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MERGE TECHNOLOGIES INC  
Form S-3  
September 26, 2002

As filed with the Securities and Exchange Commission on September 26, 2002  
Registration No. 333-\_\_\_\_\_

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United States Securities and Exchange Commission  
Washington, D. C. 20549  
FORM S-3  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
Merge Technologies Incorporated  
(Exact name of registrant as specified in its charter)

Wisconsin  
(State or other jurisdiction of  
incorporation or organization)

39-1600938  
(I.R.S Employer  
Identification Number)

1126 South 70th Street, Suite S107B, Milwaukee, Wisconsin 53214-3151  
(414) 977-4000  
(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive offices)

Richard A. Linden, President & CEO  
1126 South 70th Street, Suite 107B, Milwaukee, Wisconsin 53214-3151  
(414) 977-4000  
(Name, address, including zip code, and telephone number, including area code,  
of agent for service)

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Copies to:  
Mitchell D. Goldsmith  
Dennis B. O'Boyle  
Shefsky & Froelich Ltd.  
444 N. Michigan Avenue  
Chicago, Illinois 60611  
(312) 527-4000  
(312) 527-3194 (Facsimile)

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Approximate date of commencement of proposed sale to the public: as soon as practicable after this Registration Statement has been declared effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following: \_\_\_\_\_.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following: X  
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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 (hereinafter referred to as the 'Securities Act'), other than securities offered only in connection with dividend or interest reinvestment plans, check the following: X

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: -----

If this Form is a post-effective amendment filed pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: -----.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following: -----.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission (as hereinafter defined), acting pursuant to said Section 8(a), may determine.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	A R F \$
Common Stock, par value \$.01	1,106,861 (1) (2)	\$4.10 (3)	\$4,538,130.10 (3)	\$

- (1) All shares of common stock are being registered for sale by certain selling shareholders.
- (2) Subject to increase (or decrease) in accordance with Rule 416 of Regulation C to reflect a merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in our corporate structure.
- (3) Estimated on the basis of the average of the bid and asked prices on September 19, 2002, on the Nasdaq SmallCap Market for the Shares pursuant to Rule 457(c).

SUBJECT TO COMPLETION, DATED SEPTEMBER 26, 2002

PRELIMINARY PROSPECTUS

1,106,861 Shares  
of

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Merge Technologies Incorporated

Common Stock  
(\$0.01 par value)

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The information in the prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

This Prospectus relates to the public offering of up to 1,106,861 shares of Common Stock, \$.01 par value (the 'Shares'), of Merge Technologies Incorporated ('us,' 'our,' 'we' or 'Company'), all of which Shares may be sold from time to time by the selling shareholders described herein or their assignees and transferees (the 'Selling Shareholders').

In May 2002, we purchased the assets of Aurora Technology Inc. ('Aurora') through one of our wholly-owned subsidiaries. In connection with this transaction, we issued 93,901 unregistered Shares to Aurora. We are obligated to register such Shares on behalf of those holders.

In addition, in June 2002, we, Merge Technologies Holdings Co. ('Holdings') and eFilm Medical Inc., a Canadian corporation ('eFilm'), completed transactions pursuant to a Reorganization Agreement which resulted in Holdings owning 100% of the voting equity securities of eFilm. At the same time as it entered into the Reorganization Agreement, eFilm issued certain non-voting equity exchangeable eFilm shares (the 'Exchangeable Shares') to the old eFilm shareholders. The Exchangeable Shares allow eFilm shareholders to exchange their Exchangeable Shares for 1,000,000 of our Shares. We are obligated to register such Shares on behalf of those holders. For a description of the conversion provisions of the Exchangeable Shares, see 'Issuance of Common Stock Upon Exchange of Exchangeable Shares.'

Also, during 2002, we also issued 6,076 Shares to holders of our Series A Preferred Stock (the 'Series A Preferred') in the form of dividends on the Series A Preferred and 6,884 Shares to certain of our directors for services. We are registering such Shares on behalf of those holders.

The Shares trade on the Nasdaq SmallCap Market under the symbol 'MRGE.' On September 24, 2002, the last reported bid price was \$3.85 for the Shares.

The Selling Shareholders and certain persons who purchase the Shares from the Selling Shareholders may be deemed 'Underwriters,' as that term is defined in the Securities Act of 1933, as amended (the 'Securities Act'). The Shares may be offered by the Selling Shareholders in one or more transactions on the Nasdaq SmallCap Market, or in negotiated transactions or a combination of such methods of sale, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Shares may be sold by the Selling Shareholders either (i) to a broker or dealer as principal for resale by such broker or dealer for its account pursuant to this Prospectus (e.g., in transactions with a 'market maker') or (ii) in brokerage transactions, including transactions in which the broker solicits purchasers.

We will pay substantially all other expenses of this offering (including the expense of preparing and duplicating this Prospectus and the Registration Statement of which it is a part).

These are speculative securities. You should purchase these securities only if you can afford a complete loss of your investment.

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SEE 'RISK FACTORS' ON PAGE 4 FOR INFORMATION THAT SHOULD BE CONSIDERED BY  
PROSPECTIVE INVESTORS

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE  
SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION  
NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES  
COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.  
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE

The date of this Prospectus is September \_\_\_\_\_, 2002

### DOCUMENTS INCORPORATED BY REFERENCE

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We are incorporating in this Prospectus by reference the following documents which we filed with the Securities and Exchange Commission (hereinafter referred to as the 'Commission'):

1. Our Annual Report on Form 10-KSB, as amended, for fiscal year ended December 31, 2001.
2. Our Quarterly Reports on Form 10-QSB for the quarters ended March 31 and June 30, 2002.
3. Our Proxy Statement dated April 15, 2002, for our 2002 Annual Meeting of Shareholders.
4. Our Reports on Form 8-K dated May 22, 2002, as amended, and June 28, 2002, as amended.
5. Our Form 8-A dated January 9, 1998.

All documents which we file subsequently to the foregoing pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Act, prior to the filing of a post-effective amendment which indicates that all securities registered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing of such documents.

Any statements contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed document which is also deemed to be incorporated by reference herein modifies or supersedes such statements. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.

THIS PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE WHICH ARE NOT PRESENTED HEREIN OR DELIVERED HERewith. THESE DOCUMENTS (OTHER THAN EXHIBITS THERETO) ARE AVAILABLE WITHOUT CHARGE, UPON WRITTEN OR ORAL REQUEST BY ANY PERSON TO WHOM THIS PROSPECTUS HAS BEEN DELIVERED, FROM US. REQUESTS TO OBTAIN SUCH DOCUMENTS SHOULD BE DIRECTED TO US, AT 1126 SOUTH 70TH STREET, SUITE 107B, MILWAUKEE, WISCONSIN 53214-3151 (TELEPHONE: (414) 977-4000).

Some of the statements included in this Prospectus may be considered to be 'forward looking statements' since such statements relate to matters

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which have not yet occurred. For example, phrases such as 'we anticipate,' 'believe' or 'expect' indicate that it is possible that the event anticipated, believed or expected may not occur. Should such event not occur, then the result which we expected also may not occur or occur in a different manner, which may be more or less favorable to us. We do not undertake any obligation to publicly release the result of any revisions to these forward looking statements that may be made to reflect any future events or circumstances.

Readers should carefully review the items included under the subsection Risk Factors, as they relate to forward looking statements, as actual results could differ materially from those projected in the forward looking statement.

### RISK FACTORS

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This offering involves a high degree of risk. Prospective investors should consider carefully, among other things, the following risk factors with respect to us and this offering.

#### LACK OF CONSISTENT PROFITABILITY; HISTORY OF OPERATING LOSSES

We incurred net losses of \$1,919,970 in fiscal 1998, \$2,898,821 in fiscal 1999 and \$5,707,394 in fiscal 2000, respectively. We earned net income of \$1,270,758 for the year ended December 31, 2001 and \$1,304,120 for the six (6) months ended June 30, 2002. There can be no assurance that we will continue profitability in the future.

#### OPERATING RESULTS MAY FLUCTUATE

Our operating results are subject to quarterly and other fluctuations due to a variety of factors. A significant portion of our business is derived from orders placed by original equipment manufacturers ('OEMs') and direct sales to healthcare customers. The timing of such orders could cause material fluctuations in our business and operating results. Additionally, healthcare capital spending and budgetary cycles could cause material fluctuations in our direct sales from quarter to quarter. Other factors that may cause our operating results to fluctuate include changes in sales volumes through our distribution channels, changes in the mix of products sold, the timing of new product announcements and introductions by us and our competitors, market acceptance of new or enhanced versions of our products, availability and cost of products from our suppliers, competitive pricing pressures, the gain or loss of significant customers, increased research and development expense associated with new product introductions and economic conditions generally or in various geographic areas. All of the above factors are difficult for us to forecast, and these or other factors can materially affect our operating results for one quarter or series of quarters. In addition, our gross margins may decrease in the future as a result of increasing sales of lower margin products or services and volume discounts. We expect to continue to increase our operating expenses for personnel, marketing and new product development. If we do not achieve increased levels of sales commensurate with these increased levels of operating expenses, our business and operating results will be materially adversely affected. There can be no assurance that we will be profitable on a quarterly or annual basis. Fluctuations in operating results may also result in fluctuations in the price of our common stock.

#### INCREASED CREDIT AND PAYMENT RISKS ASSOCIATED WITH END-USER SALES

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We currently market and sell a significant portion of our products to OEMs and value added resellers ('VARs'). We have not, in the past, experienced significant nonpayment or delays in payment on receivables from these customers. Increased direct sales to end-users, such as hospitals, may create delays in payment of receivables to us and may also increase the risk of nonpayment of receivables. We may bear increased interest expense if we experience delays in receipt of payment on receivables as a result of increased sales directly to end-users as a percentage of total sales.

### WE MUST RESPOND TO TECHNOLOGICAL CHANGE; RISKS OF OUR INVOLVEMENT WITH RAPIDLY DEVELOPING TECHNOLOGY

The markets for our products are characterized by rapid technological advances and changes in customer requirements and evolving regulatory requirements and industry standards. Our future prospects will depend, in part, on our ability to enhance our medical image networking and information management products in a timely manner and to identify, develop and achieve market acceptance of new products that address new technologies and standards and meet customer needs in the medical imaging network and information management markets. There can be no assurance that we will be able to respond to technological advances, changes in customer requirements or changes in regulatory requirements or industry standards or that we will be able to develop and market new products successfully. Any failure by us to anticipate or to respond adequately to technological developments in our industry, changes in customer requirements, changes in regulatory requirements or industry standards, or any significant delays in the development, introduction or shipment of products, could have a material adverse effect on our business and operating results. In anticipation of new product introductions by us or our competitors, customers could refrain from purchasing our existing products. New products could render certain of our existing products obsolete. Any of these events could materially adversely affect our business and operating results. In addition, third-party payers, such as governmental programs and private insurance plans, can indirectly affect the pricing or relative attractiveness of our products by regulating the maximum amount of reimbursement that they will provide for taking, storing and interpreting medical images. A decrease in the reimbursement amounts for radiological procedures may decrease the amount which physicians, clinics and hospitals are able to charge patients for such services. As a result, adoption of new technologies may slow as capital investment budgets are reduced, thereby significantly reducing the demand for our products.

### WE DEPEND ON MAJOR OEM/VAR CUSTOMERS

We currently sell a material portion of our products to a relatively limited number of OEMs, VARs and dealers. Aggregate sales to our ten largest customers represented approximately 70%, 71%, 65%, 60% and 59% of our net sales in 1998, 1999, 2000, 2001, and six (6) months ended June 30, 2002, respectively. During 1998, Marconi and Konica accounted for approximately 18% each of our net sales. During 1999, Marconi accounted for 17% of our net sales and Konica, Philips and Fuji accounted for approximately 11% each of our net sales. During 2000, Fuji accounted for 14% of our net sales and Philips and Marconi each accounted for approximately 12% of our net sales. During 2001, Philips accounted for 16%, GE accounted for 13%, and Fuji accounted for 10% of our net sales. For the six (6) months ended June 30, 2002 Philips accounted for 22% of our net sales. There can be no assurance that our current customers will continue to place orders with us or that we will be able to obtain orders from new customers. The loss of any one or more of our major

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customers could materially adversely affect our business and operating results. None of our customers are subject to any minimum purchase requirements, and many of our VAR and OEM customers offer competitive systems manufactured by third parties. Each of our VAR and OEM customers and dealers can cease marketing products at their respective option, and the loss of one or more significant customers could materially adversely affect our business and operating results.

### INABILITY TO EXPAND INTERNATIONAL SALES EFFORTS

An important component of our business plan includes increasing our sales to customers outside the United States of America, which represented 36% of our net sales in fiscal 2001 and 41% of our net sales for the six (6) months ended June 30, 2002. In order to increase overseas sales, it may be necessary or desirable for us to expand our sales force or establish additional offices outside the United States of America. The increased costs of hiring new personnel or establishing offices could have a material adverse effect on our results of operations and financial condition.

### DEPENDENCE UPON KEY PERSONNEL

Our continued success will depend to a significant degree upon the efforts and abilities of our senior management, in particular, Richard A. Linden, our President and Chief Executive Officer, William C. Mortimore, our founder and Chief Strategy Officer, Gregory G. Couch, Vice President and Chief Technology Officer, William L. Stafford, Vice President of OEM/VAR Sales, Joseph R. Gentile, Vice President of Direct Sales, Catherine M. McCallum, Vice President of Professional Services, Beth Frost-Johnson, Vice President, Marketing, David M. Noshay, Vice President, Business Development, Anton van Kimmenade, Vice President Service, Director European Branch, and Scott T. Veech, Chief Financial Officer, Secretary and Treasurer. Of these key personnel, Mr. Linden, Mr. Mortimore, Mr. Couch, Ms. McCallum, Mr. van Kimmenade and Mr. Veech have employment agreements with us.

We carry key man life insurance in the amount of \$2,000,000 on Richard A. Linden and \$2,000,000 on William C. Mortimore. In addition, eFilm carried key man life insurance that is still in effect as of the date of this prospectus, in the amount of \$1,600,000 on Gregory G. Couch, \$600,000 on Catherine M. McCallum, and \$1,300,000 on Patrice M. Bret. We do not carry key man life insurance on any other of our officers or directors. The loss of the services of any of these officers could have a material adverse effect on us.

### POTENTIAL DIFFICULTY IN HIRING ADDITIONAL SALES AND ENGINEERING PERSONNEL

Our ability to carry out our business plan depends in part upon our ability to hire and retain skilled sales and marketing professionals and engineering specialists. Although we believe we will be able to hire qualified personnel for such purposes, our inability to do so could materially adversely affect our ability to market, sell and enhance our product lines. The market for qualified experienced sales and marketing professionals and engineering specialists has historically been, and we expect that we will continue to be, intensely competitive. The inability to recruit and retain qualified employees could materially adversely affect our results of operations and financial condition.

### INABILITY TO PROTECT INTELLECTUAL PROPERTY RIGHTS

We have received U. S. Patent No. 5,740,428 dated April 14, 1998, U. S.

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Patent No. 5,950,207 dated September 7, 1999, New Zealand Patent No. 306009 dated February 7, 1996, and Australia Patent No. 704804 dated August 12, 1999, for one aspect of our Workflow technology. A U. S. patent has been applied for Distributed Architecture for Health Care Environment, Patent Application No. 09/151902 underlying our MergeWeb Workflow technology. We have also applied for additional foreign patents; however, we generally do not rely solely on patent protection with respect to our products. Instead, we rely on a combination of copyright and trade secret laws, employee and third party confidentiality agreements and other measures to protect intellectual property rights pertaining to our systems and technology. There can be no assurance, however, that applicable copyright or trade secret laws or these agreements will provide meaningful protection of our copyrights, trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such copyrights, trade secrets, know-how or other proprietary information. In addition, the laws of certain foreign countries do not protect our intellectual property rights to the same extent as do the laws of the United States of America. There can be no assurance that third parties will not assert patent, copyright or other intellectual property infringement claims against us with respect to our products or technology or other matters. Any such claims against us, with or without merit, as well as claims initiated by us against third parties, can be time-consuming and expensive to defend or prosecute and resolve. To date, we have not initiated any intellectual property infringement claims and no such claims have been asserted against us.

### GOVERNMENT REGULATION

The manufacturing and marketing of our products are subject to government regulation as medical devices in the United States of America by the United States Food and Drug Administration (the 'FDA') and in other countries by corresponding foreign regulatory authorities. The process of obtaining and maintaining required regulatory clearances and approvals is lengthy, expensive and uncertain. We believe that our success depends upon commercial sales of improved versions of our products, certain of which cannot be marketed in the United States of America and other regulated markets unless and until we obtain clearance or approval from the FDA and its foreign counterparts. Failure to comply with applicable regulatory requirements could result, among other things, in warning letters, seizures of our products, total or partial suspension of our production operations, refusal of the government to grant market clearance or pre-market approval, withdrawal of approvals or criminal prosecution.

We are also subject to other federal, state and local laws and regulations relating to safe working conditions and manufacturing practices. In addition, sales of our products outside the United States of America are subject to various foreign regulatory requirements. The extent of government regulation that might result from any future legislation or administrative action cannot be predicted. Failure to comply with domestic regulatory requirements or to obtain any necessary foreign certifications or regulatory approvals, or any other failure to comply with regulatory requirements outside the United States of America could have a material adverse effect on our business, financial condition and results of operations.

### PRODUCT LIABILITY; RISK OF PRODUCT DEFECTS

We have licensing agreements with certain of our customers which typically contain provisions designed to limit our exposure to potential product liability claims. However, it is possible that the limitation of liability provisions contained in our license agreements may not be effective under the laws of certain jurisdictions. Furthermore, although we try to include provisions limiting our exposure to product liability in our sales agreements, we are not always successful in doing so. Moreover, some of our



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products are sold without agreements addressing product liability claims at all. Although we have not experienced any product liability claims to date, the sale and support of products by us may entail the risk of such claims, and there can be no assurance that we will not be subject to such claims in the future. Although we have procured product liability insurance, there can be no assurance that we will continue to obtain such insurance on favorable terms or that such insurance will be sufficient to fully protect us against a successful product liability claim. A successful product liability claim brought against us could have a material adverse effect on our business, results of operations, and financial condition. Software products such as those offered by us occasionally contain errors or failures, especially when first introduced or when new versions are released. Although we conduct

extensive product testing, we could in the future lose or delay recognition of revenues as a result of software errors or defects, the failure of our products to meet customer specifications or otherwise. Although, to date, our business has not been materially adversely affected by any such errors, defects or failure to meet specifications, there can be no assurance that defects will not be found in new products or releases after commencement of commercial shipments or that such products will meet customer specifications, resulting in loss or deferral of revenues, diversion of resources, damage to our reputation, or increased service and warranty and other costs, any of which could have a material adverse effect upon our business, operating results and financial condition.

### MARKETS FOR OUR PRODUCTS ARE HIGHLY COMPETITIVE

The markets for our products are highly competitive.

Imaging acquisition and connectivity products. We have several competitors in the imaging acquisition and connectivity products business. These products are sold primarily to our OEM and VAR customers who could decide to build these capabilities internally or source these products from one of our competitors.

- In the DICOM software development tool business, we primarily compete directly and indirectly with a number of other entities, including private companies like LeadTools and the Radiological Society of North America ('RSNA'), which offers a version of DICOM (originally developed by Mallinckrodt Institute of Radiology) as 'freeware' available to be downloaded without charge from the Internet, but which offers more limited features and no user support.

- We also face competition from picture archiving and communication systems ('PACS') manufacturers that have developed some of these tools internally and make them available to their customers with the purchase of a complete PACS solution.

- We face competition from two sources concerning our connectivity products. First, as legacy x-ray devices and specialty modalities like CTs and MRs are replaced with newer models the need for our connectivity products decreases because connectivity features are built into the new modalities. Secondly, several small specialty companies provide similar connectivity products to the OEMs and VARs. We anticipate competing successfully against these companies based on our quality, feature set, and service reputation, but there is no assurance that we will be successful in maintaining our current run rate for this business line.

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Completed PACS workflow solution sales. Our growing end-user PACS workflow solution sales may put us more directly in competition with some of existing VAR customers who resell to end-users our component products as part of their own complete PACS solution.

Many of our current and potential PACS workflow competitors have greater resources than we have in areas including finance, research and development, intellectual property and marketing. Many of these competitors also have broader product lines and longer standing relationships with customers in the medical imaging field than those we have.

We believe that our ability to compete successfully depends on a number of factors both within and outside of our control, including:

- product innovation;
- product quality and performance;
- price;
- experienced sales, marketing and service organizations;
- rapid development of new products and features;
- continued active involvement in the development of DICOM and other medical communication standards; and
- product and policy decisions announced by our competitors.

There can be no assurance that we will be able to compete successfully with existing or new competitors.

### ADDITIONAL FUNDING MAY BE NECESSARY

We believe that existing cash, together with the availability under our working capital line of credit and future cash flows from operations, will be sufficient to execute our business plan during the next twelve (12) months. However, any projections of future cash inflows and outflows are subject to substantial uncertainty. It may be necessary to raise additional capital to meet long-term liquidity needs. If it is determined that additional capital is needed, it will be raised by selling additional equity or raising debt from third party sources. The sale of additional equity or convertible debt securities could result in dilution to current stockholders. In addition, debt financing, if available, could involve restrictive covenants, which could adversely affect operations. There can be no assurance that any of these financing alternatives, including raising additional capital, will be available in amounts or on terms acceptable to us. If we are unable to raise any needed additional capital, we could be required to significantly alter our operating plan, which could have a material adverse effect on its business, financial condition and results of operations.

### ADDITIONAL ACQUISITIONS MAY BE DILUTIVE

We may make additional acquisitions of businesses which we believe are complementary to our business. We may make payment for such acquisitions by issuing shares of our common or Preferred Stock or by payment in cash. If we choose to make payment in the form of shares of our common or Preferred Stock, our existing shareholders may experience a dilution in their ownership interest in us. If we elect to make payment in the form of cash, we would have to determine whether we will use available cash or obtain additional cash from traditional bank financing, sources other than banks or the proceeds of the sale of our common or Preferred Stock. While using debt to finance acquisitions may provide greater financial returns, it also brings with it

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greater risk. Should there be a downturn in the business of the target (due to numerous factors which could include normal downturns in the business cycle, the departure of key employees or key accounts, inability to integrate the target's operations into our operations, etc.), we may risk loss of our investment. Lenders and/or equity partners also may impose restrictions upon the manner in which we conduct our business.

### INABILITY TO INTEGRATE NEW ACQUISITIONS

If we should acquire additional businesses, we face the risk that we may not be able to integrate such acquisitions, including the acquisitions of eFilm and Aurora, successfully with our business. Should we be unable to integrate successfully any new business, we would be required either to dispose of such acquisition or attempt to change the operations of such acquisition so that it will integrate with our business. In either event, our business operations could be materially adversely affected.

### NO PROCEEDS TO US FROM SALE OF SHARES BY SELLING SHAREHOLDERS

We will not receive any of the proceeds from sale of Shares by any of the Selling Shareholders.

### NO INTENTION TO DECLARE OR PAY DIVIDENDS

We do not currently intend to declare or pay any cash dividend on common stock in the foreseeable future and we anticipate that earnings, if any, will be used to finance the development and expansion of our business. Any payment of future dividends and the amounts thereof will be dependent upon our earnings, financial requirements and other factors deemed relevant by our Board of Directors, including our contractual obligations.

### POTENTIAL ADVERSE IMPACT OF PREFERRED STOCK ON RIGHTS OF COMMON STOCK

Our Articles of Incorporation authorize the issuance of 'blank check' Preferred Stock with such designations, rights and preferences as may be determined from time to time by the Board of Directors. Accordingly, our Board of Directors will have the authority to issue up to 5,000,000 shares of Preferred Stock and to determine the price, rights, preferences and privileges

of those shares without any further vote or action by the shareholders. As of the date of this Prospectus, one share of Preferred Stock has been issued in connection with one voting trust established for the benefit of holders of Interpra Exchangeable Shares, 269,138 of which are outstanding, and no shares of Series A Preferred Stock are outstanding. We also have issued one share of Series 2 Special Voting Preferred Stock in connection with another voting trust established for the benefit of holders of eFilm Exchangeable Shares, 1,000,000 of which are outstanding as of the date of this Prospectus. The rights of the holders of common stock presently may be materially adversely affected by, the rights of the holders of any additional Preferred Stock that may be issued in the future. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of the outstanding voting stock.

### ANTITAKEOVER MEASURES

Our Articles of Incorporation and Bylaws, along with Wisconsin statutory law, contain provisions that could discourage potential acquisition

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proposals and might delay or prevent a change in control of us. Such provisions could result in us being less attractive to a potential acquirer and could result in the shareholders receiving less for their Shares than otherwise might be available in the event of a takeover attempt.

### THE COMPANY

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The Corporation is in the business of integrating radiology images and information into healthcare enterprise networks. Our products and services enhance the quality of healthcare provided to patients because they improve radiology workflow efficiencies, reduce healthcare operating costs and improve clinical decision making processes. We deliver this tangible value to facilities of all sizes, but we specifically target small to medium size healthcare facilities, multi-hospital groups, clinics and diagnostic imaging centers by working with our customers to offer unique, phased, cost effective solutions to solve their image and information management and radiology workflow needs.

We were founded in 1987. We have historically been viewed as a leading provider of medical diagnostic imaging and information connectivity technologies and consulting solutions for healthcare facilities worldwide. Today, we are at the forefront of integrated radiology workflow research and development bringing software applications to the marketplace that will enable the seamless integration of images, information, technology and people across the electronic healthcare enterprise.

Through our founder and Chairman, William C. Mortimore, we believe that we have been a key contributor to the development of the industry's standard network communications protocol known as Digital Imaging Communications in Medicine ('DICOM'), open medical standards like HL-7 and the Integrated Healthcare Enterprise ('IHE') framework that has been created through an initiative co-sponsored by the Radiological Society of North America ('RSNA') and the Healthcare Information and Management Systems Society ('HIMSS'). The IHE initiative represents a consortium of more than thirty companies in the Radiology and Healthcare Information Systems fields. This set of requirements has paved the way for healthcare organizations to begin in earnest to integrate the complex workflow systems of the radiology department with the entire healthcare system by using equipment and software applications that connect the various image and communication components. We have incorporated these standards in all of our connectivity solutions and software applications establishing the basis for seamless integration of images and healthcare information across an organization's intranet or over the Internet.

Radiology departments and diagnostic imaging centers and their customers benefit from our solutions in a variety of ways including: (i) networking of multiple image-producing and image-using devices to eliminate duplication and reduce the need for capital equipment expenditures to build digital image and information networks; (ii) creating permanent electronic archives of diagnostic-quality images to enable the retrieval of these images and reports at any time in the future; (iii) accessing our modular architecture of products that allow radiology departments, clinics and diagnostic imaging centers to build their electronic image and information management systems in a phased, flexible and cost-effective way; and (iv) delivering the capability to integrate diagnostic radiology images into the radiologist's report to make it a permanent part of the patient's electronic medical record.

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We are a Wisconsin corporation and were incorporated on November 25, 1987. Our executive offices are located at 1126 South 70th Street, Suite S107B, Milwaukee, Wisconsin 53214-3151. Our telephone number is (414) 977-4000, and our Internet address is www.merge.com.

### USE OF PROCEEDS

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Since we will issue up to 1,000,000 Shares in exchange for the Exchangeable Shares, and the remaining 106,861 Shares which may be sold by the Selling Shareholders have already been issued, we will not receive any cash proceeds from the sale of any of the Shares by the Selling Shareholders.

### ISSUANCE OF COMMON STOCK UPON EXCHANGE OF EXCHANGEABLE SHARES

We, Holdings and eFilm entered into a Reorganization Agreement and, among other documents, a Share Exchange Agreement, which resulted in the us owning 100% of Holdings, and Holdings owning 100% of the voting equity securities of eFilm. At the same time as it entered into the Reorganization Agreement, eFilm issued the Exchangeable Shares to the former eFilm shareholders. The Exchangeable Shares allow former eFilm shareholders to exchange each Exchangeable Share for one share of our common stock.

Under the terms of the Share Exchange Agreement, each holder of Exchangeable Shares is entitled at any time through and including June 28, 2007, to require the us to exchange any or all of the Exchangeable Shares for shares of common stock of the Company, plus (a) cash in the amount of any cash dividends declared but not paid, and (b) delivery of any non-cash dividends declared but not paid. In the event that the Company is liquidated, each Exchangeable Share shall be exchanged automatically for Shares.

On June 28, 2007, each Exchangeable Share shall automatically be exchanged for Shares. We have the right, but not the obligation, to purchase all of the then outstanding Exchangeable Shares for an amount per share equal to the current market price of the Shares plus declared and unpaid dividends.

To effect an exchange of any Exchangeable Shares, a holder shall present and surrender certificates representing the Exchangeable Shares to eFilm at its offices located at 500 University Avenue, Suite 300, Toronto, Ontario L6J 1M5. In addition, the holder shall deliver to eFilm a signed Notice of Retraction, together with a signed and witnessed Power of Attorney to Transfer Securities and Representations and Warranties. Upon receipt of all necessary documents, eFilm shall immediately notify the Company at its offices located at 1126 South 70th Street, Suite 107B, Milwaukee, Wisconsin 53214-3151. The Company shall issue to the holder certificates representing Shares and pay any declared but unpaid dividends, whether in cash or non-cash.

### SELLING SHAREHOLDERS

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The Selling Shareholders or their assignees and transferees may offer up to 1,106,861 Shares pursuant to this Prospectus. The Company will not receive any of the proceeds from the sale of the Shares by the Selling Shareholders. The following table sets forth certain information with respect to the Selling Shareholders and the Shares which they either presently own or

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will own after conversion of the Exercisable Shares.

Selling Shareholders -----	Shares Beneficially Owned Prior to offering -----		Shares Being Offered -----	Shares to be Beneficially Owned After Offering (1) -----	
	Number	Percent		Number	Percent
Harvey L. Poppel.....	1,163,028	13%	4,562	1,158,466	13%
Robert T.Geras.....	753,180	8%	305	752,875	8%
Patrice M. Bret, MD....	317,796 (2)	3%	314,015	3,781	*
Gregory G. Couch.....	313,630 (2)	3%	313,630	---	*
Catherine McCallum....	150,000	2%	150,000	---	*
Hymie S. Negin.....	114,204	1%	119	114,085	1%
Aurora Technology Inc..	93,901	1%	93,901	---	*
Robert A. Barish, MD...	66,281	1%	1,441	64,840	1%
The Toronto Hospital Mount Sinai Hospital, Princess Margaret Hospital Imaging Consultants Parnter- ship.....	62,740 (2)	1%	62,740	---	*
University Health Network.....	60,000 (2)	1%	60,000	---	*
Mitchell D. Goldsmith..	54,176	1%	79	54,097	1%
NBCN Clearing Inc. ITF Mount Sinai Hospital...	40,000 (2)	*	40,000	---	*
Michael D. Dunham.....	34,912	*	3,177	31,735	*
Peter Rossos, MD.....	30,000 (2)	*	30,000	---	*
Joe Cafazzo.....	30,000 (2)	*	30,000	---	*
Anna Marie Hajek.....	15,601	*	2,101	13,500	*
John D. Halamka.....	12,934	*	791	12,143	*

\* Less than one percent

(1) Assumes the sale of all Shares offered by this Prospectus.

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- (2) All Shares will be issued upon conversion of the Exercisable Shares.

Under the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), and the regulations thereunder, any person engaged in a distribution of the Shares offered by this Prospectus may not simultaneously engage in market-making activities with respect to the Shares during the applicable 'cooling off' period prior to the commencement of such distribution. In addition, and without limiting the foregoing, the Selling Shareholders will be subject to applicable provisions of the Securities Act and the Exchange Act and the rules and regulations thereunder, including, without limitation, Regulation M under the Securities Act, in connection with transactions in the Shares, which provisions may limit the timing of purchases and sales of Shares.

### CERTAIN TRANSACTIONS AND RELATIONSHIPS

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The following Selling Shareholders are directors: Robert T. Geras; Dr. Patrice M. Bret; Robert A. Barish; Michael D. Dunham; Anna M. Hajek; and Dr. John D. Halamka. Mitchell D. Goldsmith is a member of the firm of Shefsky & Froelich Ltd. which has provided legal services to us for over five (5) years.

### PLAN OF DISTRIBUTION

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This Prospectus, as appropriately amended or supplemented, may be used from time to time by the Selling Shareholders, or their transferees, to offer and sell the Shares in transactions in which the Selling Shareholders and any broker-dealer through whom any of the Shares are sold may be deemed to be underwriters within the meaning of the Securities Act. We will not receive any of the proceeds from any such sales. There presently are no arrangements or understandings, formal or informal, pertaining to the distribution of the Shares.

We anticipate that resales of the Shares by the Selling Shareholders will be effected from time to time on the open market in ordinary brokerage transactions in the Nasdaq SmallCap Market ('Nasdaq Small Cap'), on which the Shares are included for quotation, in the over-the-counter market, or in private transactions. The Shares will be offered for sale at market prices prevailing at the time of sale or at negotiated prices and on terms to be determined when the agreement to sell is made or at the time of sale, as the case may be. The Shares may be offered directly by the Selling Shareholders or through brokers or dealers. A member firm of the National Association of Securities Dealers, Inc. ('NASD') may be engaged to act as the Selling Shareholders' agent in the sale of the Shares by the Selling Shareholders and/or may acquire Shares as principal. Member firms participating in such transactions as agent may receive commissions from the Selling Shareholders (and, if they act as agent for the purchaser of such Shares, from such purchaser), such commissions computed, in appropriate cases, in accordance with the applicable rates of the NASD, which commissions may be negotiated rates where permissible. Sales of the Shares by the member firm may be made on the Nasdaq SmallCap from time to time at prices related to prices then prevailing.

Participating broker-dealers may agree with the Selling Shareholders

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to sell the specified number of Shares at a stipulated price per Share and, to the extent such broker dealer is unable to do so acting as agent for the Selling Shareholders, to purchase as principal any unsold Shares at the price required to fulfill the broker-dealer's commitment to the Selling Shareholders. Broker-dealers who acquire Shares as principal may thereafter resell such Shares from time to time in transactions on the Nasdaq SmallCap Market, in negotiated transactions, or otherwise, at market prices prevailing at the time of sale or at negotiated prices.

Upon the Selling Shareholders notifying us that a particular offer to sell the Shares is made and a material arrangement has been entered into with a broker-dealer for the sale of Shares, a supplement to this Prospectus will be delivered together with this Prospectus and filed pursuant to Rule 424(b) under the Securities Act setting forth with respect to such offer or trade the terms of the offer or trade, including: (i) the number of Shares involved; (ii) the price at which the Shares were sold; (iii) any participating brokers, dealers, agents or member firm involved; (iv) any discounts, commissions and other items paid as compensation from, and the resulting net proceeds to, the Selling Shareholders; and (v) other facts material to the transaction.

Shares may be sold directly by the Selling Shareholders or through agents designated by the Selling Shareholders from time to time. Unless otherwise indicated in the supplement to this Prospectus, any such agent will be acting on a best efforts basis for the period of its appointment.

The Selling Shareholders and any brokers, dealers, agents, member firm or others that participate with the Selling Shareholders in the distribution of the Shares may be deemed to be 'underwriters' within the meaning of the Securities Act, and any commissions or fees received by such persons and any profit on the resale of the Shares purchased by such person may be deemed to be underwriting commissions or discounts under the Securities Act.

The Selling Shareholders will be subject to the applicable provisions of the Securities Act and the Exchange Act and the rules and regulations thereunder, including, without limitation, Regulation M under the Securities Act, which provisions may limit the timing of purchases and sales of any of the Shares by the Selling Shareholders. All of the foregoing may affect the marketability of the Shares.

We will pay substantially all the expenses incident to this offering of the Shares by the Selling Shareholders to the public other than brokerage fees, commissions and discounts of underwriters, dealers or agents.

In order to comply with certain states' securities laws, if applicable, the Shares will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states the Shares may not be sold unless the Shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and us or the Selling Shareholders comply with the applicable requirements.

### DESCRIPTION OF SECURITIES

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Our authorized capital stock consists of 30,000,000 shares of common stock, par value \$.01 per share, and 5,000,000 shares of Preferred Stock, par value \$.01 per share, of which we have designated 1,000,000 shares as Series A



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Preferred Stock and one share of Series 2 Special Voting Preferred Stock. As of the date of this Prospectus, there were \_\_\_\_\_ shares of common stock, one share of Preferred Stock, no shares of Series A Preferred Stock, and one share of Series 2 Special Voting Preferred Stock outstanding.

The following description of our capital stock is a summary and is qualified in its entirety by the provisions of our Articles of Incorporation (the 'Articles') and Bylaws, copies of which are available for review upon request.

### Common Stock

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Holders of common stock are entitled to one vote per share on each matter submitted to a vote at a meeting of stockholders. The common stock does not have cumulative voting rights, which means that the holders of a majority of voting Shares voting for the election of directors can elect all of the members of the Board of Directors. The common stock has no preemptive rights and no redemption or conversion privileges. Subject to any preferences of any outstanding Preferred Stock, the holders of the outstanding shares of common stock are entitled to receive dividends out of assets legally available at such times and in such amounts as the Board of Directors may, from time to time, determine, and upon liquidation and dissolution are entitled to receive all assets available for distribution to the stockholders. A majority vote of Shares represented at a meeting at which a quorum is present is sufficient for most actions that require the vote of stockholders. All of the outstanding shares of the common stock are fully-paid and non-assessable. (See 'Certain Statutory and Other Provisions.')

### Preferred Stock

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Our Board of Directors may, without further action by our stockholders, from time to time, issue shares of Preferred Stock in series and may, at the time of issuance, determine the rights, preferences and limitations of each series. Any dividend preference of any Preferred Stock which may be issued would reduce the amount of funds available for the payment of dividends on common stock. Also, holders of Preferred Stock would normally be entitled to receive a preference payment in the event of any liquidation, dissolution, or winding-up of us before any payment is made to the holders of common stock. Under certain circumstances, the issuance of such Preferred Stock may render more difficult or tend to discourage a merger, tender offer, proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management. Although we presently have no plans to issue any additional shares of Preferred Stock, the Board of Directors, without stockholder approval, may issue Preferred Stock with voting and conversion rights which could adversely affect the holders of common stock.

Preferred Stock. The holder of record of the one issued Preferred Share shall be entitled to cast a number of votes equal to the number of Interpra Exchangeable Shares outstanding from time to time (other than the Exchangeable Shares held by the Corporation and its affiliates). The holder of record of the one issued Preferred Share is entitled to receive dividends.

Series A Preferred Stock. Holders of Series A Preferred Stock are entitled to receive dividends at the rate of 8% per annum, payable in

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quarterly installments in cash or in common stock, at the discretion of our Board of Directors. If we are liquidated, holders of Series A Preferred Stock are entitled to receive a liquidation preference in an amount equal to the stated value of the Series A Preferred Stock less any distributions of assets and funds distributed to holders of Series A Preferred Stock, including dividends and/or redemption proceeds from redemptions of Series A Preferred Stock, and including all accrued and unpaid dividends.

The Series A Preferred Stock ranks senior to the common stock and all other Preferred Stock which is junior to the Series A Preferred Stock.

The Series A Preferred Stock is convertible, at any time and from time to time, at the sole discretion of the holder of Series A Preferred Stock, into common stock at the rate of one share of Series A Preferred Stock for one share of common stock, subject to adjustment as set forth in our Certificate of Designations for the Series A Preferred Stock. Upon the occurrence of both of (i) the closing bid price of our common stock at \$4.00 or more for thirty (30) consecutive trading days on the Nasdaq SmallCap Market or any other exchange or trading market on which our common stock is traded and (ii) registration of the common stock underlying the Series A Preferred Stock with the Commission, then the Series A Preferred Stock automatically converts into common stock.

The Series A Preferred Stock will be adjusted in the event of a capital reorganization or reclassification, consolidation, merger or other business combination.

Each share of Series A Preferred Stock is entitled to cast a number of votes equal to the number of shares of common stock into which each share of Series A Preferred Stock is convertible. Holders of Series A Preferred Stock and common stockholders are entitled to vote as one class on all matters as to which shareholders are entitled to vote, unless otherwise provided by applicable law.

**Series 2 Special Voting Preferred Stock.** Neither holders nor owners of Series 2 Special Voting Preferred Stock are entitled to receive dividends. If we are liquidated, holders of Series 2 Special Voting Preferred Stock are entitled to receive a liquidation preference in an amount equal to the stated value of the Series 2 Special Voting Preferred Stock less any distributions of assets and funds distributed to holders of Series 2 Special Voting Preferred Stock, including redemption proceeds from redemptions of Series 2 Special Voting Preferred Stock.

The Series 2 Special Voting Preferred Stock ranks senior to the common stock and junior to any other class or series of capital stock of the Company.

The Series 2 Special Voting Share shall not be subject to redemption, except that at such time as no Exchangeable Shares of eFilm (other than Exchangeable Shares owned by the Corporation and its affiliates) shall be outstanding, and no shares of stock, debt, options or other agreements which could give rise to the issuance of any Exchangeable Shares to any person (other than the Corporation and its affiliates) shall exist the Series 2 Special Voting Share shall automatically be redeemed and canceled, for an amount equal to \$0.01 due and payable upon such redemption. Upon any such redemption or other purchase or acquisition of the Series 2 Special Voting Share by the Corporation, the Series 2 Special Voting Share shall be deemed retired and canceled and may not be reissued.

The holder of record of the Series 2 Special Voting Share shall be entitled to cast a number of votes equal to the number of eFilm Exchangeable Shares outstanding from time to time (other than the Exchangeable Shares held

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by the Corporation and its affiliates).

Pursuant to the terms of the certain Trust Agreement dated as June 28, 2002, by and between U. S. Bank N. A., eFilm and the Corporation, as such agreement may be amended, modified or supplemented from time to time (the 'Trust Agreement'). During the term of the Trust Agreement, the Corporation may not, without the consent of the holders of the Exchangeable Shares (as defined in the Trust Agreement), issue any shares of its Series 2 Special Voting Stock in addition to the Series 2 Special Voting Share. The Series 2 Special Voting Share entitles the holder of record to a number of

votes at meetings of holders of common stock of the Corporation equal to the number of Exchangeable Shares outstanding from time to time (other than the Exchangeable Shares held by the Corporation and its affiliates). The Trustee (as defined by the Trust Agreement) shall exercise the votes held by the Series 2 Special Voting Share pursuant to and in accordance with the Trust Agreement. The voting rights attached to the Series 2 Special Voting Share shall terminate pursuant to and in accordance with the Trust Agreement; and the powers, designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions of such Series 2 Special Voting Share shall be otherwise provided in the Trust Agreement.

### Limitation of Director Liability

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Section 180.0828 of the Wisconsin Business Corporation Law ('WBCL') provides that officers and directors of domestic corporations may be personally liable only for intentional breaches of fiduciary duties, criminal acts, transactions from which the director derived an improper personal profit and willful misconduct. These provisions may have the effect of reducing the likelihood of derivative litigation against directors and may discourage or deter shareholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited us and our shareholders. The employment agreements of certain directors and officers contain a provision similar to the provisions of the WBCL.

### Indemnification

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Under the WBCL, our directors and officers are entitled to mandatory indemnification from us against certain liabilities and expenses (a) to the extent such officers or directors are successful in the defense of a proceeding and (b) in proceedings in which the director or officer is not successful in the defense thereof, unless (in the latter case only) it is determined that the director or officer breached or failed to perform his or her duties to us and such breach or failure constituted: (i) a willful failure to deal fairly with us or our shareholders in connection with a matter in which the director or officer had a material conflict of interest; (ii) a violation of the criminal law unless the director or officer had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (iii) a transaction from which the director or officer derived an improper personal profit; or (iv) willful misconduct. The WBCL allows a corporation to limit its obligation to indemnify officers and directors by providing so in its

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articles of incorporation. Our Bylaws provide for indemnification of directors and officers to the fullest extent permitted by Wisconsin law.

### Certain Statutory and Other Provisions

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The provisions of our Bylaws and the WBCL described in this section may delay or make more difficult acquisitions or changes of control of us not approved by our Board of Directors. Such provisions have been implemented to enable us, particularly (but not exclusively) in the initial years of our existence as a publicly-traded company, to develop our business in a manner which will foster its long-term growth without disruption caused by the threat of a takeover not deemed by its Board of Directors to be in our best interests and our shareholders. Such provisions could have the effect of discouraging third parties from making proposals involving an acquisition or change of control of us although such proposals, if made, might be considered desirable by a majority of our shareholders. Such provisions may also have the effect of making it more difficult for third parties to cause the replacement of our current management without the concurrence of the Board of Directors.

**Number of Directors; Removal; Vacancies.** The Bylaws currently provide that the number of Directors shall be not less than three nor greater than eleven. The authorized number of Directors may be changed by amendment of the Bylaws. The Bylaws also provide that our Board of Directors shall have the exclusive right to fill vacancies on the Board of Directors, including vacancies created by expansion of the Board or removal of a Director, and that any Director elected to fill a vacancy shall serve until the next annual meeting of shareholders. The Bylaws further provide that Directors may be removed by the shareholders only by the affirmative vote of the holders of at least a majority of the votes then entitled to be cast in an election of Directors. This provision, in conjunction with the provisions of the Bylaws authorizing the Board to fill vacant Directorships, could prevent shareholders from removing incumbent Directors and filling the resulting vacancies with their own nominees.

**Amendments to the Articles of Incorporation.** The WBCL provides authority to us to amend our Articles at any time to add or change a provision that is required or permitted to be included in the Articles or to delete a provision that is not required to be included in the Articles. The Company's Board of Directors may propose one or more amendments to our Articles for submission to shareholders and may condition its submission of the proposed amendment on any basis if the Board of Directors notifies each shareholder, whether or not entitled to vote, of the shareholders' meeting at which the proposed amendment will be voted upon.

**Constituency or Stakeholder Provision.** Under Section 180.0827 of the WBCL (the 'Wisconsin Stakeholder Provision'), in discharging his or her duties to us and in determining what he or she believes to be in our best interests of, a director or officer may, in addition to considering the effects of any action on shareholders, consider the effects of the action on employees, suppliers, customers, the communities in which we operate and any other factors that the director or officer considers pertinent.

**Wisconsin Antitakeover Statutes.** Sections 180.1140 to 180.1144 of the WBCL (the 'Wisconsin Business Combination Statute') regulate the broad range of 'business combinations' between a 'resident domestic corporation' (such as

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us) and an 'interested stockholder.' The Wisconsin Business Combination Statute defines a 'business combination' to include a merger or share exchange, or a sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets equal to at least 5% of the market value of the stock or assets of the corporation or 10% of its earning power, or the issuance of stock or rights to purchase stock with a market value equal to at least 5% of the outstanding stock, the adoption of a plan of liquidation or dissolution and certain other transactions involving an 'interested stockholder,' defined as a person who beneficially owns 10% of the voting power of the outstanding voting stock of the corporation or who is an affiliate or associate of the corporation and beneficially owned 10% of the voting power of the then outstanding voting stock within the last three (3) years. Section 180.1141 of the Wisconsin Business Combination Statute prohibits a corporation from engaging in a business combination (other than a business combination of a type specifically excluded from the coverage of the statute) with an interested stockholder for a period of three (3) years following the date such person becomes an interested stockholder, unless the board of directors approved the business combination or the acquisition of the stock that resulted in a person becoming an interested stockholder before such acquisition. Accordingly, the Wisconsin Business Combination Statute's prohibition on business combinations cannot be avoided during the three (3) year period by subsequent action of the board of directors or shareholders. Business combinations after the three (3) year period following the stock acquisition date are permitted only if (i) the board of directors approved the acquisition of the stock by the interested stockholder prior to the acquisition date, (ii) the business combination is approved by a majority of the outstanding voting stock not beneficially owned by the interested stockholder or (iii) the consideration to be received by shareholders meets certain requirements of the statute with respect to form and amount.

In addition, the WBCL provides in Sections 180.1130 to 180.1133 that business combinations involving a 'significant shareholder' (as defined below) and a 'resident domestic corporation' (such as us) are subject to a two-thirds supermajority vote of shareholders (the 'Wisconsin Fair Price Statute'), in addition to any approval otherwise required. A 'significant shareholder,' with respect to a resident domestic corporation, is defined as a person who beneficially owns, directly or indirectly, 10% or more of the voting stock of the corporation, or an affiliate of the corporation which beneficially owned, directly or indirectly, 10% or more of the voting stock of the corporation within the last two (2) years. As a result of completing our initial public offering of Common stock in 1998, we are an 'issuing public corporation.' Under Section 180.1131 and Section 180.1132 of the WBCL, the business combinations described above must be approved by 80% of the voting power of the corporation's stock and at least two-thirds of the voting power of the corporation's stock not beneficially held by the significant shareholder who is party to the relevant transaction or any of its affiliates or associates, in each case voting together as a single group, unless the following fair price standards have been met: (i) the aggregate value of the per share consideration is equal to the higher of (a) the highest price paid for any common stock of the corporation by the significant shareholder in the transaction in which it became a significant shareholder of within two (2) years before the date of the business combination, (b) the market value of the corporation's shares on the date of commencement of any tender offer by the significant shareholder, the date on which the person became a significant shareholder or the date of the first public announcement of the proposed business combination, whichever is highest, or (c) the highest liquidation or dissolution distribution to which holders of the shares would be entitled; and (ii) either cash, or the form of consideration used by the significant shareholder to acquire the largest number of shares, is offered.

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Section 180.1134 of the WBCL (the 'Wisconsin Defensive Action Restrictions') provides that, in addition to the vote otherwise required by law or the articles of incorporation of an issuing public corporation, the approval of the holders of a majority of the shares entitled to vote is required before such corporation can take certain action while a takeover offer is being made or after a takeover offer has been publicly announced and before it is concluded. Under the Wisconsin Defensive Action Restrictions, shareholder approval is required for the corporation to (i) acquire more than 5% of the outstanding voting shares at a price above the market price from any individual who or organization which owns more than 3% of the outstanding voting shares and has held such shares for less than two (2) years, unless a similar offer is made to acquire all voting shares, or (ii) sell or option assets of the corporation which amount to at least 10% of the market value of the corporation, unless the corporation has at least three independent directors (directors who are not officers or employees) and a majority of the independent directors vote not to have this provision apply to the corporation. The restrictions described in clause (i) above may have the effect of deterring a shareholder from acquiring shares of common stock with the goal of seeking to have us repurchase such shares at a premium over the market price.

Section 180.1150 of the WBCL provides that the voting power of shares of public Wisconsin corporations such as us held by any person or persons acting as a group in excess of 20% of the voting power in the election of directors is limited to 10% of the full voting power of those shares. This statutory voting restriction does not apply to shares acquired directly from us or in certain specified transactions or shares for which full voting power has been restored pursuant to a vote of shareholders.

Certain Antitakeover Effects. Certain provisions of our Articles and Bylaws may have significant antitakeover effects, including the ability of the remaining directors to fill vacancies, and the ability of the Board of Directors to issue 'blank check' Preferred Stock which, in turn, allows the directors to adopt a so-called 'rights plan' which would entitle shareholders (other than a hostile bidder) to acquire our stock at a discount.

The explicit grant in the Wisconsin Stakeholder Provision of discretion to directors to consider nonshareholder constituencies could, in the context of an 'auction' of us, have antitakeover effects in situations where the interests of our stakeholders, including employees, suppliers, customers and communities in which we do business, conflict with the short-term maximization of shareholder value.

The Wisconsin Fair Price Statute may discourage any attempt by a shareholder to squeeze out other shareholders without offering an appropriate premium purchase price. In addition, the Wisconsin Defensive Action Restrictions may have the effect of deterring a shareholder from acquiring common stock with the goal of seeking to have us repurchase common stock at a premium. The WBCL statutory provisions and our Article and Bylaw provisions referenced above are intended to encourage persons seeking to acquire control of us to initiate such an acquisition through arms-length negotiations with our Board of Directors and to ensure that sufficient time for consideration of such a proposal, and any alternatives, is available. Such measures are also designed to discourage investors from attempting to accumulate a significant minority position in us and then use the threat of a proxy contest as a means to pressure us to repurchase common stock at a premium over the market value. To the extent that such measures make it more difficult for, or discourage, a proxy contest or the assumption of control by a holder of a substantial block of Common stock, they could increase the likelihood that incumbent Directors will retain their positions and may also

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have the effect of discouraging a tender offer or other attempt to obtain control of us, even though such attempt might be beneficial to us and its shareholders.

Transfer Agent  
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The transfer agent for our common stock and Preferred Stock is Mellon Investor Services, LLC.

### LEGAL MATTERS -----

The validity of the issuance of the Shares offered hereby has been passed on for us by Herrling, Clark, Hartzheim & Siddall, Ltd., as special securities counsel to the Corporation for this offering. We are represented by Shefsky & Froelich Ltd. for other corporate and securities law matters.

### EXPERTS -----

The consolidated financial statements of the Corporation and subsidiaries as of December 31, 2001, and December 31, 2000, and for each of the years in the three-year period ended December 31, 2001, have been incorporated by reference in this Prospectus and the registration statement in reliance upon the report of KPMG LLP, independent accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

### AVAILABLE INFORMATION -----

We have filed with the Commission a Registration Statement (of which this Prospectus is a part) on Form S-3 under the Securities Act with respect to the Shares offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. The Registration Statement and any amendments thereto, including exhibits filed as a part thereof, are available for inspection and copying as set forth below.

We are subject to the informational requirements of the Exchange Act, and in accordance therewith, files reports, proxy statements and other information with the Commission. These reports, proxy statements and other information can be inspected and copied at the public reference facilities of the Commission, Room 1024, 450 Fifth Street, N. W., Washington, D.C. 20549. copies of this material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N. W., Washington, D.C. 20549, at prescribed rates. Our common stock is included for quotation on the Nasdaq SmallCap Market and these reports, proxy statements and other information concerning us may be inspected at the office of the Nasdaq Market, 1735 K Street, N. W., Washington, D.C. 20006.

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No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy to any person in any jurisdiction in which such offer or solicitation would be unlawful or to any person to whom it is unlawful. Neither the delivery of this Prospectus nor any offer or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or that information contained herein is correct as of any time subsequent to the date hereof.

1,106,861 SHARES

MERGE TECHNOLOGIES INCORPORATED

COMMON STOCK  
(\$0.01 par value)

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PART II - INFORMATION NOT REQUIRED IN PROSPECTUS



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ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following is a schedule of the estimated expenses to be incurred by the Company in connection with the issuance and sale of the securities being registered hereby.

Registration Fee.....	\$	417.51	
Blue Sky Fees and Expenses.....	\$	2,750.00	
-----			
Accounting Fees and Expenses.....	\$	4,000.00	*
Legal Fees and Expenses.....	\$	7,500.00	*
Printing Expenses.....	\$	100.00	*
Transfer Agent and Registrar Fees....	\$	100.00	*
Miscellaneous.....	\$	500.00	*
-----			
Total.....	\$	15,367.51	
=====			

\*Estimated.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Under the WBCL, our directors and officers are entitled to mandatory indemnification from us against certain liabilities and expenses (a) to the extent such officers or directors are successful in the defense of a proceeding and (b) in proceedings in which the director or officer is not successful in the defense thereof, unless (in the latter case only) it is determined that the director or officer breached or failed to perform his or her duties to us and such breach or failure constituted: (i) a willful failure to deal fairly with us or our shareholders in connection with a matter in which the director or officer had a material conflict of interest; (ii) a violation of the criminal law unless the director or officer had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (iii) a transaction from which the director or officer derived an improper personal profit; or (iv) willful misconduct. The WBCL allows a corporation to limit its obligation to indemnify officers and directors by providing so in its articles of incorporation. Our Bylaws provide for indemnification of directors and officers to the fullest extent permitted by Wisconsin law.

ITEM 16. EXHIBITS

Exhibit Number

-----

- |      |   |
|------|---|
| 5    | Opinion of Herrling, Clark, Hartzheim & Siddall, Ltd. regarding legality  |
| 23.1 | Consent of KPMG LLP   |
| 23.2 | Consent of Herrling, Clark, Hartzheim & Siddall, Ltd. (Please refer to Exhibit 5 of this Registration Statement.) |
| 23.3 | Consent of Shefsky & Froelich Ltd.  |
| 23.4 | Consent of Carver Moquist & Associates, LLC   |
| 23.5 | Consent of Pasquesi Sheppard LLC  |

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23.6

Consent of Deloitte & Touche LLC

ITEM 17. UNDERTAKINGS

The Registrant hereby undertakes:

A. (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act; and

(ii) To reflect in the prospectus any facts of events arising after the effective date of the registration statement which, individually or together, represent a fundamental change in the information in the registration statement; and

(iii) To include any additional or changed material information with respect to the plan of distribution;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act, that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

B. The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities, other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been

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settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the County of Milwaukee, State of Wisconsin, on September 26, 2002.

MERGE TECHNOLOGIES INCORPORATED

By: /s/ Richard A. Linden  
-----  
Richard A. Linden  
President and Chief Executive Officer

By: /s/ Scott T. Veech  
-----  
Scott T. Veech  
Chief Financial Officer,  
Treasurer & Secretary

GRANT OF POWER OF ATTORNEY

Each person whose signature appears below as a Director and/or officer of Merge Technologies incorporated hereby constitutes and appoints Richard A. Linden and Scott T. Veech his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all subsequent amendments (including post-effective amendments) to this Registration Statement, and to file the same with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

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SIGNATURES	TITLE	DATE
----- /s/ William C. Mortimore ----- William C. Mortimore	Chairman of the Board of Directors and Chief Strategy Officer	September 26, 2002
----- /s/ Richard A. Linden ----- Richard A. Linden	Director, President and Chief Executive Officer	September 26, 2002
----- /s/ Robert T. Geras ----- Robert T. Geras	Director	September 26, 2002
----- /s/ Robert A. Barish, M. D. ----- Robert A. Barish, M. D.	Director	September 26, 2002
----- /s/ Michael D. Dunham ----- Michael D. Dunham	Director	September 26, 2002
----- /s/ John D. Halamka, M. D., M. S. ----- John D. Halamka, M. D., M. S.	Director	September 26, 2002
----- /s/ Patrice M. Bret, M. D. ----- Patrice M. Bret, M. D.	Director	September 26, 2002
----- /s/ Anna M. Hajek ----- Anna M. Hajek	Director	September 26, 2002
----- /s/ Scott T. Veech ----- Scott T. Veech	Chief Financial Officer, Secretary and Treasurer (Principal Accounting Officer and Principal Financial Officer)	September 26, 2002

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We are admitted to the practice of law only in the State of Wisconsin and, accordingly, we do not purport to be experts on the laws of any other jurisdiction nor do we express an opinion as to the laws of jurisdictions other than the laws of the State of Wisconsin, as currently in effect.

On the basis of, and in reliance upon, the foregoing, and subject to the qualifications contained herein, we are of the opinion that the Shares held by the selling shareholders are, and the Shares, when issued in connection with the conversion of the Exchangeable Shares, as defined in the Registration Statement, held by such selling shareholders and after receipt of the exercise price therefore, will be validly issued, fully-paid and nonassessable.

We hereby consent to your filing this opinion as an exhibit to the Registration Statement.

This opinion is rendered only to you and is solely for your benefit in connection with the transactions covered hereby. This opinion may not be relied upon by you for any other purpose or furnished, or quoted to, or relied upon by any other person, firm or corporation for any purpose without our prior express written consent.

Very truly yours,

HERRLING, CLARK, HARTZHEIM & SIDDALL, LTD.

/s/ HERRLING, CLARK, HARTZHEIM & SIDDALL, LTD.

-----  
Greg P. Curtis

GPC/csd

Exhibit 23.1  
-----

INDEPENDENT AUDITORS' CONSENT

The Board of Directors  
Merge Technologies Incorporated:

We consent to the use of our report dated February 20, 2002, with respect to the consolidated balance sheets of Merge Technologies Incorporated and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, cash flows, and comprehensive income (loss) for each of the years in the three-year period ended December 31, 2001, incorporated herein by reference and to the reference to our firm under the heading 'Experts' in the registration statement.

KPMG LLP

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/s/ KPMG LLP

Chicago, Illinois  
September 23, 2002

Exhibit 23.2  
-----

Please refer to Exhibit 5 of this Registration Statement.

Exhibit 23.3  
-----

CONSENT OF SHEFSKY & FROELICH LTD.

We consent to the use of our firm name under the heading 'Legal Matters' in the Registration Statement of Merge Technologies Incorporation on Form S-3.

/s/ Shefsky & Froelich Ltd  
-----

Shefsky & Froelich Ltd.

Exhibit 23.4  
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INDEPENDENT AUDITORS' CONSENT

The Board of Directors  
Merge Technologies Incorporated:

We consent to the incorporation by reference in this Registration Statement of Merge Technologies Incorporated on Form S-3 of our report dated March 22, 2001, relating to the financial statements of Aurora Technology Inc. as of December 31, 2000 and December 31, 1999, appearing in the Current Report on Form 8-K, as amended, of Merge Technologies Incorporated dated May 22, 2002.

/s/ CARVER MOQUIST & ASSOCIATES, LLC

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CARVER MOQUIST & ASSOCIATES, LLC

Bloomington, Minnesota  
September 25, 2002

Exhibit 23.5  
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INDEPENDENT AUDITORS' CONSENT

The Board of Directors  
Merge Technologies Incorporated:

We consent to the incorporation by reference in this Registration Statement of Merge Technologies Incorporated on Form S-3 of our report dated March 1, 2002, relating to the financial statements of Aurora Technology Inc. as of December 31, 2001, appearing in the Current Report on Form 8-K, as amended, of Merge Technologies Incorporated dated May 22, 2002.

/s/ PASQUESI SHEPPARD LLC  
-----

PASQUESI SHEPPARD LLC

Lake Forest, Illinois  
September 23, 2003

Exhibit 23.6  
-----

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Merge Technologies Inc. on Form S-3 of our reports dated May 10, 2002, except as to Note 10 (iv) and Note 11 which are as of August 8, 2002, (which reports express an unqualified opinion and include explanatory paragraphs referring to the Company's ability to continue as a going concern and that the financial statements have been restated) appearing in Amendment No. 1 to the Current Report on Form 8-K-A dated June 28, 2002.

DELOITTE & TOUCHE LLP

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/s/ DELOITTE & TOUCHE LLP

-----  
Chartered Accountants

Toronto, Ontario  
September 25, 2002