

VITAL IMAGES INC
Form SC TO-I
February 22, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE TO

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

Vital Images, Inc.

(Name of Subject Company (Issuer) and Filing Person (Offeror))

Options to Purchase Common Stock, Par Value \$0.01 Per Share

(Title of Class of Securities)

92846N104

(CUSIP Number of Common Stock Underlying Class of Securities)

Ian Nemerov

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Vice President, General Counsel and Secretary

Vital Images, Inc.

5850 Opus Parkway, Suite 300

Minnetonka, Minnesota 55343

(952) 487-9500

(Name, Address and Telephone Numbers of Person

Authorized to Receive Notices and Communications on Behalf of Filing Persons)

Copy to:

W. Morgan Burns

Faegre & Benson LLP

2200 Wells Fargo Center

90 South Seventh Street

Minneapolis, Minnesota 55402

(612) 766-7000

CALCULATION OF FILING FEE

Transaction Valuation*
\$213,000

Amount of Filing Fee**
\$15.19

* Calculated solely for purposes of determining the filing fee. The calculation of the transaction valuation assumes that all options to purchase 406,000 shares of common stock that are eligible to participate in this offer will be purchased by the issuer. These options have an aggregate value of \$213,000, calculated based on 80% of the amount determined by the Black-Scholes option pricing model. The actual transaction value will be based on the number of options tendered, if any, which may result in a lower aggregate amount.

**The amount of the filing fee, calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934, as amended, equals \$71.30 per million dollars of the transaction value.

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

Amount Previously Paid:
Form or Registration No.:

Filing Party:
Date Filed:

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- third-party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- going-private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

Item 1. Summary Term Sheet.

The information set forth in the Offer to Purchase for Cash Outstanding Stock Options with an Exercise Price Equal to or Greater than \$25.00, filed as Exhibit (a)(1) hereto (the Offering Document), under the Summary Term Sheet section, is incorporated herein by reference.

Item 2. Subject Company Information.

(a) *Name and Address.* The name of the issuer is Vital Images, Inc., a Minnesota corporation (the Company). The Company's principal executive office is located at 5850 Opus Parkway, Suite 300, Minnetonka, Minnesota 55343 and the telephone number of its principal executive office is (952) 487-9500.

(b) *Securities.* The information set forth in the Offering Document under Section 1 (Eligibility; Eligible Options; Expiration Date) is incorporated herein by reference.

(c) *Trading Market and Price.* The information set forth in the Offering Document under Section 9 (Price Range of Common Stock) is incorporated herein by reference.

Item 3. Identity and Background of Filing Person.

(a) *Name and Address.* The Company is both the filing person and the subject company. The information set forth under Item 2(a) above and in the Offering Document under Section 10 (Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Eligible Options) and Schedule B of the Offering Document (Information Concerning Our Executive Officers and Directors) is incorporated herein by reference.

Item 4. Terms of the Transaction.

(a) *Material Terms.* The information set forth in the Offering Document under the Summary Term Sheet section, the Risk Factors section, Section 1 (Eligibility; Eligible Options; Expiration Date), Section 3 (Amount of Cash Payment; Valuation of Eligible Options), Section 4 (Procedures for Tendering Eligible Options), Section 5 (Withdrawal Rights; Change in Election), Section 6 (Acceptance of and Payment for Eligible Options; Delivery of Cash Payment), Section 7 (Extension of Offer; Termination; Amendment; Subsequent Offering Period), Section 11 (Source of Funds; Status of Eligible Options Tendered in the Offer; Accounting Consequences of the Offer), Section 12 (Certain U.S. Federal Income Tax Consequences) and Schedule A (Cash Payment for Each Eligible Option) is incorporated herein by reference.

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(b) *Purchases.* The information set forth in the Offering Document under Section 10 (Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Eligible Options) and Schedule B (Information Concerning Our Executive Officers and Directors) is incorporated herein by reference.

Item 5. Past Contracts, Transactions, Negotiations and Agreements.

(e) *Arrangements Involving the Subject Company's Securities.* The information set forth in the Offering Document under Section 10 (Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Eligible Options), Schedule C (Stock Option Transactions by Our Executive Officers and Directors) and Section 16 (Corporate Plans, Proposals and Negotiations) is incorporated herein by reference.

Item 6. Purposes of the Transaction and Plans or Proposals.

(a) *Purposes.* The information set forth in the Offering Document under Section 2 (Purpose of the Offer) is incorporated herein by reference.

(b) *Use of Securities Acquired.* The information set forth in the Offering Document under Section 4 (Procedures for Tendering Eligible Options) and Section 6 (Acceptance of and Payment for Eligible Options; Delivery of Cash Payment) is incorporated herein by reference.

(c) *Plans.* The information set forth in the Offering Document under Section 16 (Corporate Plans, Proposals and Negotiations) is incorporated herein by reference.

Item 7. Source and Amount of Funds or Other Consideration.

(a) *Source of Funds.* The information set forth in the Offering Document under Section 11 (Source of Funds; Status of Eligible Options Tendered in the Offer; Accounting Consequences of the Offer) is incorporated herein by reference.

(b) *Conditions.* Not applicable.

(d) *Borrowed Funds.* Not applicable.

Item 8. Interest in Securities of the Subject Company.

(a) *Securities Ownership.* The information set forth in the Offering Document under Section 10 (Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Eligible Options) and Schedule B (Information Concerning Our Executive Officers and Directors) is incorporated herein by reference.

(b) *Securities Transactions.* The information set forth in the Offering Document under Section 10 (Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Eligible Options) and Schedule C (Stock Option Transactions by our Executive Officers and Directors) is incorporated herein by reference.

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Item 9. **Persons/Assets, Retained, Employed, Compensated or Used.**

(a) *Solicitations or Recommendations.* The Company has not directly or indirectly employed, retained or compensated any person to make solicitations or recommendations in connection with the tender offer.

Item 10. **Financial Statements.**

(a) *Financial Information.* Not applicable.

(b) *Pro Forma Information.* Not applicable.

Item 11. **Additional Information.**

(a) *Agreements, Regulatory Requirements and Legal Proceedings.* The information set forth under Item 12 below and in the Offering Document under Section 10 (*Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Eligible Options*) and Section 13 (*Legal Matters; Regulatory Approvals*) is incorporated herein by reference.

(b) *Other Material Information.* None.

Item 12.

Exhibits.

Exhibit Number	Description
(a)(1)	Offer to Purchase for Cash Outstanding Employee Stock Options with an Exercise Price Equal to or Greater than \$25.00, dated February 22, 2010.
(a)(2)	Form E-mail to Eligible Employees Announcing the Tender Offer.
(a)(3)	Form E-mail to Eligible Employees Distributing Election and Withdrawal Forms.
(a)(4)	Form of Election Form.
(a)(5)	Form of Withdrawal Notice.
(a)(6)	Employee Meeting Presentation.
(a)(7)	Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed with the SEC on March 16, 2009 (incorporated herein by reference).
(a)(8)	Definitive Proxy Statement on Schedule 14A for our 2009 Annual Meeting of Shareholders, filed with the SEC on April 2, 2009 (incorporated herein by reference).
(a)(9)	Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009 filed with the SEC on May 11, 2009 (incorporated herein by reference).
(a)(10)	Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2009 filed with the SEC on August 10, 2009 (incorporated herein by reference).
(a)(11)	Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2009 filed with the SEC on November 9, 2009 (incorporated herein by reference).
(a)(12)	Current Report on Form 8-K filed with the SEC on August 14, 2009 (incorporated herein by reference).
(a)(13)	Current Report on Form 8-K filed with the SEC on December 14, 2009 (incorporated herein by reference).
(b)	Not applicable.
(d)(1)	Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.10 to the Company's Form 10 filed with the SEC on March 13, 1997).
(d)(2)	1997 Stock Option and Incentive Plan, as amended (incorporated herein by reference to Exhibit 10.11 to the Company's Form 10 filed with the SEC on March 13, 1997 and Exhibit 99.9 to the Company's Registration Statement on Form S-8 filed with the SEC on May 23, 2005).
(d)(3)	1997 Director Stock Option Plan, as amended (incorporated herein by reference to Exhibit 10.12 to the Company's Form 10 filed with the SEC on March 13, 1997 and Exhibit 99.14 to the Company's Registration Statement on Form S-8 filed with the SEC May 23, 2005).
(d)(4)	2006 Long Term Incentive Plan (incorporated herein by reference to Exhibit 10.19 to the Company's Current Report on Form 8-K filed with the SEC on May 9, 2006).
(d)(5)	Form of Change in Control Agreement between the Company and Steven P. Canakes (incorporated herein by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed with the SEC on March 30, 2001).
(d)(6)	Employment Agreement dated September 8, 2005 by and between the Company and Steven P. Canakes (incorporated herein by reference to Exhibit 99.7 to the Company's Current Report on Form 8-K filed with the SEC on September 12, 2005).
(d)(7)	Change in Control Agreement dated May 16, 2005 by and between the Company and Michael H. Carrel (incorporated herein by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2005).

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- (d)(8) Employment Agreement dated January 12, 2008 by and between the Company and Michael H. Carrel (incorporated herein by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed with the SEC on March 17, 2008).
- (d)(9) Employment Agreement dated January 12, 2008 by and between the Company and Peter J. Goepfrich (incorporated herein by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed with the SEC on March 17, 2008).
- (d)(10) Employment Agreement dated August 5, 2008 by and between the Company and Vikram Simha (incorporated herein by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the SEC on March 16, 2009).
- (d)(11) Change in Control Agreement dated August 5, 2008 by and between the Company and Vikram Simha (incorporated herein by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the SEC on March 16, 2009).
- (g) Not applicable.
- (h) Not applicable.

Item 13. Information Required by Schedule 13E-3.

Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

VITAL IMAGES, INC.

Date: February 22, 2010

By:

/s/ Michael H. Carrel
Michael H. Carrel
President and Chief Executive Officer

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