

MERGE HEALTHCARE INC  
Form 8-K  
February 16, 2012

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 15, 2012

MERGE HEALTHCARE INCORPORATED  
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	001-33006 (Commission File Number)	39-1600938 (IRS Employer Identification No.)
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200 E. Randolph Street, 24th Floor

Chicago, Illinois 60601-6436

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (312) 565-6868

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



Item 2.02 Results of Operations.

On February 15, 2012, Merge Healthcare Incorporated (the “Company”) issued a News Release containing information about its financial condition and results of operations for the fourth quarter. A copy of the Company’s News Release is being furnished as Exhibit 99.1 to this Current Report on Form 8-K, and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description of Exhibit
99.1	News Release of the Registrant dated February 15, 2012

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MERGE HEALTHCARE INCORPORATED

By: /s/ Ann G. Mayberry-French  
Name: Ann G. Mayberry-French  
Title: General Counsel and Corporate Secretary  
Date: February 16, 2012

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EXHIBIT INDEX

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models, requires assumptions, and therefore the amounts shown should not necessarily be considered indicative of the present value of the amounts that may actually be realized. The following assumptions were made for purposes of this valuation: expected life of seven years for each option; volatility of 29.3%; risk-free rate of return of 4.35%; and dividend yield of 1.66%.

The following table sets forth information as to the named executives regarding the values of unexercised options under the incentive plan as of the end of the last fiscal year:

**Aggregated Option/SAR Exercises in Last Fiscal Year  
and Fiscal Year-End Option/SAR Values**

Name (a)	Shares acquired on exercise (#) (b)	Value realized (\$) (c)	Number of shares underlying unexercised options/SARs at FY-end (#) (exercisable/ unexercisable) (d)	Value of unexercised in-the-money options/SARs at FY-end (\$) (exercisable/ unexercisable) (e)
John B. Hess, Chairman of the Board and Chief Executive Officer			954,000/120,000	24,234,720/1,194,000
J. Barclay Collins, Executive Vice President	121,500	2,937,548	170,000/45,000	3,842,680/447,750
John J. O Connor, Executive Vice President			100,000/90,000	2,409,000/895,500
F. Borden Walker, Executive Vice President	21,500	571,681	150,000/45,000	3,800,150/447,750
John P. Rielly, Senior Vice President			35,000/30,000	515,550/298,500

***Retirement Plans***

The following table shows the estimated annual pension benefits payable to a covered participant at normal retirement age under the company's employees' pension plan, a qualified defined benefit pension plan and a nonqualified supplemental plan that provides benefits, paid from a trust established and funded by the

company, that would otherwise be paid to participants under the pension plan but for limitations imposed by the Internal Revenue Code:

**Pension Plan Table**

Remuneration	Years of Service					
	15	20	25	30	35	40
\$ 900,000	\$ 216,000	\$ 288,000	\$ 360,000	\$ 432,000	\$ 504,000	\$ 576,000
1,800,000	432,000	576,000	720,000	864,000	1,008,000	1,152,000
2,700,000	648,000	864,000	1,080,000	1,296,000	1,512,000	1,728,000
3,600,000	864,000	1,152,000	1,440,000	1,728,000	2,016,000	2,304,000
4,500,000	1,080,000	1,440,000	1,800,000	2,160,000	2,520,000	2,880,000

A participant's remuneration covered by the pension plan and the supplemental plan is the greater of:

twelve times the participant's average monthly compensation (as reported on an annual basis in columns (c) and (d) of the summary compensation table) in the 36 consecutive months (or the number of consecutive months of employment, if fewer) of highest compensation during the 120 months immediately preceding the participant's retirement date, and

the participant's average annual compensation in any three calendar years during the ten calendar years immediately preceding the participant's retirement date.

Benefits shown are computed as a straight life annuity beginning at age 65 and do not reflect the offset for a portion of social security benefits as required under the pension plan. Covered compensation for the named executives as of December 31, 2004 was: Mr. Hess: \$3,183,333; Mr. Collins: \$1,241,667; Mr. O'Connor: \$2,033,333; Mr. Walker: \$1,146,667 and Mr. Rielly: \$740,000.

The years of credited service for the named executives under the pension plan and, except for Messrs. O'Connor, Walker and Rielly, the supplemental plan as of February 1, 2005 are as follows: Mr. Hess, 27 years; Mr. Collins, 20 years; Mr. O'Connor, 3 years; Mr. Walker, 8 years and Mr. Rielly, 4 years. As of February 1, 2005, Messrs. O'Connor, Walker and Rielly had 36 years, 27 years and 20 years, respectively, of credited service under the supplemental plan pursuant to determinations of the compensation and management development committee that gave Messrs. O'Connor, Walker and Rielly credit for 33 years, 19 years and 16 years, respectively, of prior service with previous employers for purposes of determining benefits under the supplemental plan. However, retirement benefits payable to Messrs. O'Connor, Walker and Rielly in connection with their prior employment will be deducted from benefits payable under the supplemental plan.

***Employment Contracts, Termination of Employment and Change of Control Arrangements***

The company has entered into change of control termination benefit agreements with executive officers and certain other officers of the company. These agreements provide for lump sum cash payments equal to a multiple of an executive's annual compensation if the executive is actually or constructively terminated within 24 months following a change in control, as defined in the agreements. For these purposes, annual compensation consists of the executive's base pay at the date of his termination or immediately before the change in control, whichever is higher, plus the greater of his or her target bonus for the year in which the change in control occurs or the highest bonus earned in the three fiscal years preceding the change in control. The multiple of annual compensation received is three times for the named executive officers (other than Mr. Rielly) and two times for Mr. Rielly and all other officers with whom such agreements were entered into.

In addition, the executive is entitled to receive a pro rata portion of his or her target bonus for the fiscal year in which termination occurs. The executive is also entitled to receive continuation of medical, dental and other welfare benefits for 24 months following termination (36 months in the case of the named executive officers). The agreements provide for immediate vesting of retirement benefits upon termination and certain other ancillary benefits.

For purposes of these agreements, constructive termination includes a reduction in base salary or target annual bonus or a material adverse change in the nature or scope of the executive's authorities or responsibilities.

Awards granted to employees under the incentive plan, including the named executive officers, are subject to accelerated vesting and, at the compensation and management development committee's discretion, cash-out upon the occurrence of a change of control, as defined in the incentive plan.

Messrs. O'Connor, Walker and Rielly have agreements with the company which provide credit for prior service and determine benefits payable under the company's nonqualified supplemental retirement plan, as more fully described above under Retirement Plans.

***Directors' Compensation***

Each director who is not an employee of the company or any of its subsidiaries receives an annual fee of \$75,000 for membership on the board of directors and a fee of \$2,000 for each board of directors and stockholders meeting attended. These directors receive an additional annual fee of \$4,000 for membership on each committee of the board of directors on which such director serves, except for audit committee members who each receive an annual fee of \$7,500, and a fee of \$2,000 for each committee meeting, and in the case of audit committee members each conference call, attended. The chairperson of each committee receives an annual fee of \$5,000, except for the chairman of the audit committee, who receives an annual fee of \$10,000. The members of the executive committee are John B. Hess, Chairman,

Nicholas F. Brady, Thomas H. Kean and Robert N. Wilson. Mr. Hess is an employee of the company and receives no additional compensation for serving on any committee of the board of directors.

In addition, each non-employee director receives 500 shares of common stock, generally in the beginning of each year. These awards are made from treasury shares purchased by the company in the open market. Also, in lieu of cash from the company, directors instruct the company to purchase on their behalf 500 shares of common stock each year. The company has adopted a stock ownership guideline requiring directors to own 5,000 shares of the company's common stock within six years of their first election to the board, or within two years of adoption of the guideline, whichever is later.

### ***Compensation Committee Report on Executive Compensation***

The compensation and management development committee of the board of directors is responsible for approving and administering the company's compensation policies for executive officers and approving the compensation of the chief executive officer of the company.

*Executive Compensation Policies.* The company's executive compensation policies are designed to attract and retain executives and motivate them to achieve the company's business goals through a combination of cash and stock-based compensation. The key elements of executive compensation consist of cash salary, cash bonuses, stock option awards, and restricted stock awards.

*Cash Compensation.* The company's goal is to target total cash compensation, using a combination of salary and cash bonus, at the 75th percentile of that of a group of surveyed industrial companies, if specified performance metrics are met. This level of cash compensation was selected in recognition of the company's need to remain competitive in attracting and retaining talented executives to work as part of a small management team functioning in a demanding corporate and market environment. The company's goal is to rely increasingly on cash bonuses in an effort to relate a greater portion of cash compensation to performance.

*Salary.* In determining salary levels for executive officers, the compensation and management development committee considers the following subjective and quantitative factors:

job level and responsibility,

individual performance,

recent corporate performance, success in implementing corporate strategy and long-term goals and development of future strategies, and

the objective of targeting cash compensation at the company's desired percentile benchmark.

For 2004, the committee relied on two surveys: first, a survey of 739 industrial companies, including six companies also included in the peer group discussed under



Performance Graph, and a survey comprising twelve major oil and gas companies including five companies also included in the peer group.

*Cash Bonus.* The annual cash bonus plan approved by the committee for 2004 for executive officers, including the named executive officers, has both quantitative and qualitative elements. A target bonus was established for each executive officer. For corporate officers, including the named executive officers, one-third of the target bonus is based on attainment of a specified target level of a quantitative corporate performance measure, net income before interest and special items, one-third is based on attainment of specified business unit metrics and the remaining one-third is based on individual performance and other qualitative factors.

The weightings were developed to provide for a quantifiable performance incentive, but also to permit discretion to adjust compensation to recognize individual performance. Payouts may range from 0% to 150% of each component of the target bonus, based on the percentage attainment of the corporate and business unit performance measures and, with respect to the individual performance component, the committee's determination of an appropriate amount. Cash compensation in excess of \$1 million to the named executive officers is not deductible for federal income tax purposes.

In 2004, the company achieved 150% of the corporate performance goal. Achievement of business unit performance metrics in 2004 varied. The individual performance component was adjusted to result in total bonuses for executive officers averaging approximately 123% of target bonus levels. This component of each individual's bonus was adjusted up or down from the average payout to reflect differences in performance among individuals. The Committee believes that the average 123% payout appropriately reflects continued improvement in the company's performance in 2004. Among the 2004 highlights were:

net income of \$977 million, the second highest in the company's history,

increase in year-end proved reserves,

significant progress on development projects which will drive further production and reserve growth,

enhanced profitability and strong operational performance of refining and marketing operations, and

continued strengthening of the company's financial position, with the company's debt to capitalization ratio improving to 40.7%.

*Long-Term Compensation Incentive Plan.* The incentive plan, which was amended and restated in 2004 to increase the number of shares available for awards by 7.5 million shares, and approved by the board of directors and later by stockholders, was developed to align senior management's compensation more closely with the

interests of stockholders. The incentive plan provides the compensation and management development committee with authority to grant various types of stock-based and other compensation, including performance awards, stock options, restricted stock, deferred stock, dividend equivalents and stock appreciation rights. The committee believes that a plan of this type affords the committee the flexibility to design compensation packages that provide appropriate remuneration to attract and retain talented executives, while at the same time providing incentives to maximize shareholder value.

While awards under the incentive plan to executive officers have been primarily option-based, the committee has also determined that grants of restricted stock, vesting over a period of years, are useful to support retention of employees. The committee believes that the combination of these two types of stock awards gives executives considerable incentive to maximize long-term financial growth for shareholders. The annual aggregate grant levels depend on the company's performance as well as oil industry and general industry benchmarks. Individual awards are based on market benchmarks, grade level and individual performance. The performance-based nature of the options will permit any compensation paid in respect of the options to a named executive in a fiscal year in excess of \$1 million to be deductible by the company for federal income tax purposes. Compensation paid in respect of restricted stock, however, will not be deductible.

*Long-Term Compensation 2004 Awards.* In June 2004, the committee granted a combination of stock options and restricted stock to executive officers of the company. The restricted stock vests in three years from the date of grant and the options vest pro rata over a three-year period. The committee believes this combination provides incentives to executives to maximize shareholder value and also helps to retain individuals necessary for the future growth and profitability of the company. The aggregate number of shares awarded to all executive officers and participating employees was approximately 1.5 million. Awards to executive officers on average are targeted to deliver long-term equity compensation near the 75th percentile of such compensation as established in the benchmark surveys. The level of awards for 2004 were also partly made in recognition of the fact that no equity-based compensation was made to executives in respect of 2003.

*Compensation of the Chief Executive Officer.* Mr. Hess' cash compensation for 2004 was established in the manner discussed above for all executive officers. Mr. Hess' combined salary and bonus for 2004 were below the 75th percentile cash compensation benchmark for chief executive officers as determined from the surveys.

In approving stock awards shown in the summary compensation table to Mr. Hess for 2004, the committee followed the principles set forth above in establishing long-term compensation for all executive officers for 2004. Based on comparative analysis of long-term compensation as published in the benchmark surveys, the total grant date value of Mr. Hess' incentive stock awards was below the 75th percentile benchmark for chief executive officers as determined from the surveys.

The committee concluded that Mr. Hess' 2004 total compensation was reasonable compared with that of his peers and was an appropriate level of compensation reflecting the continued progress in 2004 to position the company for long-term profitable growth.

Thomas H. Kean, Chairman

Nicholas F. Brady  
Frank A. Olson  
Ernst H. von Metzsch  
Robert N. Wilson

**Performance Graph**

Set forth below is a line graph comparing the cumulative total shareholder return, assuming reinvestment of dividends, on the company's common stock with the cumulative total return, assuming reinvestment of dividends, of:

Standard & Poor's 500 Stock Index, which includes the company, and

a peer group (Peer Group) selected in good faith by the company, consisting of Anadarko Petroleum Corporation, Apache Corporation, Burlington Resources Inc., Devon Energy Corporation, Kerr-McGee Corporation, Marathon Oil Corporation, Occidental Petroleum Corporation and Unocal Corporation, as of each December 31, over a five-year period commencing on December 31, 1999 and ending on December 31, 2004:

**Total Shareholder Returns****(Dividends Reinvested)  
Years ended December 31**

<b>Company Name/Index</b>	<b>Base Period Dec 99</b>	<b>Dec 00</b>	<b>Dec 01</b>	<b>Dec 02</b>	<b>Dec 03</b>	<b>Dec 04</b>
Amerada Hess Corporation	100	129.91	113.04	101.30	100.26	157.74
S&P 500 Index	100	90.90	80.09	62.39	80.29	89.03
Peer Group	100	141.08	123.03	118.57	157.53	209.32

**Ownership of Voting Securities by Certain Beneficial Owners**

The following table sets forth, as of the most recent practicable date, information as to the ownership of more than 5% of any class of the company's voting securities by beneficial owners known by the company to hold more than 5% of any such class:

Title of class	Name and address of beneficial owner	Amount and nature of beneficial ownership(a)	Percent of class
Common Stock	John B. Hess	13,249,540(b)(c)(d)	14.23
	John Y. Schreyer	8,482,443(b)(c)(e)	9.18
	Nicholas F. Brady	5,905,484(b)(f)	6.41
	Thomas H. Kean	5,847,347(b)(g)	6.35
	Burton T. Lefkowitz c/o Amerada Hess Corporation 1185 Avenue of the Americas New York, New York 10036	5,841,747(b)	6.34
Common Stock	Putnam Investments Putnam Investment Management, LLC Putnam Advisory Company, LLC One Post Office Square Boston, Massachusetts 02109	9,665,987(h)	10.5
Common Stock	Dodge & Cox 555 California Street, 40th Fl. San Francisco, California 94104	8,634,780(i)	9.4
Common Stock	T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	6,398,492(j)	6.9

(a) The information in this table and in the notes thereto was obtained, with respect to Putnam Investments et al., Dodge & Cox, and T. Rowe Price Associates, Inc., from Schedules 13G filed by such reporting persons with the Securities and Exchange Commission in February 2005. Information with respect to Messrs. Hess, Schreyer, Brady, Kean and Lefkowitz is as of February 1, 2005, with respect to Putnam Investments is as of January 31, 2005 and with respect to the others is as of December 31, 2004. The individual amounts and percentages shown for Messrs. Hess, Schreyer, Brady, Kean and Lefkowitz should not be added because they reflect shared beneficial ownership.

(b) This amount includes 4,265,136 shares held by a charitable lead annuity trust established under the will of Leon Hess and 1,202,886 shares directly held by an inter vivos trust for the benefit of Mr. John B. Hess's mother. The inter vivos trust also holds an additional 373,725 shares currently issuable upon conversion of 450,000 shares of the company's mandatory convertible preferred stock held by this trust. Mr. John B. Hess has sole voting power over the stock held by these trusts and shares dispositive power over such stock with the other named persons, who are the other trustees of these trusts, except for shares issuable upon conversion of the preferred shares

referred to above, as to which Mr. Hess and the other trustees have such powers only upon conversion.

(c) This amount includes 2,145,627 shares held by the Hess Foundation, Inc. of which Messrs. Hess and Schreyer are directors and as to which Mr. Hess has sole voting power and shares dispositive power with, inter alia, Mr. Schreyer.

(d) This amount includes:

161,478 shares owned directly by Mr. Hess, as to which he has sole voting and dispositive power,

656,844 shares held by six trusts for the benefit of Mr. Hess and his children, as to which Mr. Hess is a trustee or co-trustee and has sole voting power and as to 280,129 of which shares he has sole dispositive power and as to 376,715 of which shares he has shared dispositive power,

190,000 shares held in escrow under the company's incentive plan over which Mr. Hess has voting but not dispositive power,

954,000 shares underlying options to purchase common stock, as to which Mr. Hess has no voting or dispositive power until they are acquired upon exercise of the options,

15,273 shares vested in the name of Mr. Hess under the employees' savings and stock bonus plan as to which he has sole dispositive power and as to 7,826 shares of which he has sole voting power,

41,525 shares currently issuable upon conversion of 50,000 shares of the company's mandatory convertible preferred stock held by Mr. Hess, as to which he has sole voting and dispositive power only upon conversion of such preferred shares,

105,874 shares held by a trust for the benefit of Mr. Hess's mother of which Mr. Hess is co-trustee and as to the shares of which Mr. Hess has shared voting and dispositive power,

790,626 shares held by Mr. Hess's siblings and five trusts for the benefit of Mr. Hess's siblings as to which Mr. Hess has sole voting power and shares dispositive power pursuant to a shareholders agreement among Mr. Hess, his siblings and others,

270,614 shares held by a trust for the benefit of Mr. Hess and his heirs, of which Mr. Hess's spouse is trustee, but as to which he has sole voting power and shares dispositive power pursuant to a shareholders agreement among Mr. Hess, his spouse and others, and

2,075,932 shares held by three trusts of which Mr. Hess is a co-trustee and as to which he has sole voting power and shares dispositive power.

(e) This amount includes:

84,064 shares owned directly by Mr. Schreyer, as to which he has sole voting and dispositive power,

277,500 shares underlying options to purchase common stock, as to which Mr. Schreyer has no voting or dispositive power until they are acquired upon exercise of the options,

1,662 shares currently issuable upon conversion of 2,000 shares of the company's mandatory convertible preferred stock held by Mr. Schreyer, as to which Mr. Schreyer has sole voting and dispositive power only upon conversion of such preferred shares,

81,417 shares held by a trust of which Mr. Schreyer is a co-trustee and as to which he has shared dispositive power, and

50,426 shares held by four trusts as to which Mr. Schreyer has shared voting and dispositive power.

(f) This amount includes 33,500 shares held directly by Mr. Brady, as to which he has sole voting and dispositive power, 2,000 shares held by a limited liability company of which Mr. Brady is the managing member and as to which he has sole voting and dispositive power and 16,610 shares currently issuable upon conversion of 20,000 shares of the company's mandatory convertible preferred stock held by Mr. Brady, as to which he has sole voting and dispositive power solely upon conversion of such preferred shares. This amount also includes 8,305 shares currently issuable upon conversion of 10,000 shares of the company's mandatory convertible preferred stock held by a charitable foundation, and 3,322 shares issuable upon conversion of 4,000 shares of such preferred stock held by two trusts of which Mr. Brady is a co-trustee, in each case as to which Mr. Brady shares voting and dispositive power only upon conversion of such preferred shares.

(g) This amount includes 5,600 shares held directly by Mr. Kean, as to which he has sole voting and dispositive power.

(h) Putnam LLC, doing business as Putnam Investments ( PI ) and a wholly-owned subsidiary of Marsh & McLennan Companies, Inc., wholly owns two registered investment advisors, Putnam Investment Management, LLC ( PIM ) and Putnam Advisory Company, LLC ( PAC ). This amount includes 8,678,825 shares beneficially owned by PIM, as to all of which shares PIM has shared dispositive power and as to 341,748 of which shares it has shared voting power. This amount also includes 987,162 shares beneficially owned by PAC, as to all of which it has shared dispositive power and as to 710,463 shares of which it has shared voting power. PI, as owner of PIM and PAC, has shared voting power as to 1,052,211 shares and shared dispositive power as to 9,665,987 shares.

(i) This amount includes 8,084,370 shares as to which such beneficial owner has sole voting power, 133,400 shares as to which such beneficial owner has shared voting power, and 8,634,780 shares as to which such beneficial owner has sole dispositive power.

(j) These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the

reporting requirements of the Securities Exchange Act of 1934, T. Rowe Price Associates, Inc. is deemed to be a beneficial owner of such securities; however, T. Rowe Price Associates, Inc. expressly disclaims that it is, in fact, the beneficial owner of such securities. T. Rowe Price Associates, Inc. has sole voting power with respect to 1,506,443 shares and sole dispositive power with respect to 6,398,492 shares.

### Ownership of Equity Securities by Management

The table below sets forth as to each director and named executive officer, and all directors and executive officers as a group, information regarding their ownership of equity securities of the company on February 1, 2005. The persons listed below have sole voting and investment power as to all shares indicated except as set forth in the footnotes to the table. Where no information appears in the column Percent of outstanding shares of common stock owned, the securities held represent less than one percent of the common stock.

Individual amounts and percentages shown for Messrs. Brady, Hess, and Kean cannot be added because they reflect shared beneficial ownership of shares as explained in footnote (b) to the table under the caption Ownership of Voting Securities by Certain Beneficial Owners.

Name	Total number of shares beneficially owned(a)	Percent of outstanding shares of common stock owned	Of total number of shares beneficially owned, number of option shares
Nicholas F. Brady	5,905,484(b)	6.41	
J. Barclay Collins II	275,166		170,000
John B. Hess	13,249,540(c)	14.23	954,000
Edith E. Holiday	4,600		
Thomas H. Kean	5,847,347(d)	6.35	
Risa Lavizzo-Mourey	1,500		
Craig G. Matthews	4,021		
John J. O Connor	220,690		100,000
Frank A. Olson	6,900		
Ernst H. von Metzsch	12,000		
John P. Rielly	66,087		35,000
F. Borden Walker	233,186		150,000
Robert N. Wilson	6,070		
All directors and executive officers as a group	14,463,180	15.43	1,539,000

(a) These figures include 1,665 shares vested in the name of Mr. Collins, 15,273 shares vested in the name of Mr. Hess, 690 shares vested in the name of Mr. O Connor, 1,087 shares vested in the name of Mr. Rielly, 1,186 shares vested in the name of Mr. Walker, and 25,484 shares vested for all executive officers and directors as a group under the employees savings and stock bonus plan. These individuals and the group have dispositive power but generally do not have voting power over these shares. However, shares purchased with each such individual's own contributions will be voted by the plan trustee in accordance



with such individual's written instructions. These amounts also include 75,000 shares held in escrow under the incentive plan for Mr. Collins, 190,000 shares held in escrow under this plan for Mr. Hess, 120,000 shares held in escrow under this plan for Mr. O'Connor, 30,000 shares held in escrow under this plan for Mr. Rielly, 65,000 shares held in escrow under this plan for Mr. Walker and 650,500 shares held in escrow under this plan for all executive officers and directors as a group. As to these shares, these individuals and the group have voting power but not dispositive power. Holders of stock options do not have the right to vote or any other right of a stockholder with respect to shares of common stock underlying such options until they are exercised.

(b) See footnotes (b) and (f) to the table under the caption Ownership of Voting Securities by Certain Beneficial Owners.

(c) See footnotes (b), (c) and (d) to the table under the caption Ownership of Voting Securities by Certain Beneficial Owners.

(d) See footnotes (b) and (g) to the table under the caption Ownership of Voting Securities by Certain Beneficial Owners.

### RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The audit committee has selected the firm of Ernst & Young LLP as the independent auditors of the company for the fiscal year ending December 31, 2005. Ernst & Young LLP has acted for the company in this capacity since November 1, 1971. The board proposes that the stockholders ratify this selection at the annual meeting.

If the stockholders do not ratify the selection of Ernst & Young LLP, the selection of independent auditors will be reconsidered by the audit committee.

Representatives of Ernst & Young LLP are expected to be present at the annual meeting and will be afforded the opportunity to make a statement if they desire and will be available to respond to appropriate questions.

#### *Independent Auditor Fee Information*

Ernst & Young LLP's fees, by category of professional service in each of the last two fiscal years, were (in thousands):

	<b>2004</b>	<b>2003</b>
Audit Fees	\$ 8,191	\$ 7,984
Audit-Related Fees	1,118	609
Tax Fees	3,109	2,251
All Other Fees	18	82
	<hr/>	<hr/>
Total	\$ 12,436	\$ 10,926
	<hr/>	<hr/>

Ernst & Young LLP audit fees include fees associated with the last annual audit, the reviews of the company's quarterly reports on Form 10-Q, reporting on the

effectiveness of internal controls over financial reporting, SEC registration statements, and statutory audits required internationally.

Ernst & Young's fees for audit-related services include pension and savings plan audits, accounting consultations and consultations on internal accounting controls.

Tax fees include expatriate tax services, tax compliance, and United States and international tax advice and planning. During 2004, the audit committee approved the company's decision to transfer expatriate tax compliance services to another firm commencing in 2005. The table above includes \$1,533,000 of expatriate tax fees paid to Ernst & Young in 2004.

All other fees principally include insurance advisory services.

As part of its responsibility for oversight of the independent auditor, the audit committee has established a pre-approval policy for the provision of engaging audit and permitted non-audit services provided by the company's independent auditors, Ernst & Young LLP. In accordance with this policy, each type of audit, audit-related, tax and other permitted service to be provided by the independent auditor is specifically described and each such service, together with a fee level or budgeted amount for such service, is pre-approved annually by the audit committee. Each such service and budgeted amount is thereafter updated quarterly. Any type of permitted service not previously approved by the audit committee must be specifically pre-approved before the service can be provided. For each fiscal year, the audit committee may determine appropriate ratios between categories of services and the total fees paid to the independent auditor. The audit committee has delegated authority to the chairman of the audit committee to approve additional services or an increase in fees for a previously approved service in excess of the budgeted amount for that service. However, any increased fees or additional services so approved must be reported to the audit committee at its next scheduled meeting. The audit committee has determined that the provision of all services approved in accordance with this policy is not incompatible with the independence of the independent auditors.

**OTHER MATTERS**

The board of directors knows of no other matters to come before the meeting. Should any unanticipated business properly come before the meeting, the persons named in the enclosed form of proxy will vote in accordance with their best judgment. The accompanying proxy confers discretionary authority to such persons to vote on any unanticipated matters.

The cost of preparing and mailing this proxy statement and the accompanying proxy and the cost of solicitation of proxies on behalf of the board of directors will be borne by the company. Solicitation will be made by mail. Some personal solicitation may be made by directors, officers and employees without special compensation, other than reimbursement for expenses. In addition, D. F. King & Co. has been retained to aid in the solicitation. Its fees for this solicitation are not expected to exceed \$25,000, exclusive of expenses.

Proposals which stockholders wish to include in the company's proxy materials relating to the 2006 annual meeting of stockholders must be received by the company no later than November 25, 2005. Notice of any stockholder proposal for the 2006 annual meeting which the proponent does not wish to include in the company's proxy materials for that meeting will be considered untimely if not received by the company on or before February 11, 2006.

*It is important that proxies be returned promptly. Stockholders are urged to date and sign the enclosed proxy and return it promptly in the accompanying envelope, or to vote via the internet or by calling the toll-free number as instructed on the proxy card.*

By order of the Board of Directors,

GEORGE C. BARRY  
*Secretary*

New York, New York  
March 24, 2005

**AMERADA HESS CORPORATION**

**P R O X Y**

**PROXY SOLICITED BY BOARD OF DIRECTORS  
FOR ANNUAL MEETING OF STOCKHOLDERS, MAY 4, 2005**

The undersigned hereby appoints JOHN B. HESS and JOHN J. O CONNOR, or any of them, proxies, each with power of substitution, to vote all shares the undersigned is entitled to vote at the Annual Meeting of Stockholders of Amerada Hess Corporation to be held at its offices, 1 Hess Plaza, Route 9, Woodbridge, New Jersey, on May 4, 2005, at 2:00 p.m., local time, and all adjournments thereof, as directed on the reverse side of this card, and in their discretion, upon any other matters which may properly come before the Meeting or any adjournment thereof.

The undersigned hereby revokes any proxy heretofore given to vote said shares, and hereby ratifies all that said proxies may do at the Meeting or any adjournment thereof.

Please indicate on the reverse side of this card how your stock is to be voted.

**If not otherwise specified, shares will be voted FOR all nominees in Item 1 and FOR Proposal 2 on the reverse side of this card.**

Receipt of Notice of the Meeting and of  
the Proxy Statement is hereby  
acknowledged.

(Continued and to be signed on reverse  
side.)

AMERADA HESS CORPORATION  
P.O. BOX 11188  
NEW YORK, N.Y. 10203-0188

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**AMERADA HESS  
CORPORATION**

**YOUR VOTE IS IMPORTANT  
VOTE BY INTERNET / TELEPHONE  
24 HOURS A DAY, 7 DAYS A WEEK**

**INTERNET**

**TELEPHONE**

**MAIL**

**<https://www.proxyvotenow.com/ahc>**

**1-866-874-4881**

Go to the website address listed above.  
**Have your proxy card ready.**  
Follow the simple instructions that  
appear on your computer screen.

**OR**

Use any touch-tone telephone.  
**Have your proxy card ready.**  
Follow the simple recorded  
instructions.

**OR**

Mark, sign and date your proxy card.  
Detach your proxy card.  
Return your proxy card in the  
postage-paid envelope provided.

**1-866-874-4881**

**CALL TOLL-FREE TO VOTE**

**6 DETACH PROXY CARD HERE IF YOU ARE NOT VOTING BY TELEPHONE OR  
INTERNET 6**

**(Please sign, date and return  
this proxy in the enclosed  
postage prepaid envelope.)**

**X**

**Votes must be indicated  
(X) in Black or Blue ink.**

**The Board of Directors recommends a vote FOR all nominees and a vote FOR Proposal 2.**

1. Election of the following nominees as Directors for three-year terms expiring in 2008.

FOR ALL  WITHHOLD FOR ALL  EXCEPTIONS

Nominees: 01 - E.E. Holiday, 02 - J.J. O Connor, 03 - F.B. Walker, 04 - R.N. Wilson

**(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the Exceptions box and write that nominee's name in the space provided below.)**

\*Exceptions

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
2. Ratification of the selection of Ernst & Young LLP as independent auditors for fiscal year ending December 31, 2005.	<b>O</b>	<b>O</b>	<b>O</b>

**NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.**

To change your address, please mark this box. **O**

To include any comments, please mark this box. **O**

**SCAN LINE**

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Date

Share Owner sign here

Co-Owner sign here