

MERIT MEDICAL SYSTEMS INC
Form 11-K
June 29, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 11-K

**ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2006

OR

Transition Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number: 000-18592

Full title of the plan and name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

MERIT MEDICAL SYSTEMS, INC. 401(k) PROFIT SHARING PLAN

Merit Medical Systems, Inc.

1600 West Merit Parkway

South Jordan, UT 84095

Merit Medical Systems, Inc.

401(k) Profit Sharing Plan

Financial Statements as of December 31, 2006 and 2005 and for the Year Ended December 31, 2006, Supplemental Schedule as of December 31, 2006 and Report of Independent Registered Public Accounting Firm

Merit Medical Systems, Inc.

401(k) Profit Sharing Plan

Financial Statements as of December 31, 2006 and 2005 and for the Year Ended December 31, 2006, Supplemental Schedule as of December 31, 2006 and Report of Independent Registered Public Accounting Firm

MERIT MEDICAL SYSTEMS, INC. 401(k) PROFIT SHARING PLAN

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SUPPLEMENTAL SCHEDULE:

Form 5500, Schedule H, Part IV, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2006

All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Report of Independent Registered Public Accounting Firm

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To the Trustees and Participants of
Merit Medical Systems, Inc. 401(k) Profit Sharing Plan:

We have audited the accompanying statements of net assets available for benefits of the Merit Medical Systems, Inc. 401(k) Profit Sharing Plan (the Plan) as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and 2005, and the changes in net assets available for benefits for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets held as of December 31, 2006 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan's management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2006 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP

Salt Lake City, Utah
June 25, 2007

MERIT MEDICAL SYSTEMS, INC. 401(k) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2006 AND 2005

| | 2006 | 2005 |
|--|----------------------|----------------------|
| ASSETS: | | |
| Cash | \$ 140,227 | |
| Investments (Note 3) | 34,596,073 | 27,528,071 |
| Receivables: | | |
| Employer contribution | 55,777 | 26,491 |
| Participant contributions | 121,646 | 20,896 |
| Total receivables | 177,423 | 47,387 |
| TOTAL ASSETS | \$ 34,913,723 | \$ 27,575,458 |
| LIABILITIES: | | |
| Accounts Payable | 99,677 | 16,832 |
| Total liabilities | 99,677 | 16,832 |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 34,814,046 | \$ 27,558,626 |

See notes to financial statements.

MERIT MEDICAL SYSTEMS, INC. 401(k) PROFIT SHARING PLAN

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2006**

| | |
|--|------------------|
| CONTRIBUTIONS: | |
| Participant contributions | \$ 2,844,723 |
| Employer contributions | 872,370 |
| Rollover contributions | 447,781 |
| Total contributions | 4,164,874 |
| INVESTMENT INCOME: | |
| Net appreciation in fair value of investments | 5,241,146 |
| Interest and dividends | 128,834 |
| Total investment income | 5,369,980 |
| DEDUCTIONS: | |
| Benefits paid to participants | (2,241,160) |
| Administrative expenses | (38,274) |
| Total deductions | (2,279,434) |
| INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS | 7,255,420 |
| NET ASSETS AVAILABLE FOR BENEFITS: | |
| Beginning of year | 27,558,626 |
| End of year | \$ 34,814,046 |

See notes to financial statements.

MERIT MEDICAL SYSTEMS, INC. 401(k) PROFIT SHARING PLAN

**NOTES TO FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2006 AND 2005, AND FOR THE
YEAR ENDED DECEMBER 31, 2006**

1. DESCRIPTION OF THE PLAN

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The following description of the Merit Medical Systems, Inc. 401(k) Profit Sharing Plan (the Plan) is provided for general information purposes only. Reference should be made to the Plan document for more complete information.

General The Plan is a defined contribution plan covering substantially all employees of Merit Medical Systems, Inc. (the Company). The Plan is administered by a trustee who has been appointed by the board of directors of the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions Each year, participants may contribute up to 100% of their pretax annual compensation, as defined in the Plan, subject to certain Internal Revenue Code (IRC) limitations. The Company contributes 75% of the first 2%, and 25% of the next 3% of base compensation that a participant contributes to the Plan.

Participant Accounts Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contribution and the Company's matching contribution and charged with withdrawals and an allocation of Plan earnings or losses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Investments Participants direct the investment of their contributions and Company contributions into various investment options offered by the Plan.

Vesting Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in the Company's contribution portion of their accounts is based on years of continuous service. A participant vests 20% a year of credited service and is 100% vested after five years of credited service.

Participant Loans Participants may borrow from their accounts up to a maximum of \$50,000 or 50% of their account balance, whichever is less. The loans are secured by the balance in the participant's account and bear interest at rates commensurate with local prevailing rates at the time funds are borrowed as determined quarterly by the Plan administrator. Principal and interest are paid ratably through payroll deductions.

Payment of Benefits On termination of service due to death, disability or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account or annual installments over a ten-year period. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

Forfeited Accounts At December 31, 2006 and 2005, forfeited nonvested accounts totaled \$64,488 and \$22,364, respectively. These accounts may be used to reduce future employer contributions. During the year ended December 31, 2006 and 2005, forfeited nonvested accounts totaling \$26,474 and \$20,425, respectively, were used to reduce employer contributions.

Administrative Expenses Administrative expenses of the Plan are paid by the employer as provided in the Plan document.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates. The Plan utilizes various investment instruments, including mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Benefit-Responsive Investment Contracts As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan.

The Plan invests in investment contracts through a collective trust in the Gartmore Morley Stable Value Fund (GMSV). As required by the FSP, the statement of net assets available for benefits presents the fair value of the investments in the collective trust. The Plan's management has recorded the investment contract at fair value as it approximates contract value. The weighted average yield of the underlying investments in the GMSV Fund for the year ended December 31, 2006 is 5.3%.

Investment Valuation and Income Recognition The Plan's investments are stated at fair value. Quoted market prices are used to value investments. Shares of mutual funds are valued at quoted market prices, which represent the asset value of shares held by the Plan at year end. The Plan's interest in the collective trust is valued based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end. Participant loans are valued at the outstanding loan balances, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Management fees and operating expenses charged to the Plan for investments in mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

Payment of Benefits Benefit payments to participants are recorded upon distribution. There were no amounts allocated to accounts of persons who have elected to withdraw from the Plan but have not yet been paid at December 31, 2006 and 2005.

3. INVESTMENTS

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The Plan's investments that represented 5% or more of the Plan's net assets available for benefits are as follows as of December 31, 2006 and 2005

| | 2006 | 2005 |
|--|---------------|---------------|
| Merit Medical Systems, Inc. common stock, 830,759 and 830,676 shares, respectively | \$ 13,159,223 | \$ 10,084,407 |
| PIMCO Total Return; Administrative Class Shares 203,196 and 169,243 shares, respectively | 2,109,179 | 1,777,893 |
| MainStay ICAP Select Equity; Class 1 Shares 45,582 and 0 shares, respectively | 1,897,115 | |
| Wells Fargo C&B Mid Cap Value; Class D Shares 0 and 76,395 shares, respectively | | 1,518,729 |

During the year ended December 31, 2006, the Plan's common stock and mutual fund investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

| | |
|---|--------------|
| Ameristock Mutual Fund | \$ 37,263 |
| Artisan International; Investor Shares | 73,398 |
| Calamos Growth Fund; Class A Shares | 12,307 |
| Gartmore Morley Stable Value | 19,964 |
| MainStay ICAP Select Equity; Class 1 Shares | 158,049 |
| Marsico Focus Fund | 118,565 |
| Merit Medical System, Inc. Common Stock | 3,264,545 |
| Nations Marsico Focus Equities Fund; Investor A Shares | 70,599 |
| Nueberger Berman: Lehman Brothers High Income Bond; Investor Shares | 43,424 |
| Oakmark Fund; Class 1 Shares | 216,372 |
| Oakmark International Fund; Class 1 Shares | 310,415 |
| PIMCO Emerging Markets Bond Fund; Administrative Class Shares | 47,077 |
| PIMCO Real Return Fund; Administrative Class Shares | 1,676 |
| PIMCO Total Return; Administrative Class Shares | 69,670 |
| RS Global Natural Resources | 48,291 |
| Spartan US Equity Index Fund | 69,691 |
| Turner Mid Cap Growth; Class 1 Shares | 20,456 |
| Wasatch Small Cap Growth Fund | 75,723 |
| Wasatch Small Cap Value Fund | 157,252 |
| Wells Fargo C&B Mid Cap Value; Class D Shares | 334,771 |
| William Blair International Growth Fund; Class N Shares | 91,638 |
| Net appreciation of investments | \$ 5,241,146 |

4. RELATED PARTY TRANSACTIONS

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At December 31, 2006 and 2005, the Plan held 830,759 and 830,676 shares, respectively, of the Company's common stock, with a fair value of \$13,159,223 and \$10,084,407, respectively.

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5. PLAN TERMINATION

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Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event that the Plan is terminated, participants would become 100% vested in their accounts.

6. FEDERAL INCOME TAX STATUS

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The Internal Revenue Service has determined and informed the Company by a letter dated April 10, 2002 that the Plan was designed in accordance with the applicable regulations of the Internal Revenue Code. The Plan has been amended since receiving the determination letter; however, the Company and the Plan administrator believe that the Plan is currently designed and operated in compliance with the applicable requirements of the Internal Revenue Code and the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

* * * * *

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MERIT MEDICAL SYSTEMS, INC. 401(k) PROFIT SHARING PLAN

FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2006

| Identity of Issue, Borrower, Lessor or Similar Party | Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost | Fair Value |
|--|---|------|----------------------|
| Artisan International; Investor Shares | Registered Investment Company | ** | \$ 438,857 |
| Calamos Growth Fund; Class A Shares | Registered Investment Company | ** | 354,883 |
| Fidelity Cash Reserves | Registered Investment Company | ** | 54,857 |
| Fidelity Spartan Money Market Fund | Registered Investment Company | ** | 1,339,053 |
| Gartmore Morley Stable Value | Common Collective Fund (22,552 units) | *** | 413,719 |
| MainStay ICAP Select Equity; Class 1 Shares | Registered Investment Company | ** | 1,897,115 |
| Marsico Focus Fund | Registered Investment Company | ** | 1,600,102 |
| * Merit Medical Systems, Inc. Common Stock | Common Stock (830,759 shares) | ** | 13,159,223 |
| Nations Marsico Focused Equities Fund; Investor A Shares | Registered Investment Company | ** | 857,730 |
| Neuberger Berman: Lehman Brothers High Income Bond Fund; Investor Shares | Registered Investment Company | ** | 626,990 |
| Oakmark Fund; Class 1 Shares | Registered Investment Company | ** | 1,552,045 |
| Oakmark International Fund; Class 1 Shares | Registered Investment Company | ** | 1,621,572 |
| PIMCO Emerging Markets Bond Fund; Administration Class Shares | Registered Investment Company | ** | 635,546 |
| PIMCO Real Return; Administrative Class Shares | Registered Investment Company | ** | 1,000,432 |
| PIMCO Total Return; Administrative Class Shares | Registered Investment Company | ** | 2,109,179 |
| RS Global Natural Resources | Registered Investment Company | ** | 602,911 |
| Spartan US Equity Index Fund | Registered Investment Company | ** | 578,827 |
| Turner Mid Cap Growth; Class 1 Shares | Registered Investment Company | ** | 375,651 |
| Wasatch Small Cap Growth Fund | Registered Investment Company | ** | 962,482 |
| Wasatch Small Cap Value Fund | Registered Investment Company | ** | 1,091,638 |
| Wells Fargo C&B Mid Cap Value; Class D Shares | Registered Investment Company | ** | 1,306,035 |
| William Blair International Growth Fund; Class N Shares | Registered Investment Company | ** | 638,084 |
| * Participant Loans | Participant loans (maturing 2007 to 2016 at interest rates of 5% to 10.5%) | | 1,379,142 |
| TOTAL | | | \$ 34,596,073 |

* Party-in-interest

** Cost information is not required for participant-directed investments and, therefore, is not included.

*** Represents a fully benefit-responsive investment contract.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustee (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Merit Medical Systems, Inc
401 (k) Retirement Savings Plan

Date: June 29, 2007

/s/ Kent W. Stanger

Kent W. Stanger
Member, 401 (k) Plan Administration and
Investment Committee