

LIFELINE SYSTEMS INC
Form DEF 14A
October 29, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant 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))

Definitive Proxy Statement

- .. Definitive Additional Materials
- .. Soliciting Material Pursuant to Section 240.14a-12

Lifeline Systems, 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.
- .. 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:

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

(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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. 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:

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PROXY STATEMENT/PROSPECTUS

FOR

SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON DECEMBER 8, 2004

Dear Lifeline Systems, Inc. Shareholders:

This proxy statement/prospectus is furnished to shareholders of Lifeline Systems, Inc. in connection with the solicitation of proxies by Lifeline Systems' board of directors for use at the special meeting of shareholders to be held at the offices of Wilmer Cutler Pickering Hale and Dorr LLP located at 60 State Street, Boston, Massachusetts 02109 on December 8, 2004 at 10:00 a.m., Eastern Time.

At the special meeting, you will be asked to approve a reorganization of Lifeline Systems into a holding company structure. This reorganization will be effectuated through a share exchange in accordance with the terms and conditions set forth in the agreement and plan of share exchange, dated as of October 25, 2004, a copy of which is attached as Annex A to this proxy statement/prospectus. Pursuant to the agreement and plan of share exchange, (i) each outstanding share of Lifeline Systems common stock held by you will be exchanged for one share of common stock (and any associated purchase rights) of Lifeline Holdings, Inc., a Massachusetts corporation recently organized to serve as the holding company for Lifeline Systems, (ii) Lifeline Systems will become a wholly-owned subsidiary of Lifeline Holdings, and (iii) Lifeline Holdings will change its name to Lifeline Systems, Inc.

Lifeline Systems' common stock is currently listed on the NASDAQ National Market under the trading symbol LIFE. Upon completion of the share exchange, the common stock of Lifeline Holdings will be listed on the NASDAQ National Market under the trading symbol LIFE, and you will be a shareholder of Lifeline Holdings instead of Lifeline Systems. It will not be necessary for shareholders of Lifeline Systems to surrender their existing stock certificates for stock certificates representing shares of Lifeline Holdings. The certificates currently representing shares of Lifeline Systems common stock (and any associated purchase rights) will automatically represent shares of common stock (and any associated purchase rights) of Lifeline Holdings at that time.

Following the share exchange, Lifeline Systems will be converted into a Massachusetts Business Trust. In addition, Lifeline Holdings will contribute its ownership interest in Lifeline Systems to another wholly-owned subsidiary, with the result that Lifeline Systems will become an indirect, wholly-owned subsidiary of Lifeline Holdings.

Lifeline Systems has made several acquisitions in the past and expects to continue to make acquisitions from time to time in the future. We believe that the creation of this holding company structure is well suited for the company's strategy because it will permit greater flexibility and efficiency in the management and financing of acquired operations. The reorganization will more effectively enable us to operate different

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businesses on a stand-alone economic basis than our current structure and decrease the risk that liabilities attributable to any one of our businesses could be imposed upon one or more of our unrelated businesses. We believe that the reorganization will also have the additional effect of reducing Lifeline Systems' consolidated effective tax rate; however, we cannot give any assurance as to the amount of any tax-savings that may result from or follow the reorganization.

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AFTER CAREFUL CONSIDERATION, LIFELINE SYSTEMS BOARD OF DIRECTORS UNANIMOUSLY APPROVED THE PROPOSED REORGANIZATION AND CONCLUDED THAT IT IS ADVISABLE AND IS FAIR TO AND IN THE BEST INTERESTS OF LIFELINE SYSTEMS AND ITS SHAREHOLDERS. LIFELINE SYSTEMS BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE AGREEMENT AND PLAN OF SHARE EXCHANGE.

This proxy statement/prospectus more fully describes the proposed reorganization and includes information about Lifeline Systems and Lifeline Holdings. In the material accompanying this proxy statement/prospectus, you will also find a notice of special meeting of shareholders and a proxy. We encourage you to read this proxy statement/prospectus and the materials incorporated by reference into this proxy statement/prospectus in their entirety.

It is important that you use this opportunity to take part in the affairs of Lifeline Systems by voting on the business to come before this meeting. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE VOTE IN ONE OF THE WAYS DESCRIBED ON PAGE 3 UNDER THE HEADING WHAT DO I NEED TO DO TO VOTE? SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING. YOUR VOTE IS VERY IMPORTANT. Returning the proxy does not deprive you of your right to attend the meeting and to vote your shares in person.

This proxy statement/prospectus also serves as the prospectus for Lifeline Holdings as it relates to the shares of Lifeline Holdings common stock to be issued to the shareholders of Lifeline Systems in exchange for their shares of Lifeline Systems common stock. Lifeline Holdings has filed a registration statement on Form S-4 under the Securities Act of 1933, as amended, with the Securities and Exchange Commission with respect to the shares of Lifeline Holdings common stock to be issued in connection with the share exchange.

Sincerely,

Ronald Feinstein

President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Lifeline Holdings common stock to be issued pursuant to the share exchange, or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated October 27, 2004, and is first being mailed to our shareholders on or about November 1, 2004.

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LIFELINE SYSTEMS, INC.
111 LAWRENCE STREET
FRAMINGHAM, MASSACHUSETTS 01702-8156
(508) 988-1000

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON DECEMBER 8, 2004

Dear Lifeline Systems, Inc. Shareholders:

A special meeting of shareholders of Lifeline Systems, Inc. will be held at the offices of Wilmer Cutler Pickering Hale and Dorr LLP located at 60 State Street, Boston, Massachusetts 02109 on December 8, 2004 at 10:00 a.m., Eastern Time, for the purpose of considering and acting upon the following:

(1) to approve an agreement and plan of share exchange for purposes of creating a holding company structure for Lifeline Systems. In connection with the agreement and plan of share exchange, (i) each outstanding share of common stock of Lifeline Systems will be exchanged for one share of common stock of Lifeline Holdings, (ii) Lifeline Systems will become a wholly-owned subsidiary of Lifeline Holdings, and (iii) Lifeline Holdings will change its name to Lifeline Systems, Inc. (the actions to be taken pursuant to the agreement and plan of share exchange are collectively referred to in the proxy statement/prospectus as the Share Exchange); and

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

Lifeline Systems' board of directors has determined that the proposal described above is advisable and is fair to and in the best interests of Lifeline Systems and our shareholders, and unanimously recommends that our shareholders vote FOR the proposal. The terms of the proposed Share Exchange and the related agreement and plan of share exchange are more fully described in the proxy statement/prospectus attached to this notice.

Lifeline Systems' board of directors has fixed the close of business on October 12, 2004 as the record date for determination of those shareholders entitled to notice of, and to vote at, the special meeting and at any postponements or adjournments thereof. A list of shareholders entitled to vote will be available at 111 Lawrence Street, Framingham, Massachusetts 01702-8156 for ten days prior to the special meeting during normal business hours.

We encourage you to vote on this important matter.

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By Order of the Board of Directors

Jeffrey A. Stein

Clerk

Framingham, Massachusetts

October 27, 2004

YOU ARE CORDIALLY INVITED TO ATTEND THE SPECIAL MEETING OF SHAREHOLDERS IN PERSON. WHETHER OR NOT YOU PLAN TO ATTEND, PLEASE SIGN, DATE AND RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED ENVELOPE.

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ADDITIONAL INFORMATION

This proxy statement/prospectus gives you detailed information about the Share Exchange to be voted on at the special meeting. This proxy statement/prospectus also incorporates important business and financial information about Lifeline Systems that is not included in or delivered with this document. Please refer to the section entitled *Where You Can Find More Information* on page 31 for additional information about Lifeline Systems that is on file with the Securities and Exchange Commission, or the SEC. We encourage you to read this additional information. Lifeline Systems will provide you with copies of any of this information, without charge, upon written or oral request to:

Lifeline Systems, Inc.

111 Lawrence Street

Framingham, Massachusetts 01702-8156

Attention: Chief Financial Officer

(508) 988-1000

PLEASE NOTE THAT IN ORDER TO OBTAIN TIMELY DELIVERY, YOU MUST REQUEST DOCUMENTS AND INFORMATION NOT LATER THAN DECEMBER 1, 2004. UPON REQUEST, WE WILL MAIL ANY DOCUMENTS TO YOU BY FIRST CLASS MAIL BY THE NEXT BUSINESS DAY.

You should rely only on the information contained in this proxy statement/prospectus in deciding how to vote. No one has been authorized to provide you with information that is different from that contained in this proxy statement/prospectus. This proxy statement/prospectus is dated October 27, 2004. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than that date.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions, that, if they never materialize or prove incorrect, could cause the results of Lifeline Systems, on the one hand, or of Lifeline Holdings, on the other, to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements generally are identified by the words expects, anticipates, believes, intends, estimate, should, would, strategy, plan and similar expressions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. For example, forward-looking statements include projections of earnings, revenues, synergies, tax benefits, accretion or other financial items, any statements of the plans, strategies and objectives of management for future operations, any statements regarding future economic conditions or performance, statements of belief and any statement of assumptions underlying any of the foregoing. These expectations are based on certain assumptions, including assumptions regarding the advantages of the reorganization, growth, research and development activities, projected expenditures and other risks and uncertainties.

If any of these risks or uncertainties materializes or any of these assumptions proves incorrect, the results of Lifeline Systems and Lifeline Holdings could differ materially from the expectations in these statements. The forward-looking statements included in this proxy statement/prospectus are made only as of the date of this proxy statement/prospectus, and neither Lifeline Systems nor Lifeline Holdings is under any obligation to update their respective forward-looking statements, except as otherwise required by law.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

Q: WHO IS SOLICITING MY PROXY?

A: This proxy is being solicited on behalf of Lifeline Systems' board of directors.

Q: WHO IS ELIGIBLE TO VOTE?

A: To be able to vote, you must have been a shareholder of record at the close of business on October 12, 2004. This date is the record date for the special meeting. On October 12, 2004, there were 13,801,258 shares of common stock of Lifeline Systems issued, outstanding and entitled to vote at the special meeting.

Q: WHAT DO I NEED TO DO TO VOTE?

A: You can vote in one of four ways:

You may vote by mail. You may vote by completing and signing the proxy card that accompanies this proxy statement/prospectus and promptly mailing it in the enclosed envelope. You do not need to put a stamp on the enclosed envelope if you mail it in the United States.

You may vote over the Internet. If you are the record holder of your shares, you may authorize your vote on the Internet by following the instructions that appear on the enclosed proxy card. Have the enclosed proxy card available when you access the web page.

You may vote by telephone. If you are the record holder of your shares, you may vote by touchtone telephone by following the instructions that appear on the enclosed proxy card. Have the enclosed proxy card available when you call.

You may vote in person. If you attend the meeting and are the record holder of your shares, you may vote by delivering your completed proxy card in person or you may vote by completing a ballot at the meeting. Ballots will be available at the special meeting.

Q: CAN I CHANGE MY VOTE AFTER I MAIL MY PROXY CARD?

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A: Yes. You can change your vote and revoke your proxy at any time before the polls close at the special meeting by doing any one of the following:

signing another proxy with a later date;

accessing the Internet and following the instructions for Internet proxy authorization that appear on the enclosed proxy card;

following the instructions that appear on the enclosed proxy card for proxy authorization by telephone;

giving the Chief Financial Officer of Lifeline Systems a written notice before or at the special meeting that you want to revoke your proxy; or

voting in person at the meeting.

Your attendance alone at the special meeting will not revoke your proxy. If you are not the record holder of your shares, you must follow the instructions of your bank or brokerage firm in order to change your vote.

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Q: WHAT CONSTITUTES A QUORUM?

A: In order for business to be conducted at the special meeting, a quorum must be present. A quorum consists of the holders of a majority of the shares of common stock issued, outstanding and entitled to vote at the special meeting, or at least 6,900,630 shares.

Shares of common stock represented in person or by proxy (including broker non-votes and shares that abstain or do not vote with respect to one or more of the matters to be voted upon) will be counted for the purpose of determining whether a quorum exists. Broker non-votes are shares that are held in street name by a bank or brokerage firm that indicates on its proxy that it does not have discretionary authority to vote on a particular matter.

If a quorum is not present, Lifeline Systems expects that the special meeting will be adjourned until a quorum is obtained. At any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to such reconvening of the special meeting.

Q: HOW LONG IS MY PROXY VALID?

A: Unless you indicate on the proxy that it is valid for a shorter or longer period, your proxy will be valid for 11 months from the date that you signed or submitted the proxy. If the special meeting is adjourned and not reconvened until at least 11 months after the effective date of the proxy, or any shorter or longer period that you have indicated on the proxy, it will be necessary for Lifeline Systems to solicit your proxy again.

Q: IF MY BROKER HOLDS MY SHARES IN STREET NAME, HOW DO I VOTE MY SHARES?

A: If the shares you own are held in street name by a bank or brokerage firm, your bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions that your bank or brokerage firm provides to you. Many banks and brokerage firms also offer the option of voting over the Internet or by telephone, instructions for which would be provided by your bank or brokerage firm on your vote instruction form. If you do not give instructions to your bank or brokerage firm, it will not be allowed to vote your shares with respect to non-discretionary items that may come before the meeting, including the vote on the proposed Share Exchange. In the case of any such non-discretionary items as to which you have not given instructions, the shares will be treated as broker non-votes. If a matter were to come before the meeting which is considered to be discretionary, your bank or brokerage firm would be allowed to vote your shares with respect to that matter even if you do not give voting instructions.

If your shares are held in street name and you wish to attend the special meeting, you must bring an account statement or letter from your brokerage firm or bank showing that you are the beneficial owner of the shares as of the record date. To be able to vote your shares held in street name at the special meeting, you will need to obtain a proxy card from your brokerage firm or bank.

Q: CAN I VOTE IF MY SHARES ARE HELD IN MY 401(K) ACCOUNT?

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A: If you participate in the Lifeline Employees Savings and Investment Plan, or the 401(k) Plan, sponsored by Lifeline Systems, you may vote an amount of shares of common stock equivalent to the interest in Lifeline Systems common stock credited to your account as of the record date. In order to vote your shares, you will need to complete the enclosed proxy card and send it to the 401(k) Plan administrator, New York Life Investment Management LLC, at the address set forth on the accompanying envelope. New York Life Investment Management LLC will direct the trustee of the 401(k) Plan to vote the shares in the manner directed on the proxy

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card. If New York Life Investment Management LLC does not receive a signed proxy card from you by 5:00 p.m., Eastern Time, on December 6, 2004, the trustee of the 401(k) Plan will vote your shares in the same manner, proportionally, as it votes the shares of other plan participants from which proper and timely proxy cards have been received by New York Life Investment Management LLC.

Q: WHAT VOTE IS REQUIRED TO ADOPT THE SHARE EXCHANGE?

A: In order to proceed with the Share Exchange, holders of at least two-thirds of Lifeline Systems' outstanding shares of common stock entitled to vote at the special meeting must vote to adopt the agreement and plan of share exchange.

Q: HOW WILL VOTES BE COUNTED?

A: Each share of common stock will be counted as one vote according to the instructions contained on a proper proxy card, whether executed by you directly or through Internet or telephonic authorization, or on a ballot voted in person at the meeting. If you submit a proxy but do not give any instructions on a particular matter described in this proxy statement, the shares you own will be voted in favor of the agreement and plan of share exchange.

If you abstain from voting on a particular matter or your shares are broker non-votes, your shares will not be voted in favor of the agreement and plan of share exchange. As a result, abstentions and broker non-votes will have the effect of a "no" vote with respect to the agreement and plan of share exchange.

Q: WHO WILL COUNT THE VOTES?

A: The votes will be counted, tabulated and certified by Lifeline Systems' transfer agent, Registrar and Transfer Company.

Q: WHO WILL BEAR THE COST OF SOLICITING PROXIES PURSUANT TO THIS PROXY STATEMENT/PROSPECTUS?

A: All costs of solicitation of proxies will be borne by Lifeline Systems. In addition to solicitation by mail, Lifeline Systems' directors, officers and regular employees, without additional remuneration, may solicit proxies by telephone, facsimile machine and personal interviews. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names, and Lifeline Systems will reimburse them for their out-of-pocket expenses in this regard.

Q: WHAT IS LIFELINE SYSTEMS' POLICY REGARDING HOUSEHOLDING?

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A: Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements. This means that only one copy of this proxy statement/prospectus may have been sent to multiple shareholders in your household. Lifeline Systems will promptly deliver a separate copy of this document to you if you contact Lifeline Systems at the following address or telephone number: Lifeline Systems, Inc., 111 Lawrence Street, Framingham, MA 01702-8156, Attention: Chief Financial Officer, (508) 988-1000. If you want to receive separate copies of Lifeline Systems' annual reports and proxy statements in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or you may contact Lifeline Systems at the above address or telephone number.

Q: WHERE CAN I FIND MORE INFORMATION ABOUT LIFELINE SYSTEMS AND LIFELINE HOLDINGS?

A: You can find more information about Lifeline Systems and Lifeline Holdings by reading this proxy statement/prospectus and the various sources described in this proxy statement/prospectus under the section entitled "Where You Can Find More Information."

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Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: If you have any questions about the Share Exchange or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card, you should contact Lifeline Systems Chief Financial Officer at the following address or telephone number:

Lifeline Systems, Inc.

111 Lawrence Street

Framingham, Massachusetts 01702-8156

Attention: Chief Financial Officer

(508) 988-1000

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SUMMARY OF THE SHARE EXCHANGE

The following is a summary of the information contained in this document relating to the Share Exchange. This summary may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus and the other documents to which we refer. In particular, you should read the agreement and plan of share exchange that is attached as Annex A to this proxy statement/prospectus.

The Companies

Lifeline Systems, Inc.

111 Lawrence Street

Framingham, Massachusetts 01702-8156

(508) 988-1000

<http://www.lifelinesystems.com>

Lifeline Systems provides 24-hour personal response monitoring services to subscribers, primarily elderly individuals with medical or age-related conditions as well as physically challenged individuals. Lifeline Systems provides these services using its products, which consist principally of a communicator which connects to the telephone line in the subscriber's home and a personal help button which is worn or carried by the individual subscriber and which, when activated, initiates a telephone call from the subscriber's communicator to Lifeline Systems' central monitoring facilities.

Following the Share Exchange, Lifeline Systems will be converted into a Massachusetts Business Trust and will become an indirect, wholly-owned subsidiary of Lifeline Holdings. You will own stock in Lifeline Holdings.

Lifeline Holdings, Inc.

111 Lawrence Street

Framingham, Massachusetts 01702-8156

(508) 988-1000

Lifeline Holdings was recently formed as a wholly-owned subsidiary of Lifeline Systems for the purpose of acquiring all of the outstanding shares of Lifeline Systems' common stock in the Share Exchange. As of the date of this proxy statement/prospectus, Lifeline Holdings has not engaged in any business activity.

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As part of the Share Exchange, Lifeline Holdings will change its name to Lifeline Systems, Inc. The shares of common stock of Lifeline Holdings that Lifeline Systems shareholders receive pursuant to the Share Exchange will be listed on the NASDAQ National Market and will trade under the symbol LIFE. Following the Share Exchange, Lifeline Holdings website address will be: <http://www.lifelinesystems.com>.

Description of the Share Exchange (see page 12)

Lifeline Systems intends to use a statutory process called a share exchange to implement the Share Exchange, as a result of which Lifeline Systems will become a wholly-owned subsidiary of Lifeline Holdings. Pursuant to the agreement and plan of share exchange dated October 25, 2004 between Lifeline Systems and Lifeline Holdings, all of the outstanding shares of Lifeline Systems common stock held by our shareholders will be transferred to Lifeline Holdings, and an equivalent number of shares of Lifeline Holdings common stock will be issued, in exchange, to the shareholders of Lifeline Systems. The Lifeline Holdings common stock held by Lifeline Systems will be cancelled. Thus, upon completion of the Share Exchange, each shareholder of Lifeline Systems will have the same proportionate equity interest in Lifeline Holdings that he or she has in Lifeline Systems immediately prior to the Share Exchange.

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Following the Share Exchange, Lifeline Systems will be converted into a Massachusetts Business Trust. In addition, Lifeline Holdings will contribute its ownership interest in Lifeline Systems to another wholly-owned subsidiary, with the result that Lifeline Systems will become an indirect, wholly-owned subsidiary of Lifeline Holdings.

A copy of the agreement and plan of share exchange between Lifeline Systems and Lifeline Holdings is attached as Annex A to this proxy statement/prospectus. Shareholders are encouraged to read this proxy statement/prospectus and the agreement and plan of share exchange in their entirety.

Anticipated Effective Date of the Share Exchange (see page 12)

Lifeline Systems expects to complete the Share Exchange as quickly as possible once all of the requirements, including obtaining the requisite approval for the Share Exchange from Lifeline Systems' shareholders, are fulfilled. While Lifeline Systems cannot predict the exact timing, it expects to complete the Share Exchange prior to the end of calendar year 2004.

Directors and Management (see page 13)

The current members of Lifeline Systems' board of directors have been elected to serve on the board of directors of Lifeline Holdings, with the same classified structure and remaining terms of service as are currently in effect for Lifeline Systems' board of directors. In addition, the current members of Lifeline Systems' team of executive officers have all been elected to serve as the executive officers of Lifeline Holdings in substantially the same capacities in which they currently serve at Lifeline Systems. The Share Exchange will not directly provide any substantive benefits to those directors or executive officers of Lifeline Systems who are expected to also serve as directors and executive officers of Lifeline Holdings after the Share Exchange.

Certain Effects of the Share Exchange (see pages 13-19)

Following consummation of the Share Exchange:

the employment agreements and change of control agreements between Lifeline Systems and certain executive officers will be amended to add Lifeline Holdings as a party, including to provide that Ronald Feinstein, Lifeline Systems' president and chief executive officer, will also serve as the president and chief executive officer of Lifeline Holdings;

Lifeline Holdings will assume all of Lifeline Systems' stock incentive plans, including the 1991 Stock Option Plan, 1994 Stock Option Plan, 2000 Stock Incentive Plan, 2000 Employee Stock Option Plan and 2000 Employee Stock Purchase Plan, each as amended (collectively, the Plans), and intends to grant additional awards under the 2000 Stock Incentive Plan and the 2000 Employee Stock Purchase Plan;

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stock options granted under the Plans to purchase shares of common stock of Lifeline Systems outstanding immediately prior to the Share Exchange will instead be exercisable for shares of common stock of Lifeline Holdings on the same terms and conditions upon which the options are exercisable prior to the Share Exchange; and

Lifeline Holdings will assume all rights and liabilities of Lifeline Systems under the existing \$30,000,000 credit facility between Lifeline Systems and Citizens Bank of Massachusetts.

Required Regulatory Approvals (see page 19)

Lifeline Systems is not currently aware of any regulatory approvals that are required prior to the consummation of the Share Exchange, other than the filing of articles of share exchange with the Secretary of the Commonwealth of the Commonwealth of Massachusetts in order to effectuate the Share Exchange.

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Material United States Federal Income Tax Consequences (see page 19)

Lifeline Systems does not expect that its shareholders will recognize any gain or loss for U.S. federal income tax purposes upon the exchange of their shares of Lifeline Systems common stock for shares of Lifeline Holdings common stock pursuant to the Share Exchange.

HOWEVER, YOU ARE STRONGLY URGED TO CONSULT YOUR OWN TAX ADVISOR TO DETERMINE THE U.S. FEDERAL, STATE, LOCAL OR FOREIGN INCOME OR OTHER TAX CONSEQUENCES RESULTING FROM THE SHARE EXCHANGE, IN LIGHT OF YOUR INDIVIDUAL CIRCUMSTANCES.

Rights of Dissenting Shareholders (see page 21)

Under the Massachusetts Business Corporation Act, shareholders of Lifeline Systems will not have dissenters' rights of appraisal in connection with the proposed Share Exchange if, at the time of the Share Exchange, shares of Lifeline Systems common stock are held of record by, or by financial intermediaries or depositories on behalf of, at least 1,000 persons. As of October 18, 2004, shares of Lifeline Systems common stock were held by at least 1,889 such persons. Accordingly, Lifeline Systems believes that appraisal rights will not be available to shareholders. However, because Lifeline Systems' belief is based on the number of beneficial owners of shares of Lifeline Systems common stock on the date the Share Exchange is consummated, we are unable to definitively conclude that appraisal rights will be unavailable, and accordingly we have concluded that, as a matter of law, shareholders may be entitled to assert appraisal rights under Part 13 of the Massachusetts Business Corporation Act. In order for you to assert such appraisal rights, if available, it will be necessary for you to (i) deliver, before the vote is taken at the special meeting of shareholders, written notice of your intent to demand payment and (ii) not vote your shares in favor of the Share Exchange. A copy of Part 13 of the Massachusetts Business Corporation Act is attached to this proxy statement/prospectus as Annex B.

Voting Requirements (see page 21)

In order to proceed with the Share Exchange, holders of at least two-thirds of Lifeline Systems' outstanding shares of common stock entitled to vote at the special meeting must vote to adopt the agreement and plan of share exchange.

Share Ownership of Directors and Executive Officers of Lifeline Systems (see page 21)

At the close of business on October 12, 2004, Lifeline Systems' directors and executive officers, and their affiliates, held approximately 12.2% of Lifeline Systems' outstanding common stock. This represented approximately 18.2% of the affirmative votes needed to approve the Share Exchange.

Recommendation of Lifeline Systems' Board of Directors (see page 21)

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Lifeline Systems board of directors unanimously recommends that shareholders vote in favor of the Share Exchange.

Right to Abandon the Proposed Share Exchange (see page 21)

The board of directors of either Lifeline Systems or Lifeline Holdings can terminate the agreement and plan of share exchange and abandon the proposed Share Exchange at any time, in their sole discretion.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA OF LIFELINE SYSTEMS, INC.**

The following table presents selected consolidated financial data of Lifeline Systems. The financial data as of December 31, 1999, 2000 and 2001 and for the years ended December 31, 1999 and 2000 are derived from audited financial statements not included or incorporated by reference into this proxy statement/prospectus. The financial data as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 are derived from audited financial statements incorporated by reference into this proxy statement/prospectus. The financial data as of June 30, 2003 and 2004 and for the six months ended June 30, 2003 and 2004 are derived from unaudited financial statements incorporated by reference into this prospectus and, in the opinion of Lifeline Systems management, include all necessary adjustments for a fair presentation of those data in conformity with generally accepted accounting principles. Results for the six months ended June 30, 2004 are not necessarily indicative of the results for the full fiscal year or for any other future period. You should read the selected consolidated financial data together with the consolidated financial statements and related notes of Lifeline Systems and the other financial information of Lifeline Systems incorporated by reference into this proxy statement/prospectus.

	Years Ended December 31,					Six Months Ended June 30,	
	2003	2002	2001	2000	1999	2004	2003
	(in thousands, except per share data)						
Statement of Operations Data:							
Total Revenues	\$ 116,159	\$ 105,008	\$ 96,560	\$ 81,489	\$ 70,792	\$ 62,465	\$ 55,371
Income from operations	16,870	13,571	10,561	5,031	3,190	7,958	7,211
Income before income taxes	17,098	13,550	10,223	5,304	4,176	8,113	7,381
Net income	10,259	8,130	6,320	3,185	2,506	4,787	4,428
Net income per share, diluted	\$ 0.76	\$ 0.60	\$ 0.49	\$ 0.26	\$ 0.20	\$ 0.34	\$ 0.33
Diluted weighted average shares outstanding	13,539	13,450	12,962	12,446	12,598	14,045	13,520
Balance Sheet Data¹:							
Working Capital	\$ 33,496	\$ 19,548	\$ 15,018	\$ 9,994	\$ 10,069	\$ 38,492	\$ 23,969
Total Assets	101,467	83,660	76,989	64,528	57,385	110,984	91,138
Long-term obligations ²	1,004	6	5,000	2,701	3,354	834	0
Shareholders' equity	79,226	62,793	52,209	43,385	39,739	86,977	68,904

¹ There were no cash dividends paid or declared during any of the periods presented.

² Excludes current portion of long-term obligation related to the assignment of a portion of Lifeline Systems lease portfolio. See note D to the consolidated financial statements in Lifeline Systems Form 10-K for the year ended December