

## Maiden v. Merge Technologies, Inc., et al.

**COURT:** United States District Court, Eastern District of Wisconsin  
**CASE NUMBER:** 06-cv-0349  
**JUDGE:** Hon. Rudolph T. Randa  
**CLASS PERIOD:** 04/25/2002 - 07/03/2006

Securities fraud class action on behalf of all purchasers of the publicly traded securities of Merge Technologies, Inc. ("Merge" or the "Company") between April 25, 2002 and July 3, 2006 (the "Class Period").

On November 21, 2006, the Honorable Rudolph T. Randa consolidated related actions and appointed Southwest Carpenters Pension Trust as Lead Plaintiff. On October 26, 2007, the Court appointed BLB&G as Lead Counsel for the class.

Merge, headquartered in Milwaukee, Wisconsin, engages in the development and delivery of medical imaging and information management software and services. Lead Plaintiff brought federal securities claims against the Company; Richard A. Linden, the Company's former Chief Executive Officer, President, Director, and Chairman of the Executive Committee; Scott T. Veech, the Company's former Chief Financial Officer, Secretary, and Treasurer; David M. Noshay, a former Senior Vice President; and KPMG LLP, Merge's auditor. The Court dismissed the claims against KPMG LLP with prejudice on October 20, 2008.

Lead Plaintiff alleged that Merge and the individual defendants violated the federal securities laws by improperly and prematurely recognizing revenue and materially overstating Merge's financial performance over a four-year period. Lead Plaintiff alleged that, throughout the Class Period, Defendants misrepresented Merge's financial performance through violations of GAAP by entering into secret "side agreements" with customers; shipping products to customers who did not order the products; recognizing revenue for products that did not meet customers' specifications; recognizing revenue prior to shipping all products included in customers' contracts; and recognizing revenue on free products provided to customers.

Lead Plaintiff alleged that, as a result of fraudulent accounting practices, Merge's stock price surged from between \$7 and \$8 per share in April 2002 to more than \$27 per share by February 2006. Eventually, however, the truth regarding the Company's financial performance was revealed through several partial disclosures, causing the stock price to plummet. Finally, on August 29, 2006, Merge issued a massive restatement of its previously reported financial results for 2002 through 2005 and revealed that certain former members of management were directly involved in circumventing accounting controls.

On or about June 30, 2008, Lead Plaintiff and Merge entered into a partial settlement agreement that resolved the remaining claims against Merge and the Individual Defendants for a payment to the class of \$16 million. On July 15, 2008, the Court entered an order granting preliminary approval of the settlement with Merge. On November 10, 2008, the Court entered an order granting final approval of the settlement.