

MERGE TECHNOLOGIES INC
 Form 4
 January 03, 2008

FORM 4

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

OMB APPROVAL

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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 *
 PRESCOTT GROUP CAPITAL
 MANAGEMENT LLC

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

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

(Last) (First) (Middle)
 1924 SOUTH UTICA, SUITE 1120
 (Street)

3. Date of Earliest Transaction
 (Month/Day/Year)
 12/31/2007

___ Director ___X___ 10% Owner
 ___ Officer (give title below) ___ Other (specify below)

TULSA, OK 74104
 (City) (State) (Zip)

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

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

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 Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	12/31/2007		P		13,872	A	\$ 1.19
					4,832,922	(1)	I
							See Footnote (2)

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

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SEC 1474 (9-02)

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

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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)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PRESCOTT GROUP CAPITAL MANAGEMENT LLC 1924 SOUTH UTICA, SUITE 1120 TULSA, OK 74104		X		
FROHLICH PHIL 1924 SOUTH UTICA, SUITE 1120 TULSA, OK 74104		X		

Signatures

Phil Frohlich, manager of Prescott Group Capital Management, L.L.C.	01/03/2008
**Signature of Reporting Person	Date
 /s/ Phil Frohlich	 01/03/2008
**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) The filing of this Form 4 shall not be construed as an admission that Prescott Group Capital Management, L.L.C. ("Prescott Capital") or Phil Frohlich, the manager of Prescott Capital is or was for the purposes of Section 16(a) of the Securities Exchange Act of 1934, as amended, or otherwise the beneficial owner of any of the shares of class A common stock of Merge Technologies Incorporated (the "Common Stock") purchased by Prescott Group Aggressive Small Cap Master Fund, G.P. (the "Master Fund") for the accounts of Prescott Group Aggressive Small Cap, L.P. or Prescott Group Aggressive Small Cap II, L.P. (together the "Small Cap Funds") Pursuant to Rule 16a-1, both Prescott Capital and Phil Frohlich disclaim such beneficial ownership.
- (2) Prescott Capital holds indirectly 4,832,922 shares of Common Stock of Merge Technologies Incorporated through the account of the Master Fund of which the Prescott Capital is the Investment Manager. The Master Fund holds the shares of Common Stock for the accounts of the Small Cap Funds, for which Prescott Capital is the Investment Manager. Prescott Capital receives a portion of the profits in the way of a capital allocation from and owns a partnership interest in the Small Cap Funds. Phil Frohlich reports the shares held indirectly by Prescott Capital because, as the manager of Prescott Capital at the time of purchase, he controlled the disposition and voting of the securities.

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Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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