

MERGE HEALTHCARE INC
 Form 4
 October 15, 2015

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2015
 Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 Hammond Kurt R.

2. Issuer Name and Ticker or Trading Symbol
 MERGE HEALTHCARE INC
 [MRGE]

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

(Last) (First) (Middle)
 350 NORTH ORLEANS STREET, FIRST FLOOR
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 10/13/2015

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 President, Sales & Marketing

CHICAGO, IL 60654

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 ___ Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|---|
| | | | | Code V | Amount | (A) or (D) | Price \$ |
| Common Stock | 10/13/2015 | | D | | 50,230 | D | 7.13 <u>(1)</u> |
| Restricted Common Stock | 10/13/2015 | | D | | 150,750 | D | <u>(2)</u> 0 |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--------------|----------------------------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Stock Options | \$ 2.5 | 10/13/2015 | | D | 100,000 | <u>(3)</u> | 05/03/2016 | Common Stock | 100,000 |
| Stock Options | \$ 3.09 | 10/13/2015 | | D | 25,000 | <u>(4)</u> | 04/04/2019 | Common Stock | 25,000 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|------------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Hammond Kurt R. 350 NORTH ORLEANS STREET FIRST FLOOR CHICAGO, IL 60654 | | | President, Sales & Marketing | |

Signatures

/s/ Julie Ann B. Schumitsch, by Power of Attorney for Kurt R. Hammond

10/15/2015

**Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Disposed of pursuant to the Agreement and Plan of Merger dated as of August 6, 2015, by and among International Business Machines Corporation ("IBM"), Datong Acquisition Corp. and Issuer, Merge Healthcare Incorporated (the "Merger"), in which the Issuer's holders of common stock, as of the effective time of the Merger, October 13, 2015, were entitled to receive \$7.13 per share of common stock (the "Merger Consideration").
- This Restricted Stock Award ("RSA") granted pursuant to the 2005 Equity Incentive Plan (a Rule 16b-3 shareholder approved employee benefit plan) of Issuer, originally provided for the restrictions on such shares to lapse to the extent of thirty three percent (33%) on each of November 5, 2014 and November 5, 2015, and thirty four percent (34%) on November 5, 2016, subject to additional terms and conditions as set forth in the Reporting Person's RSA agreement. Pursuant to the Merger, the remaining shares outstanding under the RSA were cancelled in exchange for a cash payment equal to the Merger Consideration, payable on the remaining vesting dates of November 5, 2015 (\$529,405.50) and November 5, 2016 (\$545,445), subject to the same additional terms and conditions as set forth in the Reporting Person's RSA agreement.
- (3) This Nonqualified Stock Option granted on May 4, 2010, which vested in four (4) equal annual installments to purchase 25,000 shares of Common Stock on each of May 4, 2011, May 4, 2012, May 4, 2013 and May 4, 2014, was cancelled at the effective time of the Merger in

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exchange for a cash payment of \$463,000, less applicable withholding taxes, representing the difference between the exercise price of the option and the Merger Consideration.

- (4) This Nonqualified Stock Option granted on April 5, 2013, which vested in four (4) equal annual installments to purchase 6,250 shares of Common Stock on each of April 5, 2014, April 5, 2015, April 5, 2016 and April 5, 2017, was cancelled at the effective time of the Merger in exchange for a cash payment of \$50,500, less applicable withholding taxes, representing the difference between the exercise price of the option and the Merger Consideration, with respect to those 12,500 options that were vested at the Merger. The 12,500 options that had not yet vested at the Merger will be converted into an option to acquire shares of common stock of IBM, on substantially the same terms and conditions as were applicable to such option prior to the Merger.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.