger
illegal or
otherwise
prohibiting
consummation
of the merger.

In addition, our obligation to effect the merger is subject to the satisfaction or waiver of the following conditions:

- the representations and warranties of GE and Merger Sub in the merger agreement must be true and correct as of the closing date of the merger (or as of a particular date, in the case of representations and warranties that are made as of a particular date) except where the failure to be true and correct, without giving effect to any materiality qualifications, individually or in the aggregate, would not reasonably be expected to prevent or materially delay or materially impair the ability of GE or Merger Sub to consummate the transactions contemplated by the merger agreement; and

- GE and Merger Sub must have performed, in

all material respects, all obligations required to be performed by them under the merger agreement.

In addition, the obligations of GE and Merger Sub to effect the merger are subject to the satisfaction or waiver of the following conditions:

our representations and warranties (i) regarding our capitalization must be true and correct except for immaterial numerical inaccuracies, (ii) regarding the absence of a Company Material Adverse Effect since September 30, 2007 must be true and correct, (iii) regarding our authority to enter into the merger agreement, our required filings and consents and the absence of conflicts must be true and correct in all material respects and (iv) regarding all other matters must be true and correct

as of the closing date of the merger (or as of a particular date, in the case of representations and warranties that are made as of a particular date) except to the extent the failure of such representations and warranties to be true and correct, individually or in the aggregate, has not had and would not reasonably be expected to have a Company Material Adverse Effect (as defined in the merger agreement);

we must have performed, in all material respects, all obligations required to be performed by us under the merger agreement;

the absence of any instituted, pending or threatened action, investigation, litigation or

proceeding by a governmental entity which seeks to:

restrain, enjoin, prevent, prohibit or make illegal the consummation of the merger;

impose limitations on the ability of GE or its affiliates to vote, transfer, receive dividends with respect to or otherwise exercise full ownership rights with respect to the stock of Vital Signs after the merger is complete;

restrain, enjoin, prevent, prohibit or make illegal, or impose material limitations on, GE s or any of its affiliates ownership or operation of all or any material portion of our and our subsidiaries businesses and assets, taken as

a whole; or

as a result of the transactions contemplated by the merger agreement, compel GE or any of its affiliates to dispose of or hold separate any material portion of our or our subsidiaries businesses or assets, taken as a whole, or of GE and its subsidiaries, taken as a whole;

there must not have occurred any material adverse effect with respect to us since July 23, 2008; and

with respect to our reports filed with the U.S. Securities and Exchange Commission after July 23, 2008, our chief executive officer and our chief financial officer must have provided all necessary certifications required under the Sarbanes-Oxley

Act of 2002 in the form required under the Sarbanes-Oxley Act of 2002 and as previously filed by us.

Termination

The merger agreement may be terminated at any time prior to the effective time of the merger:

- by the mutual written consent of us, GE and Merger Sub;
- by either us or GE, if:

the merger has not been consummated by January 23, 2009 (the Outside Date), provided that this right to terminate is not available to any party whose failure to fulfill any obligation under the merger agreement has been a principal cause of the failure of the merger to occur on or before January 23, 2009; provided further that the Outside Date shall be extended to July 23, 2009 if the merger has not been consummated by January 23, 2009 because the waiting period applicable to consummation of the merger under the HSR Act has not expired or been terminated or the applicable filings, approvals or expiration or termination of any applicable waiting periods under

applicable foreign antitrust or trade regulation laws have not been made, obtained or expired, or terminated, and we elect to extend the Outside Date to July 23, 2009; provided further that if the merger shall not be consummated by the Outside Date (or by July 23, 2009 if extended as provided above) because we fail to perform, in all material respects, our obligations under the merger agreement, and such failure is first disclosed by us to GE or first identified by GE to us, less than ninety days prior to January 23, 2009 (or less than ninety days prior to July 23, 2009 if the Outside Date is extended as provided above), then the Outside Date may be

extended ninety days from such disclosure if we elect to do so;

we become subject to any final and nonappealable order, executive order, stay, decree, judgment or injunction, or regulation that would have the effect of making the merger illegal or otherwise prohibiting consummation of the merger, unless such governmental action was primarily due either to a failure of the party seeking to terminate the merger agreement to perform any of its agreements under the merger agreement or to a breach of such party s representations and warranties; or

the required vote of our shareholders to approve the merger agreement is

not obtained at the meeting of our shareholders where such vote is taken;

by GE, if:

our board had not included in this proxy statement its recommendation (set forth on page 19) that our shareholders vote in favor of approval of the merger agreement, or our board withdraws or modifies that recommendation in a manner adverse to GE;

our board approves or recommends to our shareholders an acquisition proposal by any party other than GE;

our board fails to reject and recommend against any such acquisition proposal within ten business days of th