

MERGE TECHNOLOGIES INC

Form 8-K/A

August 24, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 8-K/A  
(Amendment No. 1)  
CURRENT REPORT**

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

**Date of Report (Date of Earliest Event Reported): August 10, 2007  
Merge Technologies Incorporated**

(Exact Name of Registrant as Specified in Charter)

Wisconsin

0-29486

39-1600938

(State or Other Jurisdiction  
of Incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

6737 West Washington Street, Suite 2250, Milwaukee, Wisconsin 53214

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code (414) 977-4000

(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))
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*Explanatory Notes*

*This Form 8-K/A (Amendment No. 1) has been filed to revise Item 4.02 to more clearly identify the specific quarterly and annual periods of the financial statements of Merge Technologies Incorporated (the Registrant ) that should no longer be relied upon.*

*Please note that the information contained in the Form 8-K has not been updated to reflect events or developments occurring after August 14, 2007, the date the Form 8-K was originally filed with the Securities and Exchange Commission (the SEC ) and, accordingly, such information continues to speak as of such earlier date.*

**Item 4.02. Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.**

On August 13, 2007, the Registrant's management and the Audit Committee of the Board of Directors concluded that, due to an error in how the Registrant has recognized revenue from certain software and maintenance contracts dating back to at least 2004, the audited financial statements of the Company as of, and for each of the years ended, December 31, 2004, 2005 and 2006; the financial statements for all quarterly, six-month and nine-month periods within each of such years, as included in the Company's periodic reports filed with the SEC; and the financial statements of the Company as of, and for each of the three-month periods ended, March 31, 2006 and 2007, as included in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 should no longer be relied upon.

The Registrant's management and Audit Committee, in consultation with KPMG LLP, the Registrant's independent registered public accounting firm, reviewed the Registrant's method of recognizing revenue from certain software and maintenance contracts that contain both a license of software and related maintenance and support and have determined that the application of AICPA Standard of Position 97-2 (Software Revenue Recognition) requires the Registrant to use a revenue recognition practice that differs from the Registrant's historical practice of recognizing the estimated value of the software principally in the initial year of the contract and the estimated value of the maintenance over the maintenance period of the contract. Specifically, because the Registrant's contracts combine licenses of software with long-term maintenance arrangements, the Registrant has concluded that it does not have sufficient evidence of the separate value of its software to permit up-front revenue recognition. The Registrant's management and Audit Committee has determined that the Registrant should have instead been recognizing the entire value of the contract as revenue over the period for which maintenance and support is to be provided to the customer. While the change in accounting method will not affect the total amount of revenue that the Registrant realizes from each contract, it will affect the timing of recognizing that revenue. Accordingly, the Registrant will be required to restate its audited financial statements for the years ended 2004, 2005 and 2006 (as well as other financial information, including the selected financial data and quarterly financial data) included in the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006 and the unaudited financial statements (and other financial information) included in the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 to reflect the proper accounting treatment. The Registrant intends to work expeditiously with KPMG LLP and the

Registrant's other professional advisors to make the necessary corrections to its financial statements and file amendments to these periodic reports and the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 as soon as possible.

The Audit Committee of the Board has discussed these matters with KPMG LLP, which has expressed its agreement with the conclusions reached by the Registrant's management and Audit Committee as set forth above.

**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 TECHNOLOGIES  
INCORPORATED

By: /s/ Kenneth D. Rardin  
Kenneth D. Rardin  
President and Chief Executive Officer

Dated: August 24, 2007