

MERGE HEALTHCARE INC
Form 424B3
July 16, 2009
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Registration No. 333-159998

MERGE HEALTHCARE INCORPORATED

Offer by Merge Acquisition Corp. to Exchange Each Outstanding Share of Common Stock of etrials Worldwide, Inc.
for \$0.80 in Cash and
0.3448 Shares of Common Stock of Merge Healthcare Incorporated

subject to the procedures described in this Prospectus and the related letter of transmittal

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, AT THE END OF JULY 14, 2009, UNLESS EXTENDED.

Merge Acquisition Corp., a Delaware corporation (“Offeror”), a wholly-owned subsidiary of Merge Healthcare Incorporated (“Merge Healthcare”), is offering to exchange for each outstanding share of common stock of etrials Worldwide, Inc. (“etrials”), par value \$0.0001 per share (the “Shares”), validly tendered in the Offer and not withdrawn, \$0.80 in cash, without interest, and 0.3448 shares of Merge Healthcare common stock, par value \$0.01 per share (“Merge Healthcare Common Stock”) (collectively, the “Consideration”) subject to the procedures described in this Prospectus and the related letter of transmittal (which together, as each may be amended, supplemented or otherwise modified from time to time, constitute the “Offer”). etrials stockholders who otherwise would be entitled to receive a fractional share of Merge Healthcare Common Stock will instead receive an amount in cash (without interest) equal to the amount of such fraction multiplied by \$2.610, rounded to the nearest cent.

The purpose of the Offer is for Merge Healthcare to acquire control of, and ultimately the entire equity interest in and all the outstanding shares of, etrials. The Offer is the first step in Merge Healthcare’s plan to acquire all of the outstanding Shares. Promptly after completion of the Offer, Merge Healthcare intends to consummate a merger of Offeror with and into etrials, with etrials surviving the merger (this merger is referred to herein as the “Merger” and etrials after the Merger is sometimes referred to herein as the “Surviving Corporation”). The purpose of the Merger is for Merge Healthcare to acquire all Shares not acquired in the Offer. After the Merger, the Surviving Corporation will be a wholly-owned subsidiary of Merge Healthcare and the former etrials stockholders will no longer have any direct ownership interest in the Surviving Corporation.

Offeror’s obligation to accept for exchange, and to exchange, Shares for cash and shares of Merge Healthcare Common Stock in the Offer is subject to a number of conditions, which are more fully described in “The Offer — Terms of the Offer.”

Merge Healthcare Common Stock is listed on the NASDAQ Global Market under the symbol “MRGE.” The Shares are listed on the NASDAQ Global Market under the symbol “ETWC.”

For a discussion of certain factors that etrials stockholders should consider in connection with the Offer, please carefully read “Risk Factors” beginning on page 7.

Merge Healthcare has not authorized any person to provide any information or to make any representation in connection with the Offer other than the information contained or incorporated by reference in this Prospectus, and if any person provides any information or makes any representation of this kind, that information or representation must not be relied upon as having been authorized by Merge Healthcare.

Neither the Securities and Exchange Commission (“SEC”) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is July 14, 2009.

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Appendix C – Fairness Opinion of Emerging Growth Equities, Ltd.

Appendix D – Directors and Executive Officers of Merge Healthcare and Offeror

Appendix E – Section 262 of the Delaware General Corporate Law

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This Prospectus incorporates by reference important business and financial information about Merge Healthcare and its subsidiaries from documents filed with the SEC that have not been included in or delivered with this Prospectus. This information is available without charge at the SEC's website at www.sec.gov and at Merge Healthcare's website at www.merge.com, as well as from other sources. See "Where To Obtain More Information."

etrial stockholders also may request copies of these publicly filed documents from Merge Healthcare, without charge, upon written or oral request to Merge Healthcare's information agent for the Offer and Merger, Morrow & Co., LLC, at 470 West Avenue, Stamford, Connecticut 06902, 1-(800) 607-0088. In order to receive timely delivery of the documents, etrial stockholders must make such request no later than July 7, 2009, or five business days before the expiration date of the Offer, whichever is later.

This Prospectus does not constitute a solicitation of proxies for any meeting of stockholders of etrials. We are not asking you for a proxy and you are requested not to send us a proxy. Any solicitation of proxies that Merge Healthcare or etrials might make will be made only pursuant to separate proxy solicitation materials complying with the requirements of Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

WHERE TO OBTAIN MORE INFORMATION

Merge Healthcare and etrials file annual, quarterly and current reports, proxy statements and other information with the SEC. The public may read and copy any reports, statements or other information that Merge Healthcare or etrials file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the public reference room. Merge Healthcare's and etrials' public filings also are available to the public from commercial document retrieval services and may be obtained without charge at the SEC's website at www.sec.gov. Merge Healthcare's and etrials' filings with the SEC are also available on their websites at www.merge.com and www.etrials.com, respectively. The contents of those websites are not incorporated by reference into this Prospectus.

Merge Healthcare has filed with the SEC a Registration Statement on Form S-4 to register the offer and sale of shares of Merge Healthcare Common Stock to be issued in the Offer and the Merger (the "Registration Statement"). This Prospectus is a part of that registration statement. Merge Healthcare may also file amendments to such registration statement. In addition, on June 16, 2009, Merge Healthcare filed with the SEC a Tender Offer Statement on Schedule TO under the Exchange Act, together with exhibits, to furnish certain information about the Offer. Merge Healthcare may file amendments to the Schedule TO. As allowed by SEC rules, this Prospectus does not contain all of the information in the Registration Statement or the Schedule TO or the exhibits to the Registration Statement or Schedule TO. You may obtain copies of the Form S-4 and Schedule TO (and any amendments to those documents) by contacting the information agent as directed on the back cover of this Prospectus.

The SEC allows Merge Healthcare to incorporate information into this Prospectus "by reference," which means that Merge Healthcare and Offeror can disclose important information to etrial stockholders by referring to another document or information filed separately with the SEC. The information incorporated by reference is deemed to be part of this Prospectus, except for any information amended or superseded by information contained in, or incorporated by reference into, this Prospectus. This Prospectus incorporates by reference the documents and information set forth below that Merge Healthcare (File No. 29486) has previously filed (but not furnished) with the SEC. These documents contain important information about Merge Healthcare and its financial condition.

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Merge Healthcare Filings (File No. 29486)

Merge Healthcare Information Incorporated by Reference	Period Covered or Date of Filing
Quarterly Report on Form 10-Q for fiscal quarter ended March 31, 2009, as filed with the SEC on May 8, 2009	Fiscal quarter ended March 31, 2009

Annual Report on Form 10-K for fiscal year ended December 31, 2008, as filed with the SEC on March 11, 2009	Fiscal year ended December 31, 2008
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Proxy Statement on Schedule 14A as filed with the SEC on April 24, 2009 (other than such information that is included in the proxy statement but not deemed to be filed with the SEC).

The description of Merge Healthcare Common Stock set forth in Merge Healthcare's Registration Statement on Form 8-A, filed with the SEC on January 9, 1998, including all amendments and reports filed for the purpose of updating such description.

Current Reports on Form 8-K

Filed with the SEC on:

- June 2, 2009
- April 30, 2009
- April 16, 2009
- April 6, 2009
- March 5, 2009
- February 17, 2009
- February 13, 2009
- January 7, 2009
- June 16, 2009
- July 6, 2009

Merge Healthcare also incorporates by reference into this Prospectus any additional documents that it may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this Prospectus to the termination of the Offer. Nothing in this Prospectus shall be deemed to incorporate information furnished but not filed with the SEC.

Merge Healthcare has supplied all information contained or incorporated by reference in this Prospectus about Merge Healthcare, and etrials has supplied all information contained or incorporated by reference in this Prospectus about etrials.

FORWARD-LOOKING STATEMENTS

Information both included and incorporated by reference in this Prospectus may contain forward-looking statements, concerning, among other things, each of Merge Healthcare's and etrials' outlook, financial projections and business strategies, including regarding the Offer, the proposed Merger and the Surviving Corporation, all of which are subject to risks, uncertainties and assumptions. These forward-looking statements are identified by their use of terms such as

“intend,” “plan,” “may,” “should,” “will,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “continue,” “potential,” “opportunity” and similar terms. These statements are based on certain assumptions and analyses that each company believes are appropriate under the circumstances. Should one or more of these risks or uncertainties materialize, or should the assumptions prove incorrect, actual results may differ materially from those expected, estimated or projected. Neither Merge Healthcare nor etrials can guarantee that either actually will achieve these plans, intentions or expectations, including completing the Offer and the Merger on the terms summarized in this Prospectus. Forward-looking statements speak only as of the date they are made, and Merge Healthcare and etrials undertake no obligation to publicly update or revise any of them in light of new information, future events or otherwise. Factors that could have an adverse effect on operations and future prospects of Merge Healthcare and etrials or the completion of the Offer and the Merger include, but are not limited to:

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- failure to satisfy the conditions to consummate the Offer and the Merger;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Agreement and Plan of Merger, dated May 30, 2009, among Merge Healthcare, Offeror and etrials (the “Merger Agreement”);
- the failure of the Offer or the Merger to close for any other reason;
- the amount of the costs, fees, expenses and charges related to the Offer and the Merger;
- the ability of Merge Healthcare to integrate etrials successfully;
- whether the transaction will result in the enhancement of value and benefits to customers and to Merge Healthcare’s and etrials’ stockholders;
- general economic and business conditions;
- global economic growth and activity;
- industry conditions; and
- changes in laws or regulations.

These risks and uncertainties, along with the risk factors discussed under “Risk Factors” in this Prospectus, should be considered in evaluating any forward-looking statements contained in this Prospectus. All forward-looking statements speak only as of the date of this Prospectus. All subsequent written and oral forward-looking statements attributable to Merge Healthcare and etrials or any person acting on their behalf are qualified by the cautionary statements in this section.

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QUESTIONS AND ANSWERS

Below are some of the questions that you as a holder of Shares may have regarding the Offer and the Merger and answers to those questions. You are urged to carefully read the remainder of this Prospectus and the related letter of transmittal and the other documents to which we have referred because the information contained in this section and in the “Summary” is not complete. Additional important information is contained in the remainder of this Prospectus and the related letter of transmittal. See “Where To Obtain More Information.”

As used in this Prospectus, unless otherwise indicated or the context requires, “Merge Healthcare” or “we” refers to Merge Healthcare Incorporated and its consolidated subsidiaries, “Offeror” refers to “Merge Acquisition Corp.” or “Merger Sub”, and “etrial” refers to etrial Worldwide, Inc. and its consolidated subsidiaries.

Who is offering to buy my Shares?

The Offer is made by Merge Acquisition Corp., a Delaware corporation formed for the purpose of making the Offer and consummating the Merger. Offeror is a wholly-owned subsidiary of Merge Healthcare.

Merge Healthcare develops software solutions that automate healthcare data and diagnostic workflow to create a more comprehensive electronic record of the patient experience. Merge Healthcare products, ranging from standards-based development toolkits to fully integrated clinical applications, have been used by healthcare providers worldwide for over 20 years.

Merge Healthcare goes to market through two different channels, placing it in a unique space in the healthcare market. The Merge OEM business unit sells toolkits, customizable applications and engineering services to modality and medical device manufacturers, pharmaceutical companies and health IT vendors. The Merge Fusion business unit sells workflow solutions and services to hospitals, physician practices and outpatient clinics directly and through distributors.

Merge Healthcare was founded in 1987 and was reincorporated in Delaware on December 5, 2008. It currently markets its products and services throughout the world. Merge Healthcare Common Stock is listed and traded on the NASDAQ Global Market under the symbol “MRGE.”

What are the classes and amounts of etrial securities that Offeror is offering to acquire in the Offer?

The Offeror seeks to acquire all issued and outstanding shares of etrial common stock (the “Shares”).

What will I receive for my Shares?

The Offeror is offering to exchange for each outstanding Share validly tendered pursuant to the Offer and not properly withdrawn:

\$0.80 in cash, without interest, plus

0.3448 shares of Merge Healthcare Common Stock (collectively, the “Consideration”),

subject to the procedures described in this Prospectus and the related letter of transmittal (which together, as each may be amended, supplemented or otherwise modified from time to time, constitute the “Offer”). etrial stockholders who otherwise would be entitled to receive a fractional share of Merge Healthcare Common Stock will instead receive an amount in cash (without interest) equal to the amount of such fraction multiplied by \$2.610, rounded to the nearest

cent.

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What will I receive for my options to purchase Shares?

Holders of options to purchase Shares may not tender their options in the Offer. However, as a result of the Merger, all outstanding and unexercised stock options under etrials' stock option plans and agreements, including stock options held by executive officers and directors of etrials, will fully vest and become exercisable immediately prior to the closing of the Merger. Persons who exercise their stock options prior to the effective time of the Merger will be entitled to receive the Consideration, on the same basis as the other etrials stockholders. Unexercised stock options will be cancelled immediately prior to the effective time of the Merger and converted into the right to receive a net payment, if any, in cash. If the per share exercise price of an etrials stock option is less than \$1.70, the option holder will receive cash equal to the product of (A) \$1.70 less the applicable per share exercise price of the etrials stock option, and (B) the number of shares subject to the unexercised etrials stock option. An amount necessary to satisfy any applicable minimum withholding tax obligation will be withheld from the cash consideration to be received. If the per share exercise price of an etrials stock option is greater than or equal to \$1.70, such option will be cancelled at the closing of the Merger and the holder of such option will not receive any Consideration with respect thereto.

Will I have to pay any fee or commission to exchange Shares?

If you are the record owner of your Shares and you tender your Shares in the Offer, you will not have to pay any brokerage fees, commissions or similar expenses. If you own your Shares through a broker, dealer, commercial bank, trust company or other nominee and your broker, dealer, commercial bank, trust company or other nominee tenders your Shares on your behalf, your broker or such other nominee may charge a fee for doing so. You should consult your broker, dealer, commercial bank, trust company or other nominee to determine whether any charges will apply.

Why is Offeror making this Offer?

The purpose of the Offer is for Merge Healthcare to acquire control of, and ultimately the entire equity interest in and all the outstanding shares of, etrials. The Offer is the first step in Merge Healthcare's plan to acquire all of the outstanding Shares. Promptly after completion of the Offer, Merge Healthcare intends to consummate the Merger. The purpose of the Merger is for Merge Healthcare to acquire all Shares not acquired in the Offer. In the Merger, etrials stockholders who did not tender their Shares in the Offer will receive the Consideration. After the Merger, the Surviving Corporation will be a wholly-owned subsidiary of Merge Healthcare and the former etrials stockholders will no longer have any direct ownership interest in the Surviving Corporation.

What does the etrials board of directors recommend?

The etrials board of directors has unanimously (i) authorized the execution, delivery and performance of the Merger Agreement, (ii) approved, and declared advisable, the Merger Agreement, the Offer and the Merger, (iii) determined that the terms of the Offer and the Merger are fair to and in the best interests of etrials' stockholders, and (iv) recommended that the holders of Shares accept the Offer and tender their Shares pursuant to the Offer (the "etrials Recommendation").

A description of the reasons why the etrials board of directors approved the Offer is set forth in etrials' Solicitation/Recommendation Statement on Schedule 14D-9 that is being mailed to you together with this Prospectus.

As described below, the directors and executive officers of etrials and their affiliates currently beneficially own approximately 33% of the outstanding Shares. After reasonable inquiry and to the best of etrials' knowledge, each executive officer and director of etrials and its affiliates currently intends, subject to compliance with applicable law including Section 16(b) of the Exchange Act, to tender all Shares held of record or beneficially owned by such person to the Offeror pursuant to the Offer. These directors and executive officers of etrials and their affiliates (the

“Stockholders”), hold 3,621,299 shares of common stock (including 397,313 shares of restricted stock) and options to purchase 403,662 shares of common stock and have entered into Stockholder Support Agreements with Merge Healthcare pursuant to which they have agreed to accept the Offer with respect to all of their Shares and tender all of their Shares pursuant to the Offer, vote all their Shares in favor of approval of the Merger Agreement and each of the transactions contemplated thereby and not to sell or otherwise transfer their Shares other than in compliance with the Stockholder Support Agreement. See “Merger Agreement — The Stockholder Support Agreements.”

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What are the conditions of the Offer?

Offeror's obligation to accept for exchange and to exchange Shares validly tendered and not properly withdrawn in the Offer is subject to the satisfaction or waiver by Offeror of certain conditions, including the valid tender of at least a majority of the outstanding Fully Diluted Shares (the "Minimum Tender Condition") and the effectiveness of this Form S-4, as more fully described below under the heading "The Offer — Conditions to the Offer." The Merger Agreement defines Fully Diluted Shares to mean all outstanding securities entitled generally to vote in the election of directors of the Company on a fully diluted basis, after giving effect to the exercise or conversion of all options, rights and securities exercisable or convertible into such voting securities having an exercise price or conversion price less than the "Cash Value of the Offer Price," which is the greater of \$1.70 or an amount equal to the highest price per Share paid pursuant to the Offer.

Offeror may, without the consent of etrials, from time to time extend the Offer for increments of not more than five (5) business days if, at the scheduled expiration date, any of the conditions of the Offer shall not have been satisfied or waived until such time as such conditions are satisfied or waived. See "The Offer – Extension, Termination and Amendment."

Merge Healthcare and etrials cannot be certain when, or if, the conditions to the Offer will be satisfied or waived or whether or not the Offer will be completed. The conditions to the Offer are for the sole benefit of Merge Healthcare and Offeror and may be asserted by Merge Healthcare or Offeror or may be waived by Merge Healthcare or Offeror, by express and specific action to that effect, in whole or in part at any time and from time to time, in each case except for the Minimum Tender Condition which may only be waived by Merge Healthcare or Offeror with the express prior written consent of etrials.

How long will it take to complete the proposed transaction?

The transaction is expected to be completed in the third quarter of calendar year 2009, subject to the conditions described in "The Merger Agreement — Conditions to the Merger" and "The Offer — Conditions to the Offer."

Is Merge Healthcare's financial condition relevant to my decision to tender Shares in the Offer?

Yes. Merge Healthcare's financial condition is relevant to your decision to tender your Shares because part of the Consideration you will receive if your Shares are exchanged in the Offer will consist of shares of Merge Healthcare Common Stock, assuming you own at least three Shares. You should, therefore, consider Merge Healthcare's financial condition as you could become a Merge Healthcare stockholder through the Offer. You should also consider the likely effect that Merge Healthcare's acquisition of etrials could have on Merge Healthcare's financial condition. This Prospectus contains and/or incorporates by reference financial information regarding Merge Healthcare and etrials, all of which we encourage you to review.

When does the Offer expire? Can the Offer be extended and, if so, under what circumstances?

The Offer is scheduled to expire at 12:00 midnight, New York City time, at the end of July 14, 2009, which is the "Initial Expiration Date," unless further extended by Offeror. Any extension, delay, termination, waiver or amendment of the Offer will be followed as promptly as practicable by public announcement thereof to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. During any such extension, all Shares previously tendered and not properly withdrawn will remain subject to the Offer, subject to the rights of a tendering stockholder to withdraw such stockholder's Shares. "Expiration Date" means the Initial Expiration Date, unless and until Offeror has extended the period during which the Offer is open, subject to the terms and conditions of the Merger Agreement, in which event the term "Expiration Date" means the latest time and date at which

the Offer, as so extended by Offeror, will expire.

Subject to the provisions of the Merger Agreement and the applicable rules and regulations of the SEC, Offeror may, without the consent of etrials, from time to time extend the Offer (A) in increments of not more than five (5) business days for one or more periods if, at the scheduled Expiration Date, any of the conditions of the Offer shall not have been satisfied or waived until the time as such conditions are satisfied or waived or (B) for any period required by any rule, regulation, interpretation or position of the SEC or the staff thereof applicable to the Offer. Offeror shall, at the request of etrials, extend the Offer for not less than five (5) business days if, at the initial Expiration Date or any subsequent scheduled Expiration Date, any of the conditions of the Offer have not been satisfied or waived. Offeror shall, if requested by etrials or Merge Healthcare, make available a subsequent offering period of not less than ten (10) business days; but Offeror shall not be required to make available a subsequent offering period if, prior to such period, Merge Healthcare and Offeror own more than 80% of the Fully Diluted Shares.

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Any decision to extend the Offer will be made public by an announcement regarding such extension as described under “The Offer — Extension, Termination and Amendment.”

How do I tender my Shares?

To tender Shares into the Offer, you must deliver the certificates representing your Shares, together with a completed letter of transmittal and any other documents required by the letter of transmittal, to American Stock Transfer & Trust Company LLC, the exchange agent for the Offer, not later than the time the Offer expires. The letter of transmittal (and the instructions thereto) is enclosed with this Prospectus. If your Shares are held in street name (i.e., through a broker, dealer, commercial bank, trust company or other nominee), your Shares can be tendered by your nominee by book-entry transfer through the Depository Trust Company.

For a complete discussion of the procedures for tendering your Shares, please see the section of this Prospectus entitled “The Offer — Exchange of Shares; Delivery of Cash and Shares of Merge Healthcare Common Stock.”

Until what time can I withdraw tendered Shares?

You may withdraw previously tendered Shares at any time prior to the expiration of the Offer. For a complete discussion of the procedures for withdrawing your Shares, please see the section of this Prospectus entitled “The Offer — Withdrawal Rights.”

How do I withdraw previously tendered Shares?

To withdraw previously tendered Shares, you must deliver a written or facsimile notice of withdrawal with the required information to the exchange agent while you still have the right to withdraw. If you tendered Shares by giving instructions to a broker, dealer, commercial bank, trust company or other nominee, you must instruct the broker, dealer, commercial bank, trust company or other nominee to arrange for the withdrawal of your Shares. For a complete discussion on the procedures for withdrawing your Shares, including the applicable deadlines for effecting withdrawals, please see the section of this Prospectus entitled “The Offer — Withdrawal Rights.”

When and how will I receive the Offer consideration in exchange for my tendered Shares?

Offeror will exchange all validly tendered and not properly withdrawn Shares promptly after the Expiration Date, subject to the terms thereof and the satisfaction or waiver of the conditions to the Offer, as set forth in the section of this Prospectus entitled “The Offer — Conditions to the Offer.” Offeror will deliver the consideration for your validly tendered and not properly withdrawn Shares by depositing the cash and stock consideration therefor with the exchange agent, which will act as your agent for the purpose of receiving the Offer consideration from Offeror and transmitting such consideration to you. In all cases, an exchange of tendered Shares will be made only after timely receipt by the exchange agent of certificates for such Shares (or a confirmation of a book-entry transfer of such Shares as described in the section of this Prospectus entitled “The Offer — Procedure for Tendering”) and a properly completed and duly executed letter of transmittal and any other required documents for such Shares.

What are the United States federal income tax consequences of the Offer and the Merger to me?

The sale or exchange of Shares for cash and Merge Healthcare Common Stock pursuant to the Offer or the Merger will be a taxable transaction for U.S. federal income tax purposes. In general, you will recognize gain or loss, equal, in each case, to the difference between (1) the sum of (a) the fair market value of the shares of Merge Healthcare Common Stock received at the effective time of the exchange pursuant to the Offer or the Merger and (b) the cash proceeds received pursuant to the Offer or the Merger, as applicable and (2) your adjusted tax basis in your Shares

surrendered in exchange therefor. If the Shares sold or exchanged constitute capital assets, such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if your holding period for such Shares is more than one year at the time of consummation of the Offer or the Merger, as the case may be. Gain or loss generally will be determined separately for each block of Shares (i.e., Shares acquired at the same cost in a single transaction) exchanged pursuant to either the Offer or the Merger. Because the tax consequences of the Offer and the Merger are complex and may vary depending on your particular circumstances, we recommend that you consult your own tax advisor concerning the federal (and any state, local or foreign) tax consequences to you of the Offer and the Merger. Please see “The Merger — Material U.S. Federal Income Tax Consequences.”

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Why does the cover page to this Prospectus state that this Offer is subject to change and that the registration statement filed with the SEC is not yet effective? Does this mean that the Offer has not commenced?

No. As permitted under SEC rules, we commenced the Offer without the registration statement, of which this Prospectus is a part, having been declared effective by the SEC. We cannot, however, complete the Offer and accept for exchange any Shares tendered in the Offer until the registration statement is declared effective by the SEC and the other conditions to the Offer have been satisfied or, where permissible, waived.

Do I have appraisal rights in connection with the Offer or the Merger?

etrial stockholders do not have appraisal rights in connection with the Offer, but do have appraisal rights in connection with the Merger.

etrial stockholders will have the right, under Section 262 of the DGCL, to dissent and demand appraisal of their Shares in connection with the Merger, if the stockholders perfect their appraisal rights. Under Section 262, dissenting stockholders who (i) do not vote in favor of the Merger, in the event that a stockholder vote is necessary, and (ii) comply with the applicable statutory requirements and procedures, may be entitled to receive a judicial determination of the fair value of their Shares not tendered nor accepted by Offeror in the Offer (exclusive of any element of value arising from the accomplishment or expectation of the Merger) and to receive payment of such fair value in cash, together with a fair rate of interest, if any. This fair value may be greater than, less than or equal to the Consideration. For more information about your appraisal rights, see “See “The Merger — Appraisal Rights.”

Where can I find more information about Merge Healthcare and etrial stockholders?

You can find more information about Merge Healthcare and etrial stockholders from various sources described in the section of this Prospectus entitled “Where To Obtain More Information.”

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SUMMARY

This section summarizes material information presented in greater detail elsewhere in this Prospectus. However, this summary does not contain all of the information that may be important to etrials stockholders. You are urged to carefully read the remainder of this Prospectus and the related letter of transmittal and the other documents to which we have referred because the information in this section is not complete. See “Where To Obtain More Information.”

The Offer (Page 68)

Under the terms of the Offer, each etrials stockholder may elect to receive, for each outstanding Share validly tendered in the Offer and not withdrawn:

\$0.80 in cash, without interest, plus

0.3448 shares of Merge Healthcare Common Stock (collectively, the “Consideration”),

subject to the procedures described in this Prospectus and the related letter of transmittal (which together, as each may be amended, supplemented or otherwise modified from time to time, constitute the “Offer”).

etrials stockholders will not receive any fractional shares of Merge Healthcare Common Stock in the Offer. Instead of receiving a fractional share of Merge Healthcare Common Stock to which etrials stockholders otherwise would be entitled, tendering etrials stockholders will receive an amount in cash (without interest) equal to such fraction multiplied by \$2.610, rounded to the nearest cent.

Holders of options to purchase Shares may not tender their options in the Offer. However, as a result of the Merger, all outstanding and unexercised stock options under etrials’ stock option plans and agreements, including stock options held by executive officers and directors of etrials, will fully vest and become exercisable immediately prior to the closing of the Merger. Persons who exercise their stock options prior to the effective time of the Merger will be entitled to receive the Consideration on the same basis as the other etrials stockholders. Unexercised stock options will be cancelled immediately prior to the effective time of the Merger and converted into the right to receive a net payment, if any, in cash. If the per share exercise price of an etrials stock option is less than \$1.70, the option holder will receive cash equal to the product of (A) \$1.70 less the applicable per share exercise price of the etrials stock option, and (B) the number of shares subject to the unexercised etrials stock option. An amount necessary to satisfy any applicable minimum withholding tax obligation will be withheld from the cash consideration to be received. If the per share exercise price of an etrials stock option is greater than or equal to \$1.70, such option will be cancelled at the closing of the Merger and the holder of such option will not receive any Consideration with respect thereto.

Purpose of the Offer; The Merger (Page 76)

Merge Healthcare intends, promptly after the completion of the Offer, to have Offeror merge into etrials, with etrials surviving the Merger. In the Merger, etrials stockholders who did not tender their Shares in the Offer will receive the Consideration. If Offeror owns 90% or more of the outstanding Shares following consummation of the Offer and any subsequent offering period and exercise of an irrevocable option to purchase additional newly issued shares (the “Top-Up Option”), if exercised, Merge Healthcare intends to consummate the Merger as a “short-form” merger pursuant to Section 253 of the Delaware General Corporation Law (“DGCL”). In this case, neither the approval of any holder of Shares nor the approval of the etrials board of directors will be required. If Offeror owns less than 90% of the outstanding Shares following the consummation of the Offer and does not exercise the Top-Up Option, the etrials board of directors will submit the Merger to etrials’ stockholders for approval at a stockholder meeting convened for that purpose in accordance with the DGCL. Merge Healthcare will, upon consummation of the Offer, have sufficient

voting power to ensure approval of the Merger at the stockholders' meeting without the affirmative vote of any other etrials stockholder. After the Merger, the Surviving Corporation will be a wholly-owned subsidiary of Merge Healthcare and the former etrials stockholders will not have any direct equity ownership interest in the Surviving Corporation. In the Merger, each issued and outstanding Share (other than dissenting Shares) will be converted into the right to receive the greater of the Consideration or the highest price per Share paid pursuant to the Offer, subject to appraisal rights under Delaware law, as more fully described under "The Offer — Purpose of the Offer; The Merger."

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The Companies (Page 28)

Merge Healthcare

Merge Healthcare Incorporated
6737 West Washington Street
Milwaukee, Wisconsin 53214-5650
(414) 977-4000

Merge Healthcare, a Delaware corporation, develops software solutions that automate healthcare data and diagnostic workflow to create a more comprehensive electronic record of the patient experience. Merge Healthcare products, ranging from standards-based development toolkits to fully integrated clinical applications, have been used by healthcare providers worldwide for over 20 years.

Merge Healthcare goes to market through two different channels, placing it in a unique space in the healthcare market. The Merge OEM business unit sells toolkits, customizable applications and engineering services to modality and medical device manufacturers, pharmaceutical companies and health IT vendors. The Merge Fusion business unit sells workflow solutions and services to hospitals, physician practices and outpatient clinics directly and through distributors.

Merge Healthcare was founded in 1987 and was reincorporated in Delaware on December 5, 2008. It currently markets its products and services throughout the world. Merge Healthcare Common Stock is listed and traded on the NASDAQ Global Market under the symbol "MRGE."

Merge Healthcare maintains a site on the Internet at www.merge.com; however, information found on Merge Healthcare's website is not part of this Prospectus.

Offeror

Merge Acquisition Corp.
c/o Merge Healthcare Incorporated
6737 West Washington Street
Milwaukee, Wisconsin 53214-5650
(414) 977-4000

Offeror, a Delaware corporation, is a wholly-owned subsidiary of Merge Healthcare. Offeror is newly formed, and was organized solely for the purpose of making the Offer and consummating the Merger. Offeror has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incident to its formation and those incurred in connection with the Offer and the Merger.

etrials

etrials Worldwide, Inc.
4000 Aerial Center Parkway
Morrisville, NC 27560
(919) 653-3400

etrials Worldwide Inc., a Delaware corporation, is a leading provider of eClinical software and services to pharmaceutical, biotechnology, medical device, and contract research organizations. It was established in 1988 and

has participated in over 900 clinical trials in over 70 countries. etrials provides the information systems backbone for a clinical trial by coordinating data capture, logistics, patient interaction and trial management through Web-based tools.

etrials differentiates itself by offering a flexible and integrated software-as-a-service (SaaS) platform that includes electronic data capture (EDC), interactive voice and Web response (IVR/IWR) and electronic patient diaries (eDiaries). These solutions allow for real-time acquisition of data from multiple sources (clinical trial sites, patients and labs) and then the quick compilation of these for fast decision-making.

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etrial is located in the greater Raleigh area, North Carolina.

Reasons for the Offer (Page 76)

The purpose of the Offer is for Merge Healthcare to acquire control of, and ultimately the entire equity interest in and all the outstanding shares of, etrial. Offeror is making the Offer and Merge Healthcare plans to complete the Merger because it believes that the acquisition of etrial by Merge Healthcare will provide significant beneficial long-term growth prospects and increased stockholder value for the combined company. Merge Healthcare believes that the Offer and the Merger will increase its market presence and opportunities, enhance its product mix, increase operating efficiencies, combine significant management talent and enhance employee opportunities.

Expiration of the Offer (Page 68)

The Offer is scheduled to expire at 12:00 midnight, New York City time, at the end of July 14, 2009, which is the “Initial Expiration Date,” unless further extended by Offeror. “Expiration Date” means the Initial Expiration Date, unless and until Offeror has extended the period during which the Offer is open, subject to the terms and conditions of the Merger Agreement, in which event the term “Expiration Date” means the latest time and date at which the Offer, as so extended by Offeror, will expire.

Extension, Termination or Amendment (Page 69)

Subject to the provisions of the Merger Agreement and the applicable rules and regulations of the SEC, Offeror may, without the consent of etrial, from time to time extend the Offer (A) in increments of not more than five (5) business days for one or more periods if, at the scheduled Expiration Date, any of the conditions of the Offer shall not have been satisfied or waived until the time as such conditions are satisfied or waived or (B) for any period required by any rule, regulation, interpretation or position of the SEC or the staff thereof applicable to the Offer. Offeror shall, at the request of etrial, extend the Offer for not less than five (5) business days if, at the initial Expiration Date or any subsequent scheduled Expiration Date, any of the conditions of the Offer have not been satisfied or waived. Offeror shall, if requested by etrial or Merge Healthcare, make available a subsequent offering period of not less than ten (10) business days; but Offeror shall not be required to make available a subsequent offering period if, prior to such period, Merge Healthcare and Offeror own more than 80% of the Shares outstanding on a Fully Diluted Basis.

Offeror will effect any extension, termination, amendment or delay by giving oral or written notice to the exchange agent and by making a public announcement as promptly as practicable thereafter as described under “The Offer — Extension, Termination and Amendment.” In the case of an extension, any such announcement will be issued no later than 9:00 a.m., New York City time, on the next business day following the previously scheduled Expiration Date. Subject to applicable law (including Rules 14d-4(d) and 14d-6(c) under the Exchange Act, which require that any material change in the information published, sent or given to stockholders in connection with the Offer be promptly disseminated to stockholders in a manner reasonably designed to inform them of such change) and without limiting the manner in which Offeror may choose to make any public announcement, Offeror assumes no obligation to publish, advertise or otherwise communicate any such public announcement of this type other than by issuing a press release. During any extension, Shares previously tendered and not properly withdrawn will remain subject to the Offer, subject to the right of each etrial stockholder to withdraw previously tendered Shares.

The Merger Agreement provides that the agreement may be terminated if the Offer has not been consummated on or before July 29, 2009 (or August 28, 2009 in certain circumstances) and Offeror may not extend the Offer beyond such date without the prior written consent of etrial.

Subject to applicable SEC rules and regulations, Offeror also reserves the right, in its sole discretion, at any time or from time to time to waive any condition identified as subject to waiver in “The Offer — Conditions to the Offer” by giving oral or written notice of such waiver to the exchange agent.

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Offeror may elect to provide subsequent offering periods of up to five business days (but no fewer than three business days) after the acceptance of Shares in the Offer in accordance with Rule 14d-11 under the Exchange Act if, on the expiration date of the offer, all of the conditions to the Offer have been satisfied or waived. If Offeror exercises its right to use a subsequent offering period, Offeror will first consummate the exchange with respect to the Shares validly tendered and not properly withdrawn in the initial offer period. You will not have the right to withdraw any Shares of etrials common stock that you tender in the subsequent offering period. If Offeror elects to provide a subsequent offering period, Offeror will publicly announce the results of the Offer, including the approximate number and percentage of Shares deposited to date no later than 9:00 a.m. New York City time on the next business day after the previously scheduled expiration and immediately begin the subsequent offering period.

Withdrawal Rights (Page 70)

Tendered Shares may be withdrawn at any time prior to the Expiration Date. Additionally, if Offeror has not agreed to accept the Shares for exchange on or prior to the 60th day after the Offer has commenced, etrials stockholders may thereafter withdraw their Shares from tender at any time after such date until Offeror accepts the Shares for exchange. Once Offeror accepts Shares for exchange pursuant to the Offer, all tenders not previously withdrawn become irrevocable.

Procedure for Tendering (Page 71)

To validly tender Shares pursuant to the Offer, etrials stockholders must:

- deliver a properly completed and duly executed letter of transmittal, along with any required signature guarantees and any other required documents, and certificates for tendered Shares to the exchange agent at its address set forth on the back cover of this Prospectus, all of which must be received by the exchange agent prior to the Expiration Date;
- deliver an agent's message in connection with a book-entry transfer, and any other required documents, to the exchange agent at its address set forth on the back cover of this Prospectus, and Shares must be tendered pursuant to the procedures for book-entry tender set forth herein (and a confirmation of receipt of that tender received), and in each case be received by the exchange agent prior to the Expiration Date; or
- comply with the guaranteed delivery procedures set forth in "The Offer — Guaranteed Delivery."

etrials stockholders who hold Shares in "street name" through a bank, broker or other nominee holder, and desire to tender their Shares pursuant to the Offer, should instruct the nominee holder to do so prior to the Expiration Date.

Exchange of Shares (Page 70)

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), as soon as practicable following the Expiration Date, Offeror will accept for exchange, and will exchange, all Shares validly tendered and not withdrawn prior to the Expiration Date.

Top-Up Option (Page 68)

Under the Merger Agreement, Offeror has a Top-Up Option to purchase up to a number of additional Shares such that following the consummation of the Offer, Merge Healthcare and Offeror shall own one Share more than 90% of the Fully Diluted Shares. The Top-Up Option's per share purchase price, which is equal to the Cash Value of the Offer Price, may be paid in cash, cashiers check or by wire transfer.

Interests of Certain Persons (Page 49)

Certain etrials directors, officers and stockholders have interests in the Offer and the Merger that are different from, or are in addition to, those of other stockholders. These interests include: the accelerated vesting of stock options and other unvested stock-based awards previously issued to certain etrials directors and officers; current and future employment arrangements; severance benefits; and the indemnification of directors and officers of etrials against certain liabilities.

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The boards of directors of etrials and Merge Healthcare were aware of these interests and considered them, among other matters, when they approved the Offer, the Merger and the Merger Agreement.

Regulatory Approvals (Page 53)

Merge Healthcare and etrials have agreed to use reasonable efforts to do all things necessary, proper or advisable to consummate the Offer and the Merger, including obtaining all necessary waivers, consents and approvals from governmental entities and making all necessary registrations and filings as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any governmental entity. This includes, if such filing is required, filing with the Department of Justice and the Federal Trade Commission a Notification and Report Form pursuant to the Hart-Scott-Rodino Act (the “HSR Act”); however, the purchase of Shares pursuant to the Offer is not subject to such requirements because the size of the transaction falls below the current statutory thresholds for pre-merger notification under the HSR Act. Merge Healthcare and etrials are not aware of any material governmental approvals or actions that are required for the Merger. Such legal matters and regulatory issues are discussed under “The Merger — Regulatory Approvals Required for the Merger.”

Source and Amount of Funds (Page 78)

The Offer and the Merger are not conditioned upon any financing arrangements or contingencies.

Assuming all incentive equity awards tender into the Offer, and all outstanding vested in-the-money stock options remain unexercised prior to the Merger, the Offeror estimates the amounts required to purchase the then outstanding Shares and fund transaction-related fees and expenses will approximate 3.8 million shares of Merge Healthcare Common Stock and \$11.6 million of cash.

Merge Healthcare expects to have sufficient cash on hand to complete the transactions contemplated by the Offer and the Merger and to pay fees, expenses and other related amounts.

Appraisal Rights (Page 53)

Under Delaware law, you will not have any appraisal rights in connection with the Offer. However, the Merger is expected to entitle etrials stockholders to appraisal rights under Section 262 of the DGCL. A copy of the appraisal rights provisions of the DGCL is attached as Appendix E to this prospectus. See “The Merger — Appraisal Rights.”

Comparative Market Price Data (Page 26)

Shares of Merge Healthcare Common Stock are listed on the NASDAQ Global Market under the symbol “MRGE.” The etrials Shares trade on the NASDAQ Global Market under the symbol “ETWC.” On May 29, 2009, the last full trading day before the public announcement of Merge Healthcare’s proposal to acquire etrials, the closing sales price of Merge Healthcare Common Stock on the NASDAQ Global Market was \$3.14 and the closing sales price of etrials common stock on the NASDAQ Global Market was \$1.27. etrials stockholders should obtain current market quotations for Merge Healthcare Common Stock and the Shares before deciding whether to tender Shares in the Offer. See “Comparative Market Price and Dividend Data” and “Comparative Historical and Summary Unaudited Pro Forma Per Share Information” for a discussion of per share data.

Ownership of Merge Healthcare After the Offer and the Merger (Page 74)

Merge Healthcare estimates that if all Shares (assuming all outstanding vested in-the-money stock options remain unexercised prior to the Merger) are exchanged pursuant to the Offer and the Merger, former etrials stockholders

would own, in the aggregate, approximately 6.3% of the shares of Merge Healthcare Common Stock outstanding after the Merger.

Comparison of Stockholders' Rights (Page 82)

The rights of Merge Healthcare stockholders are different in some respects from the rights of etrials stockholders. Therefore, etrials stockholders will have different rights as stockholders once they become Merge Healthcare stockholders. The differences are described in more detail under "Comparison of Stockholders' Rights."

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Material U.S. Federal Income Tax Consequences (Page 51)

The Offer and the Merger, taken together, generally will be a taxable transaction within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”). Neither the Offer nor the Merger is conditioned on the receipt of an opinion of counsel regarding the U.S. federal income tax treatment of the Offer and the Merger. A U.S. holder of etrials stock that holds etrials stock as a capital asset and receives Merge Healthcare Common Stock and cash in the Offer or the Merger generally will recognize capital gain or loss equal to the difference, if any, between (1) the sum of the fair market value of Merge Healthcare Common Stock at the effective time of the exchange and cash, including any cash received in lieu of fractional shares of Merge Healthcare Common Stock, received in the Offer or the Merger, and (2) such holder’s adjusted tax basis in its etrials stock exchanged therefor.

Although not currently contemplated, a merger of etrials with and into Merge Healthcare or one of its affiliates after the Merger, if viewed as occurring as part of an integrated plan with the Offer and the Merger, could cause the Offer and the Merger to be treated as an overall tax-free reorganization for U.S federal income tax purposes.

Each etrials stockholder should read the discussion under “The Merger — Material U.S. Federal Income Tax Consequences” and should consult its own tax advisor for a full understanding of the tax consequences of the Offer and the Merger to such stockholder.

Accounting Treatment (Page 53)

Merge Healthcare intends to treat the merger as an acquisition by Merge Healthcare of etrials under U.S. generally accepted accounting principles. Under the acquisition method of accounting, the assets and liabilities of etrials will be recorded, as of the completion of the Merger, at their respective fair values in the financial statements of Merge Healthcare. Financial statements and reported results of operations of Merge Healthcare issued after the completion of the Merger will reflect these values, but will not be restated retroactively to reflect the historical financial position or results of operations of etrials.

Questions about the Offer and the Merger

etrials stockholders should contact the information agent for the Offer, at the following address and telephone numbers with any questions about the Offer or the Merger, or to request additional copies of this Prospectus or other documents:

470 West Avenue

Stamford, CT 06902

Banks and Brokerage Firms, Please Call: (203) 658-9400

Holders Call Toll Free: (800) 607-0088

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RISK FACTORS

etrial stockholders should carefully read this Prospectus and the other documents referred to or incorporated by reference into this Prospectus, including in particular the following risk factors, in deciding whether to tender Shares pursuant to the Offer.

Risk Factors Relating to the Offer

The market price of Merge Healthcare Common Stock may decline as a result of Merge Healthcare's acquisition of etrials.

The market price of Merge Healthcare Common Stock may decline after the Offer and Merger are announced as well as after completion. Some of the issues that Merge Healthcare could face are:

- the integration of etrials' business is unsuccessful or takes longer or is more disruptive than anticipated;
- Merge Healthcare does not achieve the expected synergies or other benefits of the etrials acquisition as rapidly or to the extent anticipated, if at all;
- the effect of Merge Healthcare's acquisition of etrials on Merge Healthcare's financial results does not meet the expectations of Merge, financial analysts or investors; or
- after Merge Healthcare acquires etrials, etrials' business does not perform as anticipated.

As of May 31, 2009, there were 56,772,006 shares of Merge Healthcare Common Stock issued, including 479,997 shares subject to restricted stock awards and 15,414 shares held in treasury, and held of record by approximately 284 stockholders. On such date, 4,528,229 shares of Merge Healthcare Common Stock were subject to outstanding options. In connection with the Offer and Merger, Merge Healthcare estimates that it could issue up to approximately 3,814,916 additional shares of Merge Healthcare Common Stock. The increase in the number of outstanding shares of Merge Healthcare Common Stock may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market price of Merge Healthcare Common Stock.

The value of the Consideration may fluctuate prior to the Expiration Date.

As a result of the fixed exchange ratio of the Offer, the value of the Consideration will fluctuate prior to the Expiration Date, if and as the market price of Merge Healthcare Common Stock fluctuates. If the price per share of Merge Healthcare Common Stock declines, the value of the Consideration to etrials stockholders will decline.

Even if the Offer is completed, full integration of etrials' operations with Merge Healthcare's may be delayed if Offeror does not acquire at least 90% of the issued and outstanding Shares pursuant to the Offer.

The Offer is subject to a condition that, before the Expiration Date, there shall have been validly tendered and not properly withdrawn at least a majority of the Shares on a fully diluted basis. If Offeror acquires at least 90% of the issued and outstanding Shares, the Merger will be able to be effected as a "short-form merger" under Delaware law. A short-form merger would enable Merge Healthcare to complete the acquisition of etrials without any action on the part of the other holders of Shares. If Merge Healthcare does not acquire 90% of the issued and outstanding Shares pursuant to the Offer or the Top-Up Option, if exercised, etrials will be required to hold a stockholder meeting in order to obtain the approval of etrials stockholders to consummate the Merger. Although this would not prevent the Merger from occurring because Offeror would hold sufficient Shares to approve the Merger, it would delay the

completion of the Merger and could delay the realization of some or all of the anticipated benefits from integrating etrials' operations with Merge Healthcare's operations.

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Merge Healthcare's acquisition of etrials could trigger certain provisions contained in etrials' agreements with third parties that could permit such parties to terminate that agreement.

etrials may be a party to agreements that permit a counter-party to terminate an agreement or receive payments because the Offer or the Merger would cause a default or violate an anti-assignment, change of control or similar clause in such agreements. If this happens, Merge Healthcare may have to seek to replace that agreement with a new agreement or make additional payments under such agreements. However, Merge Healthcare may be unable to replace a terminated agreement on comparable terms or at all. Depending on the importance of such agreement to etrials' business, the failure to replace a terminated agreement on similar terms or at all, and requirements to pay additional amounts, may increase the costs to Merge Healthcare of operating etrials' business or prevent Merge Healthcare from operating etrials' business.

etrials stockholders who receive Merge Healthcare Common Stock in the Offer will become Merge Healthcare stockholders. Merge Healthcare Common Stock may be affected by different factors than the factors that affect the Shares, and holders will have different rights than those they have as etrials stockholders.

Upon completion of the Offer, etrials stockholders receiving shares of Merge Healthcare Common Stock will become stockholders of Merge. Merge Healthcare's business differs from that of etrials, and Merge Healthcare's results of operations and the trading price of Merge Healthcare Common Stock may be adversely affected by factors different from those that would affect etrials' results of operations and stock price.

In addition, holders of shares of Merge Healthcare Common Stock will have different rights as stockholders than the rights they had as etrials stockholders before the Offer or the Merger. For a detailed comparison of the rights of Merge Healthcare stockholders compared to the rights of etrials stockholders, see "Comparison of Stockholders' Rights."

The receipt of shares of Merge Healthcare Common Stock in the Offer and/or the Merger will be taxable to etrials stockholders.

The receipt of Merge Healthcare Common Stock and cash in exchange for etrials stock in the Offer or the Merger generally will be a taxable transaction for U.S. federal income tax purposes. A U.S. holder of etrials stock who holds etrials stock as a capital asset and receives Merge Healthcare Common Stock and cash in the Offer or the Merger generally will recognize capital gain or loss equal to the difference, if any, between (1) the sum of the fair market value of Merge Healthcare Common Stock at the effective time of the exchange and cash, including any cash received in lieu of fractional shares of Merge Healthcare Common Stock received in the Offer or the Merger, and (2) such holder's adjusted tax basis in its etrials stock exchanged therefor. Gain or loss and holding period will be determined separately for each block of etrials stock, i.e., shares acquired at the same cost in a single transaction, exchanged in the exchange. Any capital gain or loss will be long-term capital gain or loss if the U.S. holder's holding period for its etrials stock is more than one year at the time of the exchange. Currently, long-term capital gain for non-corporate taxpayers is taxed at a maximum federal income tax rate of 15%. If the U.S. holder has held its etrials stock for one year or less at the time of the exchange, any capital gain or loss will be short-term capital gain or loss. The deductibility of capital losses is subject to certain limitations. A U.S. holder's aggregate tax basis in its Merge Healthcare Common Stock received in the Offer or the Merger will equal the fair market value of such stock at the effective time of such exchange, and the holder's holding period for such stock will begin on the day after such exchange.

A merger of etrials with and into Merge Healthcare or one of its affiliates subsequent to the Merger, if viewed as occurring as part of an integrated plan with the Offer and the Merger, could cause the Merger to be treated as an overall tax-free reorganization for U.S. federal income tax purposes. Merge Healthcare has no present plan or intent to merge etrials with and into Merge Healthcare or any of its affiliates subsequent to the Merger.

etrial stockholders should consult their tax advisors to determine the specific tax consequences to them of the Offer and the Merger, including any federal, state, local, foreign or other tax consequences, and any tax return filing or other reporting requirements.

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The transaction may adversely affect the liquidity and value of the Shares not tendered.

If the Offer is completed but all Shares are not tendered in the Offer, the number of etrials stockholders and the number of Shares publicly held will be greatly reduced. As a result, the closing of the Offer could adversely affect the liquidity and market value of the remaining Shares held by the public. In addition, following completion of the Offer, subject to the rules of NASDAQ and the SEC, etrials may seek to delist the Shares from NASDAQ and may seek to discontinue its reporting obligations under the Exchange Act. As a result of any such actions, Shares not tendered pursuant to the Offer may become illiquid and may be of reduced value. See “The Offer — Plans for etrials.”

If the Offer and the Merger are not completed, Merge Healthcare’s and etrials’ stock prices and future businesses and operations could be harmed.

Merge Healthcare’s and etrials’ obligations to complete the Offer and the Merger are subject to conditions, many of which are beyond the control of Merge Healthcare and etrials. If the Offer and the Merger are not completed for any reason, each company may be subject to a number of material risks, including the following:

- etrials may be required to pay a termination fee or expense reimbursement upon termination of the Merger Agreement under certain circumstances;
- the price of Merge Healthcare Common Stock and/or the Shares may decline;
- costs related to the Offer and the Merger, such as financial advisory, legal, accounting and printing fees, must be paid even if the Offer and the Merger are not completed; and
- if the Offer and the Merger are not completed, Merge Healthcare and etrials would fail to derive the benefits expected to result from the Offer and the Merger.

In addition, if the Offer and the Merger are terminated, either company may be unable to find a partner willing to engage in a similar transaction on terms as favorable as those set forth in the Merger Agreement, or at all. This could limit each company’s ability to pursue its respective strategic goals.

Uncertainty regarding the Offer and the Merger may cause customers, suppliers and channel partners to delay or defer decisions concerning Merge Healthcare and etrials and adversely affect each company’s business, financial condition and operating results.

The Offer and the Merger will occur only if stated conditions are met, many of which are outside the control of Merge Healthcare and etrials, and both parties also have rights to terminate the Merger Agreement under specified circumstances. Accordingly, there may be uncertainty regarding the completion of the Merger. This uncertainty may cause customers and suppliers to delay or defer decisions concerning Merge Healthcare or etrials products, which could negatively affect their respective businesses. Customers and suppliers may also seek to change existing agreements with Merge Healthcare or etrials as a result of the Merger. Any delay or deferral of those decisions or changes in existing agreements could have a material adverse effect on the respective businesses of Merge Healthcare and etrials, regardless of whether the Merger is ultimately completed. Moreover, diversion of management focus and resources from the day-to-day operation of the business to matters relating to the Offer and the Merger could have a material adverse effect on each company’s business, regardless of whether the Offer and the Merger are completed.

etrials officers and directors may have conflicts of interest that may influence them to support or approve the Offer and the Merger.

The directors and officers of etrials have interests in the Offer and Merger that are different from, or in addition to, those of etrials stockholders. The directors and officers of etrials could be more likely to recommend and approve the Offer and the Merger than if they did not hold these interests. etrials stockholders should consider whether these interests might have influenced these directors and officers to support or recommend the Offer and the Merger. These interests are more fully described under “The Merger—Interests of etrials Management and Board of Directors.”

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The termination fee and restrictions on solicitation contained in the Merger Agreement may discourage other companies from trying to acquire etrials.

Until the completion of the Merger, with limited exceptions, the Merger Agreement prohibits etrials from entering into an alternative acquisition transaction with, or soliciting any alternative acquisition proposal from, another party. etrials has agreed to pay Merge Healthcare a termination fee of \$500,000, plus reimbursement of reasonable out-of-pocket expenses up to \$250,000, in specified circumstances, including where etrials' board of directors withdraws its support of the Offer and the Merger to enter into a business combination with a third party. All of the directors and executive officers of etrials and certain stockholders of etrials who collectively own approximately 33% of the outstanding Shares have agreed in the Stockholder Support Agreements to tender their Shares in the Offer and to vote their Shares in favor of the Merger Agreement and against any competing acquisition transaction. These provisions could discourage other companies from trying to acquire etrials even though those other companies might be willing to offer greater value to etrials stockholders than Merge Healthcare has offered in the Offer and the Merger.

Merge Healthcare and etrials expect to incur significant costs associated with the Offer and Merger.

Merge Healthcare estimates that it will incur direct transaction costs of approximately \$0.4 million associated with the Offer and the Merger, including direct costs of the acquisition as well as liabilities to be accrued in connection with the acquisition (excluding any related severance costs). All such direct acquisition costs will be expensed as incurred by Merge Healthcare. In addition, etrials estimates that it will incur direct transaction costs of approximately \$1.8 million, which will be expensed as incurred. Merge Healthcare and etrials believe the combined entity may incur charges to operations, which are not currently reasonably estimable, in the quarter in which the Merger is completed or the following quarters, to reflect costs associated with integrating the two companies. The combined company may incur additional material charges in subsequent quarters to reflect additional costs associated with the Merger. Merge Healthcare and etrials anticipate that the combination will require significant cash outflows for acquisition and integration related costs. If the benefits of the Merger do not exceed the costs of integrating the businesses of Merge Healthcare and etrials, the combined company's financial results may be adversely affected.

Litigation related to the Offer and the Merger may prevent or delay the completion of the Offer and the closing of the Merger, may result in significant monetary damages or may otherwise negatively impact the business and operations of Merge Healthcare and etrials.

Fluctuation in the price of Merge Healthcare or etrials common stock may expose each company to the risk of securities class-action lawsuits. Even if such litigation is ultimately proven to lack merit, these actions could prevent or delay the acceptance of Shares pursuant to the Offer and the closing of the Merger. Any conclusion of such litigation in a manner adverse to Merge Healthcare or etrials could have a material adverse effect on each company's business, financial condition and results of operations. In addition, the cost of defending this litigation, even if resolved favorably, could be substantial. Such litigation could also substantially divert the attention of management and resources in general. Furthermore, uncertainties resulting from the initiation and continuation of any litigation could harm the ability of Merge Healthcare or etrials to compete in the marketplace.

Risk Factors Relating to etrials and the Merger

There is no guarantee that the Offer or the Merger will be completed.

The Offer and the Merger are subject to a number of conditions, including the tender of at least a majority of the outstanding Shares. There is no assurance that this or any other condition to the completion of the Offer or the Merger will be satisfied. If the Merger is not completed, etrials will face the same operational challenges facing it prior to the execution of the Merger Agreement, including an accumulated deficit, possible continuing operating losses and a lack

of profitability.

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etrial has had recurring losses from operations and might never achieve or maintain profitability.

At March 31, 2009, etrial had an accumulated deficit of approximately \$46.7 million, including a net loss of approximately \$1.0 million for the three months ended March 31, 2009. etrial might not ever be able to achieve or maintain profitability.

Current conditions in the global economy and the major industries it serves might materially and adversely affect etrial's business and results of operations.

etrial's business and operating results might be adversely affected by worldwide economic conditions and, in particular, conditions in the pharmaceutical, biotechnology and medical device industries it serves. As a result of slowing global economic growth, the credit market crisis, declining consumer and business confidence, shifts in consumer spending patterns, increased unemployment, reduced levels of capital expenditures, fluctuating commodity prices, bankruptcies and other challenges currently affecting the global economy, etrial's clients might experience deterioration of their businesses, cash flow shortages, and difficulty obtaining financing. As a result, existing or potential clients might delay or cancel plans to purchase etrial's products and services and might not be able to fulfill their obligations to etrial in a timely fashion. For example, in December 2008, etrial had to pursue litigation against two former customers in excess of \$500,000, as described in "etrial Business — Legal Proceedings." Contract cancellations could affect etrial's ability to fully recover its contract costs. If the global economic slowdown continues for a significant period or there is significant further deterioration in the global economy, etrial's financial position and cash flows could be materially adversely affected.

etrial might require additional financing to fund operations or potential acquisitions. If financing is not available, etrial might not be able to grow as it plans.

At March 31, 2009, etrial had cash and cash equivalents totaling approximately \$9.0 million. In the future, etrial might be required to seek additional financing to fund operations or potential acquisition opportunities. The recent downturn in the capital markets and the general economic slowdown could prevent etrial from raising additional capital or obtaining additional financing on favorable terms, if at all. If etrial cannot raise sufficient capital, its ability to operate and to grow through acquisitions or otherwise respond to competitive pressures would be significantly limited.

etrial has several large clients from which it derives substantial revenue; the loss of even a few of its clients could significantly reduce its revenues.

etrial currently derives and expects to continue to derive a significant portion of its revenues from a limited number of clients. etrial's top two clients accounted for approximately 29% and 28% of its revenue for the year ended December 31, 2007 and 2008, respectively. These two clients accounted for approximately 22% and 20%, respectively, and a third client accounted for approximately 12% of etrial's revenue for the three months ended March 31, 2009. If etrial loses one of these clients or other significant clients and does not replace them with new clients, its revenues will decrease and may not be sufficient to cover its costs.

etrial faces risks associated with former employees competing with its business and the related litigation that aims to prevent them from using etrial's confidential, proprietary and/or non-public data.

On January 6, 2009, etrial filed a lawsuit against its former Chief Operating Officer and Vice President of Client Services, Robert Sammis, and its former Director of Product Development, Brendon Ball, to enforce Confidentiality Agreements that they signed while employed at etrial and to prevent the disclosure or unauthorized use of confidential or non-public information of etrial in connection with the employment of Sammis and Ball at Unithink,

Inc., a direct competitor of etrials. See “etrials Business — Legal Proceedings.” etrials faces the risk that the defendants, or anyone acting in concert or participating with them (including Unithink), might make customers delay or not make purchases from etrials, use etrials’ confidential information against it or legitimately compete effectively with it. Additionally, litigation can be expensive, time-consuming and uncertain in ultimate result. Even if etrials is successful in this litigation, its business might be materially and adversely harmed nevertheless.

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etrialis might not continue to meet NASDAQ listing requirements, which could result in its delisting, limiting the liquidity of the Shares.

The Shares trade on the NASDAQ Global Market, which has qualitative and quantitative listing criteria, including operating results, net assets, corporate governance, minimum trading price and minimums for public float, which is the amount of stock not held by affiliates of the issuer. Although NASDAQ has temporarily halted delisting procedures for certain of these criteria in light of current market conditions, etrialis is at risk of delisting in the future due to its low capitalization and the low price of its common stock. If for any reason, the Shares are not eligible for continued quotation on the NASDAQ, holders of etrialis common stock might have difficulty selling their Shares should they desire to do so.

Risk Factors Relating to Owning Merge Common Stock

Merge Healthcare's stockholders' percentage ownership and voting power and the price of Merge Healthcare Common Stock may decrease as a result of events that increase the number of Merge Healthcare outstanding shares.

As of May 31, 2009, Merge Healthcare had outstanding options to purchase 4,528,229 shares of Merge Healthcare Common Stock at exercise prices ranging from \$0.57 to \$24.88 per share (exercisable at a weighted average of \$3.85 per share), of which 1,508,481 options were then exercisable. Exercise of Merge Healthcare's outstanding options into shares of Merge Healthcare Common Stock may significantly and negatively affect the market price for Merge Healthcare Common Stock as well as decrease its stockholders' percentage ownership and voting power. In addition, Merge Healthcare may conduct future offerings of Merge Healthcare Common Stock or other securities with rights to convert the securities into shares of Merge Healthcare Common Stock. As a result of these and other events, such as future acquisitions, that increase the number of Merge Healthcare's outstanding shares, Merge Healthcare's stockholders' percentage ownership and voting power and the price of Merge Healthcare Common Stock may decrease.

Shares of Merge Healthcare Common Stock eligible for public sale may have a negative impact on its market price.

Merge Healthcare is registering all of the shares of Merge Healthcare Common Stock being issued to etrialis stockholders pursuant to the Offer and the Merger. Future sales of these shares and shares of Merge Healthcare Common Stock by existing holders of Merge Healthcare Common Stock or by holders of outstanding options, upon the exercise thereof, could have a negative impact on the market price of Merge Healthcare Common Stock. As of May 31, 2009, Merge Healthcare had 56,772,006 shares of Merge Healthcare Common Stock issued, substantially all of which are currently freely tradable. As additional shares of common stock become available for resale in the public market pursuant to the registration statement and exercise of options, the market supply of shares of common stock will increase, which could also decrease its market price.

Merge Healthcare is unable to estimate the number of shares that may be sold because this will depend on the market price for Merge Healthcare Common Stock, the personal circumstances of the sellers and other factors. Any sale of substantial amounts of Merge Healthcare Common Stock or other securities in the open market may adversely affect the market price of such securities and may adversely affect its ability to obtain future financing in the capital markets as well as create a potential market overhang.

There are a limited number of stockholders who have significant control over Merge Healthcare Common Stock, allowing them to have significant influence over the outcome of all matters submitted to its stockholders for approval, which may conflict with Merge Healthcare's interests and the interests of its other stockholders.

Merge Healthcare's directors, officers and principal stockholders (stockholders owning 10% or more of Merge Healthcare Common Stock) beneficially owned approximately 52% of the outstanding shares of common stock and stock options that could have been converted to common stock at May 31, 2009, and such stockholders will have significant influence over the outcome of all matters submitted to Merge Healthcare's stockholders for approval, including the election of its directors and other corporate actions. In addition, such influence by these affiliates could have the effect of discouraging others from attempting to take Merge Healthcare over, thereby increasing the likelihood that the market price of the common stock will not reflect a premium for control.

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Because Merge Healthcare does not intend to pay dividends, stockholders will benefit from an investment in its stock only if it appreciates in value.

Merge Healthcare currently intends to retain its future earnings, if any, to finance further research and development and does not expect to pay any cash dividends in the foreseeable future. As a result, the success of an investment in Merge Healthcare Common Stock will depend upon any future appreciation in its value. There is no guarantee that Merge Healthcare Common Stock will appreciate in value or even maintain the price at which etrials stockholders exchange their Shares pursuant to the Offer and the Merger or at which stockholders have purchased and will purchase their shares.

The trading price of Merge Healthcare's common stock has been volatile and may fluctuate substantially in the future.

The price of Merge Healthcare Common Stock has been, and may continue to be, volatile. Between June 1, 2008 and June 10, 2009, Merge Healthcare Common Stock has traded at a low of \$0.26 per share (on November 28, 2008) and a high of \$3.24 per share (on May 18, 2009).

The trading price of Merge Healthcare Common Stock may continue to fluctuate widely as a result of a number of factors, some of which are not in Merge Healthcare's control, including:

- Merge Healthcare's ability to meet or exceed the expectations of analysts or investors;
- Changes in Merge Healthcare's own forecasts or earnings estimates by analysts;
- Quarter-to-quarter variations in Merge Healthcare's operating results;
- Announcements regarding clinical activities or new products by Merge Healthcare or its competitors;
- General conditions in the healthcare IT industry;
- Governmental regulatory action and healthcare reform measures, including changes in reimbursement rates for imaging procedures;
- Rumors about Merge Healthcare's performance or software solutions;
- Uncertainty regarding Merge Healthcare's ability to service existing debt;
- Price and volume fluctuations in the overall stock market, which have particularly affected the market prices of many software, healthcare and technology companies; and
- General economic conditions.

In addition, the market for Merge Healthcare Common Stock may experience price and volume fluctuations unrelated or disproportionate to its operating performance. These fluctuations could have a significant impact on Merge Healthcare's business due to diminished incentives for management and diminished currency for acquisitions.

Certain provisions of Merge Healthcare's charter and Delaware law could make a takeover difficult and may prevent or frustrate attempts by its stockholders to replace or remove its management team.

Merge Healthcare has an authorized class of 1,000,000 shares of undesignated preferred stock and one authorized share of Series 3 Special Voting Stock preferred stock. These shares may be issued by its board of directors, on such terms and with such rights, preferences and designation as the board of directors may determine. Issuance of such preferred stock, depending upon the rights, preferences and designations thereof, may have the effect of delaying, deterring or preventing a change in control of Merge Healthcare. In addition, Merge Healthcare is subject to provisions of Delaware corporate law which, subject to certain exceptions, will prohibit it from engaging in any “business combination” with a person who, together with affiliates and associates, owns 15% or more of Merge Healthcare Common Stock for a period of three years following the date that the person came to own 15% or more of Merge Healthcare Common Stock, unless the business combination is approved in a prescribed manner.

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These provisions of Merge Healthcare's certificate of incorporation, and of Delaware law, may have the effect of delaying, deterring or preventing a change in control of Merge Healthcare, may discourage bids for Merge Healthcare Common Stock at a premium over market price and may adversely affect the market price, and the voting and other rights of the holders, of Merge Healthcare Common Stock. In addition, these provisions make it more difficult to replace or remove its current management team in the event its stockholders believe this would be in the best interest of Merge Healthcare and its stockholders.

Risk Factors Relating to Merge Healthcare and the Combined Company

Merge Healthcare's business could be harmed by the deteriorating general economic and market conditions that lead to reduced spending on information technology products.

As Merge Healthcare's business has expanded globally, it has become increasingly subject to the risks arising from adverse changes in domestic and global economic and political conditions. Economic growth in the U.S. and other countries slowed during the second half of calendar year 2008, which caused Merge Healthcare's customers to delay or reduce information technology purchases. If economic conditions in the U.S. and other countries continue to deteriorate, customers may continue to delay or further reduce purchases. This could result in additional reductions in sales of Merge Healthcare's products, longer sales cycles, slower adoption of new technologies and increased price competition. In addition, weakness in the end-user market could negatively affect the cash flow of Merge Healthcare's OEM and VAR customers who could, in turn, delay paying their obligations, which would increase Merge Healthcare's credit risk exposure and cause a decrease in operating cash flows. Also, if OEM and VAR customers experience excessive financial difficulties and/or insolvency, and Merge Healthcare is unable to successfully transition end-users to purchase its products from other vendors or directly from Merge Healthcare, sales could decline significantly. Any of these events would likely harm Merge Healthcare's business, results of operations and financial condition.

Continued disruption in credit markets and world-wide economic changes may adversely affect Merge Healthcare's business, financial condition, and results of operations.

Continued disruptions in the financial and credit markets may adversely affect Merge Healthcare's business and financial results. The tightening of credit markets may reduce the funds available to Merge Healthcare's customers to buy its products and services. It may also result in customers extending the length of time in which they pay and may result in Merge Healthcare having higher customer receivables with increased default rates. General concerns about the fundamental soundness of domestic and foreign economies may also cause customers to reduce their purchases, even if they have cash or if credit is available to them.

Merge Healthcare's future capital needs are uncertain and its ability to access additional financing may be negatively impacted by the volatility and disruption of the capital and credit markets and adverse changes in the global economy.

Merge Healthcare's capital requirements in the future will depend on many factors, including:

- Acceptance of and demand for its products;
- The extent to which Merge Healthcare invests in new technology and product development;
- The costs of developing new products, services or technologies;
- The number and method of financing of acquisitions and other strategic transactions; and

The costs associated with the growth of its business, if any.

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Merge Healthcare intends to finance its operations and any growth of its business with existing cash and cash flows from operations. Merge Healthcare believes existing cash and anticipated cash flows from operations will be sufficient to meet operating and capital requirements through at least the twelve month period following the filing of this Prospectus. If adverse global economic conditions persist or worsen, however, Merge Healthcare could experience a decrease in cash flows from operations and may need additional financing to fund operations. Due to the existing uncertainty in the capital markets (including debt, private equity, venture capital and traditional bank lending), access to additional debt or equity may not be available on acceptable terms or at all. If Merge Healthcare cannot raise funds on acceptable terms when necessary, it may not be able to develop or enhance products and services, execute its business plan, take advantage of future opportunities or respond to competitive pressures or unanticipated customer requirements.

Merge Healthcare may experience significant fluctuations in revenue growth rates and operating results.

Merge Healthcare may not be able to accurately forecast its growth rate. Merge Healthcare bases expense levels and investment plans on sales estimates and reviews all estimates on a quarterly basis. Many of its expenses and investments are fixed and Merge Healthcare may not be able to adjust spending quickly enough if sales are lower than expected.

Merge Healthcare's revenue growth may not be sustainable and its percentage growth rates may decrease or fluctuate significantly. Merge Healthcare's revenue and operating profit growth depends on the continued growth of demand for its products and services offered through Merge Healthcare or its OEM and VAR customers, and its business is affected by general economic and business conditions worldwide. A softening of demand, whether caused by changes in customer preferences or a weakening of the U.S. or global economies, may result in decreased revenue or growth.

Merge Healthcare's net sales and operating results will also fluctuate for many other reasons, including due to risks described elsewhere in this section and the following:

- demand for Merge Healthcare's software solutions and services;
- Merge Healthcare's sales cycle;
- economic cycles;
- the level of reimbursements to Merge Healthcare's end-user customers from government sponsored healthcare programs (principally, Medicare and Medicaid);
- accounting policy changes mandated by regulating entities;
- delays due to customers' internal budgets and procedures for approving capital expenditures, by competing needs for other capital expenditures and the deployment of new technologies and personnel resources;
- Merge Healthcare's ability to retain and increase sales to existing customers, attract new customers and satisfy its customers' demands;
- Merge Healthcare's ability to fulfill orders;
- the introduction of competitive products and services;
- price decreases;

- changes in the usage of the Internet and eCommerce including in non-U.S. markets;
- timing, effectiveness and costs of expansion and changes in Merge Healthcare's systems and infrastructure;
- the outcomes of legal proceedings and claims involving Merge Healthcare; and
- variations in the mix of products and services offered by Merge Healthcare.

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Delays in the expected sales or installation of Merge Healthcare's software may have a significant impact on its anticipated quarterly revenues and, consequently, its earnings since a significant percentage of expenses are relatively fixed. Additionally, Merge Healthcare sometimes depends, in part, upon large contracts with a small number of OEM customers to meet sales goals in any particular quarter. Delays in the expected sales or installation of solutions under these large contracts may have a significant impact on Merge Healthcare's quarterly net sales and consequently its earnings, particularly because a significant percentage of expenses are fixed.

The length of Merge Healthcare's sales and implementation cycles may adversely affect its future operating results.

Merge Healthcare has experienced long sales and implementation cycles. How and when to implement, replace, expand or substantially modify medical imaging management software, or to modify or add business processes, are major decisions for Merge Healthcare's end-user target market. The sales cycle for Merge Healthcare's software ranges from six to 18 months or more from initial contact to contract execution. Its end-user implementation cycle has generally ranged from three to nine months from contract execution to completion of implementation. During the sales and implementation cycles, Merge Healthcare will expend substantial time, effort and resources preparing contract proposals, negotiating the contract and implementing the software, and may not realize any revenues to offset these expenditures. Additionally, any decision by Merge Healthcare's customers to delay or cancel purchases or the implementation of its software may adversely affect net sales.

Merge Healthcare has outstanding debt and may incur additional debt in the future.

On June 4, 2008, Merge Healthcare closed a financing transaction with Merrick RIS, LLC in which it received gross proceeds of \$20.0 million from Merrick Ventures, LLC in exchange for a \$15.0 million senior secured term note (the "Note") due June 4, 2010 and 21,085,715 shares of Merge Healthcare's common stock. Merge Healthcare's ability to repay the principal of the Note and any additional indebtedness that it may incur is dependent upon its ability to manage business operations and generate sufficient cash flows to service such debt. There can be no assurance that Merge Healthcare will be able to manage any of these risks successfully.

If Merge Healthcare is unable to successfully identify or effectively integrate acquisitions, its financial results may be adversely affected.

Merge Healthcare has in the past and may in the future acquire and make investments in companies, products or technologies that it believes complement or expand Merge Healthcare's existing business and assist in quickly bringing new products to market. There can be no assurance that Merge Healthcare will be able to identify suitable candidates for successful acquisitions at acceptable prices. In addition, Merge Healthcare's ability to achieve the expected returns and synergies from past and future acquisitions and alliances depends in part upon its ability to integrate the offerings, technology, administrative functions, and personnel of these businesses into Merge Healthcare's business in an efficient and effective manner. Merge Healthcare cannot predict whether it will be successful in integrating acquired businesses or that Merge Healthcare's acquired businesses will perform at anticipated levels. In addition, Merge Healthcare's past and future acquisitions may subject it to unanticipated risks or liabilities, or disrupt operations and divert management's attention from day-to-day operations. In addition, Merge Healthcare may use its capital stock to acquire acquisition targets, which could be dilutive to the existing stockholders and cause a decline in the price of Merge Healthcare Common Stock.

In making or attempting to make acquisitions or investments, Merge Healthcare faces a number of risks, including risks related to:

- Identifying suitable candidates, performing appropriate due diligence, identifying potential liabilities and negotiating acceptable terms;

·Reducing Merge Healthcare's working capital and hindering its ability to expand or maintain its business, if acquisitions are made using cash;

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- The potential distraction of Merge Healthcare's management, diversion of its resources and disruption to its business;
 - Retaining and motivating key employees of the acquired companies;
- Managing operations that are distant from Merge Healthcare's current headquarters and operational locations;
- Entering into industries or geographic markets in which Merge Healthcare has little or no prior experience;
- Competing for acquisition opportunities with competitors that are larger or have greater financial and other resources than Merge Healthcare;
 - Accurately forecasting the financial impact of a transaction;
- Assuming liabilities of acquired companies, including existing or potential litigation related to the operation of the business prior to the acquisition;
 - Maintaining good relations with the customers and suppliers of the acquired company; and
 - Effectively integrating acquired companies and achieving expected synergies.

In addition, any acquired business, products or technologies may not generate sufficient revenue and net income to offset the associated costs of such acquisitions, and such acquisitions could result in other adverse effects. Moreover, from time to time, Merge Healthcare may enter into negotiations for the acquisition of businesses, products or technologies but be unable or unwilling to consummate the acquisitions under consideration. This can be expensive and could cause significant diversion of managerial attention and resources.

A portion of Merge Healthcare's business relies upon a network of independent contractors and distributors whose actions could have an adverse effect on its business.

Merge Healthcare obtains some critical information from independent contractors. In addition, Merge Healthcare relies on a network of VAR's and distributors to sell its offerings in locations where it does not maintain a sales office or sales team. These independent contractors and distributors are not employees of Merge Healthcare. As a result, Merge Healthcare has limited ability to monitor and direct their activities. The loss of a significant number of these independent contractors or dealers could disrupt Merge Healthcare's sales, marketing and distribution efforts. Furthermore, if any actions or business practices of these individuals or entities violate Merge Healthcare's policies or procedures or otherwise are deemed inappropriate or illegal, Merge Healthcare could be subject to litigation, regulatory sanctions or reputation damage, any of which could adversely affect its business and require Merge Healthcare to terminate relationships with them.

Merge Healthcare's investments in technology may not be sufficient and may not result in an increase in its revenues or decrease in its operating costs.

As the technological landscape continues to evolve, it may become increasingly difficult for Merge Healthcare to make timely, cost-effective changes to its offerings in a manner that adequately differentiates them from those of its competitors. Merge Healthcare cannot provide any assurance that its investments have been or will be sufficient to maintain or improve its competitive position or that the development of new or improved technologies and products by its competitors will not have a material adverse effect on Merge Healthcare's business.

Merge Healthcare operates in competitive markets, which may adversely affect its market share and financial results.

Some of Merge Healthcare's competitors are focused on sub-markets within its targeted industries, while others have significant financial and information-gathering resources with recognized brands, technological expertise and market experience. Merge Healthcare believes that competitors are continuously enhancing their products and services, developing new products and services and investing in technology to better serve the needs of their existing customers and to attract new customers.

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Merge Healthcare faces competition in specific industries and with respect to specific offerings. Merge Healthcare may also face competition from organizations and businesses that have not traditionally competed with it, but that could adapt their products and services to meet the demands of its customers. Increased competition may require Merge Healthcare to reduce the prices of its offerings or make additional capital investments that would adversely affect margins. If Merge Healthcare is unable or unwilling to do so, it may lose market share in its target markets and its financial results may be adversely affected.

Merge Healthcare faces aggressive competition in many areas of its business, and business will be harmed if it fails to compete effectively.

The markets for medical imaging solutions are highly competitive and subject to rapid technological change. Merge Healthcare may be unable to maintain its competitive position against current and potential competitors. Many of Merge Healthcare's current and potential competitors have greater financial, technical, product development, marketing and other resources, and Merge Healthcare may not be able to compete effectively with them. In addition, new competitors may emerge and Merge Healthcare's system and software solution offerings may be threatened by new technologies or market trends that reduce the value of its solutions. Further, Merge Healthcare's recent challenges may have weakened its competitive position.

Merge Healthcare often "competes" with its OEM customers' own internal software engineering groups. The size and competency of these groups may create additional competition for Merge Healthcare. In the area of Radiology Information Systems ("RIS") and Picture Archiving and Communication Systems ("PACS") workflow applications, many competitors offer portions of an integrated radiology solution through their RIS and PACS. Additionally, certain competitors are integrating RIS and PACS technologies through development, partnership and acquisition activities.

The development and acquisition of additional products, services and technologies, and the improvement of Merge Healthcare's existing products and services, require significant investments in research and development. For example, Merge Healthcare's current product candidates are in various stages of development and may require significant further research, development, pre-clinical or clinical testing, regulatory approval and commercialization. If Merge Healthcare fails to successfully sell new products and update existing products, its operating results ma