

Merge Healthcare Acquisition of Confirma Frequently Asked Questions

What did you announce today?

On August 7, 2009, Merge Healthcare and Confirma jointly announced that they have signed a definitive agreement whereby Merge will acquire Confirma. The agreement is effective as of August 7, 2009.

Who is Confirma?

Confirma was founded in 1998 to develop web-based computer aided detection (CAD) applications for medical imaging. Currently, there are over 1,200 systems implemented. Although Confirma sells both directly to hospitals and indirectly through distributors and OEMs, most of Confirma's recent sales have come through a small number of OEM partners such as GE, McKesson and Medrad.

Confirma specializes in applications for MRI. Confirma's flagship product, CADstream™ automates the analysis and interventional guidance of MRI studies, providing higher quality imaging studies, lower costs for radiology practices and improved communication tools for physicians and patients. CADstream can be integrated into any workflow scenario and is compatible with all MRI scanners and PACS. Confirma has approved applications for mammography and prostate, and has several others under development.

Confirma is a privately-held company located in Seattle, Washington, and has approximately 45 employees.

Why does Merge want to acquire Confirma?

Merge has several reasons for acquiring Confirma:

We have common business models and customers. Confirma and Merge both go to market through direct and OEM channels, and we both sell medical imaging applications. We have some common customers in both channels, which is excellent as far as relationship management and cross selling. We have zero product overlap.

There is market opportunity for a combined solution. Merge's Cedara I-ReadMammo and Merge Mammo solutions provide multi-modality viewing of breast studies. However, breast MRI workflow involves an extra step and usually a separate workstation for the CAD processing. Integrating CADstream into Merge's application provides a differentiated product for both the OEM and direct markets. In addition, there is a clear opportunity for international growth. Merge's extensive international reach through distributor and Value Added Reseller agreements provides an immediate market channel for Confirma products.

This is important technology for healthcare long term. CAD provides an important step in automating the diagnostic workflow of medical imaging. It also contains the algorithms and data that are essential to basic decision support and quality management systems, both of which are increasingly important in today's healthcare environment. However, maintaining the technology in standalone applications is not conducive to long term success. Providing ways to integrate the technology seamlessly into overall workflow, which is something Merge does very well, gives it a much faster adoption potential.

There is room for expansion. CAD technology has opportunities to expand both into new diseases and into new market segments. The use of CAD could be logically used in the clinical trials market for more efficient data collection, and could expand into any area of imaging in healthcare.

What is the acquisition process?

Today we signed the definitive agreement and filed an 8K. Under Washington law, Confirma shareholders have 21 days to receive and evaluate the proposed transaction. At the end of that timeframe, if all conditions are met, the transaction will close. Merge will then need to register the new shares with the SEC. Over the next few months following the registration, MRGE shares will be issued per an agreed schedule.

What are the financial terms of the agreement?

The all-stock transaction will be based on a ten-day volume weighted average price (VWAP) of Merge Healthcare Common Stock, as of the third trading day prior to the closing date and is subject to certain adjustments. The total value of the transaction is estimated to be \$22 million or approximately 5.6 million shares of Merge Healthcare Common Stock using a ten-day VWAP as of the close of market on August 6, 2009 of \$3.897. Based on these amounts, it is estimated that Confirma investors will own approximately 8.5% of MRGE post-acquisition. Merge expects the transaction to be completed in September.