

Edgar Filing: VITAL SIGNS INC - Form 10-Q

VITAL SIGNS INC  
Form 10-Q  
August 14, 2001

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

(Mark one)

- Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2001 or
- Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-18793

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VITAL SIGNS, INC.

(Exact name of registrant as specified in its charter)

New Jersey  
(State or other jurisdiction of  
incorporation or organization)

11-2279807  
(I.R.S. Employer  
Identification No.)

20 Campus Road  
Totowa, New Jersey 07512  
(Address of principal executive office, including zip code)

973-790-1330  
(Registrant's telephone number, including area code)

-----  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No  
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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

At August 9, 2001, there were 12,914,742 shares of Common Stock, no par value, outstanding.

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VITAL SIGNS, INC.

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## PART I.

Financial Information

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Item 1.

### Financial Statements

Certain information and footnote disclosures required under generally accepted accounting principles have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Vital Signs, Inc. (the "registrant" or the "Company" or "Vital Signs") believes that the disclosures are adequate to assure that the information presented is not misleading in any material respect. It is suggested that the following consolidated financial statements be read in conjunction with the year-end consolidated financial statements and notes thereto included in the registrant's Annual Report on Form 10-K for the year ended September 30, 2000.

The results of operations for the interim periods presented herein are not necessarily indicative of the results to be expected for the entire fiscal year.

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### INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors  
Vital Signs, Inc.

We have reviewed the accompanying consolidated balance sheet of Vital Signs, Inc. as of June 30, 2001, and the related consolidated statements of income (operations) for the three month periods and nine month periods ended June 30, 2001 and 2000, and cash flows for the nine month periods ended June 30, 2001 and 2000. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications

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that should be made to the accompanying consolidated financial statements for them to be in conformity with generally accepted accounting principles.

GOLDSTEIN GOLUB KESSLER LLP  
New York, New York

August 3, 2001

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### VITAL SIGNS, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

		June 30, 2001 ----
ASSETS		
		(Unaudited) -----
Current Assets:		
Cash and cash equivalents	\$	24,500
Accounts receivable, less allowance for doubtful accounts of \$672 and \$571 respectively		30,869
Inventory		26,322
Prepaid expenses and other current assets		10,947
		-----
Total Current Assets		92,638
Property, plant and equipment - net		35,669
Marketable securities		486
Goodwill and other intangible assets		49,997
Deferred income taxes		5,113
Other assets		2,719
		-----
Total Assets	\$	186,622 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$	5,039
Current portion of long-term debt		484
Accrued expenses		6,444
Notes payable - bank		5,678
Other current liabilities		11,767
		-----
Total Current Liabilities		29,412
Long term debt		2,256
Other liabilities		245
		-----

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Total Liabilities	31,913
Commitments and contingencies	
Minority interest in subsidiary	1,479
Stockholder's Equity	
Common stock - no par value; authorized 40,000,000 shares, issued and outstanding 12,914,742 and 12,307,831 shares, respectively	26,313
Accumulated other comprehensive loss	(2,322)
Retained earnings	129,239
	-----
Stockholders' equity	153,230
	-----
Total Liabilities and Stockholders' Equity	\$ 186,622
	=====

(See Notes to Consolidated Financial Statements)

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VITAL SIGNS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	For the Ni Ju ---
	2001 ----
	(In Thousands Exc
Net sales	\$ 123,976
Cost of goods sold	60,240
	-----
Gross Profit	63,736
Operating expenses:	
Selling, general and administrative	31,729
Research and development	5,903
Interest (income)	(641)
Interest expense	586
Other (income) expense	(125)
Goodwill amortization	957
Special charge	20,351
	-----
	58,760
	-----
Income before provision for income taxes and minority interest in income of consolidated subsidiary	4,976
Provision for income taxes	1,292

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Income before minority interest in income of consolidated subsidiary	3,684
Minority interest in income of consolidated subsidiary	26
Net income	\$ 3,658
Earnings per Common Share:	
Basic net income per share	\$ .29
Diluted net income per share	\$ .29
Basic weighted average number of shares	12,554
Diluted weighted average number of shares	12,810
Dividends paid per share	\$ .12
Comprehensive Income	
Net income	\$ 3,658
Adjustment for aggregate unrealized gain (loss) on marketable securities	10
Foreign currency gain (loss)	(792)
Total comprehensive income	\$ 2,876

(see Notes to Consolidated Financial Statements)

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VITAL SIGNS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	For the Thr
	Ju
	---
	2001
	----
	(In Thousands Exc
Net sales	\$ 42,504
Cost of goods sold	20,718
Gross Profit	21,786
Operating expenses:	
Selling, general and administrative	11,060

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Research and development	2,073
Interest (income)	(152)
Interest expense	181
Other expense	190
Goodwill amortization	300
Special charge	20,351
	-----
	34,003
	-----
Loss before credit for income taxes and minority interest in income (loss) of consolidated subsidiary	(12,217)
Credit for income taxes	(3,879)
	-----
Loss before minority interest in consolidated subsidiary	(8,338)
Minority interest in income (loss) of consolidated subsidiary	(5)
	-----
Net loss	\$ (8,333)
	=====
Loss per Common Share:	
Basic net loss per share	\$ (.65)
	=====
Diluted net loss per share	\$ (.65)
	=====
Basic weighted average number of shares	\$ 12,875
	=====
Diluted weighted average number of shares	\$ 12,875
	=====
Dividends paid per share	\$ .04
	=====
Comprehensive Loss	
Net loss	\$ (8,333)
Adjustment for aggregate unrealized gain on marketable securities	---
Foreign currency loss	(716)
	-----
Total comprehensive loss	\$ (9,049)
	=====

(see Notes to Consolidated Financial Statements)

VITAL SIGNS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For
	2001
	-----
	-----
Cash Flows from Operating Activities:	
Net income	\$ 3

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Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation and amortization	3
Decrease (increase) in tax asset	
Impairment charge	20
Amortization of goodwill	
Minority interest in income of consolidated subsidiary	
Changes in operating assets and liabilities:	
Increase in accounts receivable	(4)
Increase in inventory	(3)
Increase in prepaid expenses and other current assets	(2)
Decrease in other liabilities	
Decrease (increase) in other assets	(5)
(Increase) decrease in accounts payable and accrued expenses	
Net cash provided by operating activities	12
Cash Flows from Investing Activities:	
Proceeds from sales of available-for-sale securities	
Acquisition of property, plant and equipment	(2)
Acquisition of subsidiary (increased to 94% ownership in 2001)	(3)
Net cash used in investing activities	(5)
Cash Flows from Financing Activities:	
Purchase of treasury stock	
Issuance of treasury stock	
Dividends paid	(1)
Proceeds from exercise of stock options and warrants	11
Proceeds from short term notes payable	4
Principal payments of long-term debt and notes payable	(4)
Net cash provided by (used in) financing activities	9
Effect of foreign currency	
Net increase (decrease) in cash and cash equivalents	16
Cash and cash equivalents at beginning of period	7
Cash and cash equivalents at end of period	\$24
Supplemental disclosures of cash flow information: Cash paid during the nine months for:	
Interest	\$
Income taxes	7

(See Notes to Consolidated Financial Statements)



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1. The consolidated balance sheet as of June 30, 2001, the consolidated statements of income (operations) for the three and nine months ended June 30, 2001 and 2000 and the consolidated statement of cash flows for the nine months ended June 30, 2001 and 2000 have been prepared by Vital Signs, Inc. (the "Company" or "VSI") and are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position at June 30, 2001 and September 30, 2000 and the results of operations and cash flows for the three and nine months ended June 30, 2001 and 2000 and for all periods presented have been made.
2. See the Company's Annual Report on Form 10-K for the year ended September 30, 2000 (the "Form 10-K") for additional disclosures relating to the Company's consolidated financial statements.
3. The Company operates in one business segment. The Company designs, manufactures and distributes single use medical products.
4. At June 30, 2001, the Company's inventory was comprised of raw materials, \$17,242,000, and finished goods, \$9,080,000.
5. In the third quarter of Fiscal 2000, the Company converted its preferred stock holdings in privately held National Sleep Technologies, Inc. ("NST") into common stock. Upon such conversion the Company acquired an 84% ownership in NST. The total value of the Company's investment in NST as of September 30, 2000 was \$10,439,000. The assets acquired amounted to approximately \$4 million and liabilities assumed approximately \$6 million. This acquisition has been accounted for as a purchase resulting in an excess of purchase price over the fair value of net assets acquired of approximately \$12.8 million. The Company has reflected the operations of NST as a consolidated subsidiary as of June 1, 2000. The net sales and net income for the nine months ended June 30, 2001 were \$9,598,000 and \$119,000, respectively.
6. For Details of Legal Proceedings, see Part II, Item 1, "Legal Proceedings".
7. As of May 2, 2001, the Company purchased 41% of Breas Medical AB bringing the Company's ownership percentage to 94%. The Company paid approximately \$3.7 million upon signing a definitive agreement with the balance payable based on a multiple of Breas' sales and earnings for the twelve months ending March 31, 2002. The total purchase price for the additional 41% ownership interest will be no less than \$9.8 million or more than \$30.8 million.
8. The Company entered into a settlement agreement with SIMS Portex, Inc. to settle the patent infringement action pending against the Company in the United States District Court for the Northern District of Illinois concerning certain of the Company's manual resuscitators. The parties agreed to dismiss the current action with prejudice and the Company was granted a non-exclusive license under the SIMS Portex, Inc. patent. The Company incurred a special

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charge of \$7.8 million for the quarter ended June 30, 2000 to cover the cost of this litigation and settlement, and other litigation matters.

9. During the quarter ended June 30, 2001, the Company conducted a review to assess the carrying value of the Company's investments. A major consulting firm was engaged to assist the Company in an impairment analysis of the Company's subsidiary, Vital Pharma, Inc., which has sustained significant sales erosion and operating losses. The Company recorded a special charge relating to the Vital Pharma subsidiary of approximately \$18.2 million dollars. Further special charges were taken for various other impairments and charges aggregating \$2.2 million.
10. In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141 "Business Combinations". SFAS No. 141 is effective for business combinations initiated after June 30, 2001 and purchase business combinations for which the date of acquisition is July 1, 2001 or later. The Company is in the process of analyzing SFAS No. 141 but at this time does not believe that it will have a material effect on its financial position or results of operations. Also in June 2001, the FASB issued SFAS No. 142 "Goodwill and Other Intangible Assets". SFAS No. 142 is required to be applied for fiscal years beginning after December 15, 2001. Earlier application is permitted for certain entities and the Company will consider adopting SFAS No. 142 as of October 1, 2001. SFAS No. 142 eliminates the amortization of goodwill and certain other intangible assets. It also requires a test for impairment of these assets at least annually. The Company is in the process of analyzing SFAS No. 142 but is unable to report the effect the adoption will have on its financial position or results of operations.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Forward Looking Statements

This Quarterly Report on Form 10-Q contains, and from time to time the Company expects to make, certain forward-looking statements regarding its business, financial condition and results of operations. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"), the Company intends to caution investors that there are important factors that could cause the Company's actual results to differ materially from those projected in its forward-looking statements, whether written or oral, made herein or that may be made from time to time by or on behalf of the Company. Investors are cautioned that such forward-looking statements are only predictions and that actual events or results could differ materially from such statements. The Company undertakes no obligation to publicly release the results of any revisions to its forward-looking statements to reflect subsequent events or circumstances or to reflect the occurrence of

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unanticipated events.

The Company wishes to ensure that any forward-looking statements are accompanied by meaningful cautionary statements in order to comply with the terms of the safe harbor provided by the Reform Act. Accordingly, the Company has set forth a list of important factors that could cause the Company's actual results to differ materially from those expressed in forward-looking statements or predictions made herein and from time to time by the Company. Specifically, the Company's business, financial condition, liquidity and results of operations could be materially different from such forward-looking statements and predictions as a result of (i) cost containment pressures on hospitals and competitive factors that could affect the Company's primary markets, including the results of competitive bidding procedures implemented by group purchasing organizations and/or the success of the Company's sales force, (ii) slow downs in the healthcare industry or interruptions or delays in manufacturing and/or sources of supply, (iii) the Company's ability to develop or acquire new and improved products and to control costs, (iv) market acceptance of the Company's new products, (v) technological change in medical technology, (vi) the scope, timing and effectiveness of changes to manufacturing, marketing and sales programs and strategies, (vii) intellectual property rights and market acceptance of competitors' existing or new products, (viii) adverse determinations arising in the context of regulatory matters or legal proceedings (see Part II, Item 1 of this Quarterly Report on Form 10-Q), (ix) healthcare industry consolidation resulting in customer demands for price concessions, (x) the reduction of medical procedures in a cost conscious environment, (xi) efficacy or safety concerns with respect to marketed products, whether scientifically justified or not, that may lead to product recalls, withdrawals or declining sales, and (xii) healthcare reform and legislative and regulatory changes impacting the healthcare market both domestically and internationally.

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### Results of Operations

The following table sets forth, for the periods indicated, the percentage increase of certain items included in the Company's consolidated statement of income.

	INCREASE/ (DECREASE)
	THREE MONTHS ENDED JUNE 30, 2001 COMPARED WITH THREE MONTHS ENDED JUNE 30, 2000
Net Sales	14.6%
Cost of goods sold	16.6%
Gross profit	12.8%
Selling, general and administrative expense	18.4%
Research and development expenses	2.1%

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Income (loss) before provision (credit) for income taxes and minority interest in income (loss) of consolidated subsidiary	(973.6)%
Provision (credit) for income taxes	(769.7)%
Net income (loss)	(901.6)%

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### COMPARISON: QUARTER ENDED JUNE 30, 2001 AND QUARTER ENDED JUNE 30, 2000

Net sales for the quarter ended June 30, 2001 increased by 14.6% compared with the same period last year. The increase was due to unit increases and in part, to the acquisition of National Sleep Technologies, Inc. ("NST") which was acquired effective June 1, 2000 (see Note 5).

Sales of anesthesia products, representing 42.4% of net sales, increased 11.6% from the quarter ended June 30, 2000 due largely to increased shipments internationally and at the Company's Thomas Medical Products subsidiary. Sales of respiratory/critical care products, representing 37.8% of net sales, increased by approximately 3.6%. Sales of sleep services and products, representing 19.8% of net sales, increased due largely to the acquisition of NST.

While net sales increased in dollars by 14.6%, gross profit dollars increased by 12.8%. The Company's gross profit percentage for the quarter ended June 30, 2001 was 51.3% compared to 52.1% in the same time period of the last fiscal year. The decrease in gross profit percentage is due to a decline in three subsidiaries, Vital Pharma, Inc, Breas Medical AB and National Sleep Technologies.

Selling, general and administrative expenses (S, G & A) increased by \$1,717,000 primarily due to the acquisition of National Sleep Technologies, Inc., and Breas Medical AB.

Research and development expenses ("R&D") increased by \$43,000.

Other expense, net, which includes realized capital gains and losses, legal and currency gains and losses, decreased by \$836,000 from the quarter ended June 30, 2000 to the quarter ended June 30, 2001 primarily due to legal and severance expenses which did not reoccur.

During the quarter ended June 30, 2001, the Company conducted a review to assess the carrying value of the Company's investments. A major consulting firm was engaged to assist the Company in an impairment analysis of the Company's subsidiary, Vital Pharma, Inc., which has sustained significant sales erosion and operating losses. The Company recorded a special charge relating to the Vital Pharma subsidiary of approximately \$18.2 million dollars. Further special charges were taken for various other impairments and charges aggregating \$2.2 million.

The Company's effective tax rates were benefits of 31.8% and 39.2% for the quarters ended June 30, 2001 and 2000, respectively. The Company's tax

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benefit rate in the current period is lower than statutory rates primarily due to benefits realized from its international operations.

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### COMPARISON: NINE MONTHS ENDED JUNE 30, 2001 AND NINE MONTHS ENDED JUNE 30, 2000

Net sales for the nine months ended June 30, 2001 increased by 13.0% compared with the same period last year. The increase was due to unit increases and in part, to the acquisition of National Sleep Technologies, Inc. ("NST") which was acquired effective June 1, 2000 (see Note 5).

Sales of anesthesia products, representing 40.7% of net sales, increased by approximately 3.5% from the nine months ended June 30, 2001. Sales of respiratory/critical care products, representing 40.6% of net sales, increased by approximately 5.8%. Sales of sleep services and products, representing 18.7% of net sales, increased 73.3% due largely to the acquisition of NST.

While net sales increased in dollars by 13.0%, gross profit dollars increased by 11.3%. The Company's gross profit percentage for the nine months ended June 30, 2001 was 51.4% compared to 52.2% in the same time period of the last fiscal year. The decrease in gross profit percentage is due to a decline in gross profit percentage in Vital Pharma, Inc., Breas Medical AB and National Sleep Technologies, Inc.

Selling, general and administrative expenses (S, G & A) increased by \$3,217,000 primarily due to the acquisition of National Sleep Technologies, Inc., in June, 2000 and Breas Medical AB.

Research and development expenses ("R&D") increased by \$10,000 as the Company continues its efforts to develop new and improve its existing products.

Other expense, net, which includes realized capital gains and losses, legal and currency gains and losses, decreased by \$1,667,000 from the nine months ended June 30, 2000 to the nine months ended June 30, 2001 primarily due to the sale of an investment, currency transaction gains on certain liabilities payable in other than U.S. dollars and severance payments incurred in fiscal 2000.

During the quarter ended June 30, 2001, the Company conducted a review to assess the carrying value of the Company's investments. A major consulting firm was engaged to assist the Company in an impairment analysis of the Company's subsidiary, Vital Pharma, Inc., which has sustained significant sales erosion and operating losses. The Company recorded a special charge relating to the Vital Pharma subsidiary of approximately \$18.1 million dollars. Further special charges were taken for various other impairments and charges aggregating \$2.2 million.

The Company's effective tax rates were 26.0% and 28.3% for the nine months ended June 30, 2001 and 2000, respectively. The Company's tax rate in the current period is lower than statutory rates primarily due to benefits realized from its international operations. The decrease in effective tax rate is related to the decrease in taxable income, while the amounts of permanent tax deductions

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in excess of book remained constant.

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### Liquidity and Capital Resources

The Company continues to rely upon cash flow from its operations. During the nine months ended June 30, 2001, cash and cash equivalents increased by \$16,894,000 of which approximately \$11.2 million represents proceeds from the exercise of stock options. During the period, the Company paid dividends of approximately \$1,507,000 and spent \$2,002,000 on capital expenditures. In May, 2001 \$3.7 million was used as an initial payment to acquire an additional 41% of Breas Medical AB bringing total ownership to 94%. An additional payment will be made in April, 2002 for a minimum of \$6.1 million and maximum of \$27.1 million based on a sales and earnings test. The combined total of cash and cash equivalents and long-term marketable securities was approximately \$25 million at June 30, 2001 as compared to \$8.2 million at September 30, 2000.

At June 30, 2001, the Company had approximately \$24.5 million in cash and cash equivalents. On that date, the Company's working capital was \$63.2 million and the current ratio was 3.1 to 1, as compared to \$39.3 million and 2.6 to 1 at September 30, 2000.

The Company's current policy is to retain working capital and earnings for use in its business, subject to the payment of certain cash dividends. Such funds may be used for product development, product acquisitions and business acquisitions, among other things. The Company regularly evaluates and negotiates with domestic and foreign medical device companies regarding potential business or product line acquisitions or licensing arrangements by the Company.

The Company has a \$25 million line of credit with Chase Manhattan Bank ("Chase"). Chase has also expressed its intention to provide additional funds for the Company's future acquisitions, provided that each such acquisition meets certain criteria. The terms for any borrowing would be negotiated at the date of origination. There were no amounts outstanding at June 30, 2001.

Management believes that the funds generated from operations, along with the Company's current working capital position and bank credit, will be sufficient to satisfy the Company's capital requirements for the foreseeable future. This statement constitutes a forward-looking statement under the Reform Act. The Company's liquidity could be adversely impacted and its need for capital could materially change if costs are higher than anticipated, the Company were to undertake acquisitions demanding significant capital, operating results were to differ significantly from recent experience or adverse events were to affect the Company's operations.

### ITEM 3.

#### Quantitative and Qualitative Disclosure About Market Risk

Not Applicable

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PART II.  
Other Information

ITEM 1.

Legal Proceedings:

- (a) Reference is made to Item 3 of the Company's Annual Report on Form 10-K for the year ended September 30, 2000.
- (b) In September 1996, a patent infringement action was filed in Japan against an OEM medical device distributor in connection with the sale in Japan of Marquest Medical Products, Inc.'s ABG syringe product line. On June 23, 2000 the Court entered a judgment against the Company's distributor for Yen 336,872,689 (\$2,887,645) plus five percent annual interest on 137 million Yen from September 20, 1996 and on 199.9 million Yen from August 30, 1999 through the time of payment. The distributor (which has patent indemnification protection from Marquest) has appealed the judgment to the Tokyo Supreme Court. The matter is in the appellate process. The Company continues to believe that Marquest ABG syringe products do not infringe the plaintiff's patent and will continue to vigorously defend the action.
- (c) On December 6, 1999 a complaint was filed against the Company on behalf of the former shareholders of Vital Pharma, Inc. ("VPI") alleging breach of contract for failure to pay earnout payments allegedly due under the stock purchase agreement for the sale of VPI in December, 1995. The Company answered the complaint, filed counter-claims and moved to transfer the case to arbitration. In August, 2000 the court ordered plaintiff to submit such claims to binding arbitration and stayed all other proceedings pending the outcome of the arbitration. An arbitrator has been selected and the parties are in the discovery stages of the arbitration.

The Company is also involved in other legal proceedings arising in the ordinary course of business.

The Company cannot predict the outcome of its legal proceedings with certainty. However, based upon its review of pending legal proceedings, the Company does not believe the ultimate disposition of its pending legal proceedings will be material to its financial condition. Predictions regarding the impact of pending legal proceedings constitute forward-looking statements under the Reform Act. The actual results and impact of such proceedings could differ materially from the impact anticipated, primarily as a result of uncertainties involved in the proof of facts in legal proceedings.

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ITEM 6.

Exhibits and Reports on Form 8-K

- a) Reports on Form 8-K filed during the quarter ended June 30, 2001: None.

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Signatures

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

VITAL SIGNS, INC.

By: /s/ Herbert M. Javer

-----  
Herbert M. Javer  
Chief Financial Officer

Date: August 14, 2001

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