

SYNERGETICS USA INC

Form DEF 14A

November 13, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.    )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Synergetics USA, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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**SYNERGETICS USA, INC.  
3845 Corporate Centre Drive  
O Fallon, Missouri 63368**

November 13, 2007

Dear Stockholder:

You are cordially invited to attend our Company's 2007 Annual Meeting of Stockholders, which will be held on December 6, 2007, at 4:30 p.m. Central Time at The Doubletree Hotel and Conference Center located at 16625 Swingley Ridge Road, Chesterfield, Missouri 63017. The formal Notice of Annual Meeting of Stockholders and Proxy Statement accompanying this letter describe the business to be acted upon at the meeting.

Your vote is important to us and your shares should be represented at the meeting whether or not you are personally able to attend. Accordingly, I encourage you to mark, sign, date and return the accompanying proxy promptly.

On behalf of the Board of Directors, thank you for your continued support of Synergetics USA, Inc.

Sincerely,

**GREGG D. SCHELLER**  
*Chairman, President and Chief Executive Officer*

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**SYNERGETICS USA, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held on December 6, 2007**

NOTICE IS HEREBY GIVEN that the 2007 Annual Meeting of Stockholders of Synergetics USA, Inc., a Delaware corporation (the Company), will be held on December 6, 2007, at 4:30 p.m. Central Time at The Doubletree Hotel and Conference Center located at 16625 Swingley Ridge Road, Chesterfield, Missouri 63017 to act upon the following matters, which are described more fully in the accompanying Proxy Statement:

1. The election of two (2) directors nominated by the Synergetics Nominating and Governance Committee to serve three year terms following approval by the shareholders at the next Annual Meeting;
2. The ratification of the Company's independent registered accounting firm, UHY LLP; and
3. Such other business as may properly come before the meeting and/or any adjournment or postponement thereof.

All holders of common stock of record at the close of business on November 7, 2007 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors of the Company has authorized the solicitation of proxies. Unless otherwise directed, the proxies will be voted FOR the election of the nominees listed in the attached Proxy Statement to be members of the Board of Directors of the Company and on other business that may properly come before the Annual Meeting, as the named proxies in their best judgment shall decide.

Any stockholder submitting a proxy may revoke such proxy at any time prior to its exercise by notifying the Secretary of the Company in writing at 3845 Corporate Centre Drive, O'Fallon, Missouri, 63368, prior to the Annual Meeting, and, if you attend the Annual Meeting, you may revoke your proxy if previously submitted and vote in person by notifying the Secretary of the Company at the Annual Meeting.

This Notice of Annual Meeting and Proxy Statement and form of proxy are being distributed on or about November 13, 2007.

By Order of the Board of Directors,

PAMELA G. BOONE  
*Secretary*

O'Fallon, Missouri  
November 13, 2007

**YOUR VOTE IS IMPORTANT**

**Whether or not you plan to attend the Annual Meeting, we encourage you to read this proxy statement and submit your proxy as soon as possible. You may submit your proxy for the Annual Meeting by completing, signing, dating and returning your proxy in the pre-addressed envelope provided.**

**SYNERGETICS USA, INC.**

**PROXY STATEMENT**

**FOR THE 2007 ANNUAL MEETING OF STOCKHOLDERS**

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**GENERAL INFORMATION**

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Synergetics USA, Inc., a Delaware corporation (the Company), 3845 Corporate Centre Drive, O'Fallon, Missouri, 63368, for use at the 2007 Annual Meeting of Stockholders to be held on December 6, 2007 at 4:30 p.m. Central Time at The Doubletree Hotel and Conference Center located at 16625 Swingley Ridge Road, Chesterfield, Missouri 63017. The Board of Directors of the Company urges you to promptly execute and return your proxy in the enclosed envelope, even if you plan on attending the Annual Meeting. This is designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly.

Any stockholder submitting a proxy may revoke such proxy at any time prior to its exercise by notifying the Secretary of the Company, in writing, prior to the Annual Meeting. Any stockholder attending the Annual Meeting may revoke his or her proxy and vote personally by notifying the Secretary of the Company at the Annual Meeting. Only stockholders of record at the close of business on November 7, 2007, will be entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof. At the close of business on November 7, 2007, the Company had 24,274,500 outstanding shares of common stock, \$.001 par value per share (the Common Stock). Each share of Common Stock entitles the holder thereof to one vote.

If the accompanying proxy card is signed and returned, the shares represented thereby will be voted in accordance with the directions on the proxy card. Unless a stockholder specifies otherwise therein, the proxy will be voted in accordance with the recommendations of the Board of Directors on all proposals. The presence in person or by proxy of a majority of the voting power represented by outstanding shares of Common Stock will constitute a quorum for the transaction of business at the Annual Meeting.

Directors will be elected by a plurality of the voting power represented and entitled to vote at the meeting. The passage of any other proposal will be determined by the affirmative vote of the majority of the voting power represented and entitled to vote at the meeting. In the election of directors, abstentions and broker non-votes will not affect the outcome except in determining the presence of a quorum; they will not be counted toward the number of votes required for any nominee's election. An instruction to abstain from voting on any other proposal will have the same effect as a vote against the proposal. Broker non-votes will not be considered as present and entitled to vote on the proposals; therefore, broker non-votes will have no effect on the number of affirmative votes required to adopt such proposal.

This Proxy Statement and the enclosed proxy card are being mailed to the stockholders of the Company on or about November 13, 2007.

**PROPOSAL 1 ELECTION OF DIRECTORS**

The Board of Directors of the Company currently consists of seven (7) directors. The directors are elected to serve three-year staggered terms. The terms of Lawrence C. Cardinale and Guy R. Guarch expire at the 2007 Annual Meeting. Messrs. Cardinale and Guarch have been nominated for re-election. The Board of Directors of the Company recommends a vote FOR the two (2) nominees. If re-elected, each nominee will serve until the annual election of directors in the year 2010 or until his successor is duly elected and qualified, or his earlier death, resignation or removal. If any of the nominees are unavailable for election, an event which the Board of Directors of the Company does not presently anticipate, the persons named in the enclosed proxy intend to vote the proxies solicited hereby FOR the election of such other nominee or nominees as may be nominated by the Board of Directors.



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Based on the recommendation of the Nominating and Corporate Governance Committee, all of the nominees have been approved unanimously by the Board of Directors of the Company for re-election. The Board of Directors of the Company has also determined that each of the nominees satisfies the definition of an independent director set forth in the marketplace rules of The NASDAQ Stock Market, Inc. ( Nasdaq ). Set forth below is information concerning the two (2) nominees for director and the directors whose terms are continuing.

**Nominees for Directors to be Re-Elected at the 2007 Annual Meeting for Terms expiring in 2010**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation and Other Information</b>	<b>Expiration of Term</b>
Lawrence C. Cardinale	69	Lawrence C. Cardinale has served as a director of the Company since 2005 when Synergetics, Inc. merged with Valley Forge Scientific Corp. ( Valley Forge ) (now known as Synergetics USA, Inc. or the Company ). Mr. Cardinale received his B.S.B.A. in Business from Washington University in St. Louis, Missouri and has recently retired after working in the medical industry since 1966. During his over 35 years working in the field of medical manufacturing, he held various management positions, including Plant Manager, Director of Manufacturing, Director of Corporate Engineering, Director of Operations Planning, Vice President of Manufacturing-International and Vice President-Global Manufacturing and Engineering of a multi-national medical manufacturing company. Mr. Cardinale also owned and operated a scientific laboratory instrument business concentrating in the life sciences area, which manufactured and marketed tissue sectioning, microforge and micromanipulation instruments and pipeting devices. Mr. Cardinale currently serves as a board member of Coretech-Holdings LLC, a St. Louis-based life sciences and medical device manufacturing company and McCormick Scientific, LLC.	2010
Guy R. Guarch	66	Guy R. Guarch has been a director of the Company since 2005, when Synergetics, Inc. merged with Valley Forge. Mr. Guarch retired in 2001 from C.R. Bard, Inc. where he spent 32 years in various sales, marketing and management roles. Bard is a leading developer, manufacturer and marketer of health care products used for vascular, urological and oncological diagnosis and intervention. From 1993 to 2001, Mr. Guarch served as Regional Vice President Corporate Account Manager for Bard s Southeast Region. He worked as President of Bard Venture Division in Boston, Massachusetts from 1991 to 1993. From 1988 to 1991, Mr. Guarch worked in London, England, as Vice President of Sales for the Bard Europe Division and Managing Director of Bard LTD, UK. Before 1988, Mr. Guarch worked in several sales and	2010

marketing roles for Bard's USCI International Division in Boston, Massachusetts, which focused on the design, manufacture and sale of cardiac catheters, urological catheters and artificial arteries. Mr. Guarch currently serves as a board member and chairman of their governance committee for Span-America Medical Systems, Inc., which designs and manufactures wound management products and which has securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (the Exchange Act).

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<b>Name</b>	<b>Age</b>	<b>Principal Occupation and Other Information</b>	<b>Expiration of Term</b>
Robert H. Dick	63	Mr. Dick has been a director of the Company since 2005, when Synergetics, Inc. merged with Valley Forge. Prior to the merger, Mr. Dick had been a director of Valley Forge since 1997. Mr. Dick has served as President of R.H. Dick & Company since January 1998, which is an investment banking and management consulting firm based in Camp Verde, Texas. From 1996 to 1998, he was a partner with Boles, Knop & Company, Inc., an investment banking firm in Middleburg, Virginia. From 1994 to 1996, Mr. Dick served as interim President, Chief Executive Officer and Chief Financial Officer of two Boles clients. From 1982 until 1994, he served in various executive roles with Codman & Shurtleff, Inc., a subsidiary of Johnson & Johnson and a manufacturer of surgical instruments, implants, equipment and other surgical products. From 1978 to 1982, Mr. Dick was President and Chief Executive Officer of Applied Fiberoptics, Inc., a company designing, manufacturing and marketing fiberoptic products for medical and defense applications, and surgical microscopes for microsurgery. From 1969 to 1978, Mr. Dick held various sales, marketing and general management positions with the USCI division of C.R. Bard. Mr. Dick also serves on the board, chairman of their audit committee and member of the executive and governance committees for Span-America Medical Systems, Inc., which designs and manufactures wound management products and which has securities registered pursuant to Section 12 of the Exchange Act.	2009
Juanita H. Hinshaw	62	Juanita H. Hinshaw has served as a director of the Company since 2005 when Synergetics, Inc. merged with Valley Forge. Ms. Hinshaw has been President and Chief Executive Officer of H&H Advisors (a financial advisory company) since 2005. In addition, Ms. Hinshaw served as Senior Vice President and Chief Financial Officer of Graybar Electric Company from May 2000 to May 2005. Graybar Electric Company specializes in supply chain management services and distributes high-quality components, equipment and materials for the electrical and telecommunications industries. Ms. Hinshaw has served as a director on the board, chairman of the finance committee and served on the audit committee for The Williams Companies, Inc. since 2004 and has served as a	2009

director on the board, chairman of the compensation committee and served on the audit committee for Insituform Technologies, Inc. since 1999. The Williams Company and Insituform Technologies, Inc. have securities registered pursuant to Section 12 of the Exchange Act.

Gregg D. Scheller

52 Gregg D. Scheller is the Company's President and Chief Executive Officer and has served as the Company's Chairman of the Board since 2005. Immediately prior to the consummation of the merger with Valley Forge, Mr. Scheller served as President and Chief Executive Officer of Synergetics, Inc., a Missouri corporation and now a wholly-owned subsidiary of the Company, which he founded in 1991. Mr. Scheller had served in these positions since Synergetics, Inc. was founded in 1991. Mr. Scheller has been issued 29 United States patents (including four design patents).

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<b>Name</b>	<b>Age</b>	<b>Principal Occupation and Other Information</b>	<b>Expiration of Term</b>
Kurt W. Gampp, Jr.	47	Kurt W. Gampp, Jr. is the Company's Executive Vice President and Chief Operating Officer and has served in these positions and as a director since 2005. Immediately prior to the merger with Valley Forge, Mr. Gampp served as the Executive Vice President and Chief Operating Officer of Synergetics, Inc. and had served in this position since Synergetics, Inc. was founded in 1991. Mr. Gampp coordinates and supervises the manufacturing of the Company's products and is in charge of the daily production operations of the Company.	2008
Jerry L. Malis	75	Jerry L. Malis is the Company's Executive Vice President and Chief Scientific Officer and has served in these positions and as director since 2005. Immediately prior to the consummation of the merger with Valley Forge, Mr. Malis served as Valley Forge's Chief Executive Officer, President and Chairman of the board of Valley Forge. He has published over 50 articles in the biological science, electronics and engineering fields, and has been issued ten United States patents. Mr. Malis coordinates and supervises the scientific developments of the Company.	2008

**CORPORATE GOVERNANCE**

The Company's Board of Directors met six times during the fiscal year ended July 31, 2007, two of which were special meetings. Each of our directors attended at least 75% of all the meetings of the Board and those committees on which he or she served during fiscal year 2007. The Board of Directors encourages all members to attend stockholder meetings, but has not adopted a formal policy regarding attendance. Six directors attended last year's annual stockholder meeting.

Each of the directors other than Messrs. Scheller, Gampp and Malis satisfies the definition of an independent director set forth in the listing standards of The NASDAQ Stock Market, Inc. ( Nasdaq ) and the Company's Corporate Governance Guidelines, available on the Company's website at [www.synergeticsusa.com](http://www.synergeticsusa.com).

The Company's Corporate Governance Guidelines also state that the independent directors should meet each time that a regularly scheduled Board meeting is held, in addition to holding other meetings as needed. During fiscal 2007, the independent directors held four meetings in conjunction with the four regularly scheduled Board meetings.

The Board of Directors maintains three standing committees, including an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each of these committees operates pursuant to a written charter setting forth the functions and responsibilities of the committee, which may be reviewed on our website at [www.synergeticsusa.com](http://www.synergeticsusa.com) and are also available to stockholders in print upon request.

**Audit Committee**

The Audit Committee is responsible for the appointment, evaluation, compensation and oversight of the work of the independent registered public accountants and, where appropriate, the dismissal of the independent registered public accountants. Furthermore, the Audit Committee is responsible for meeting with the independent registered public accountants and other corporate officers to review matters relating to financial reporting and accounting procedures and policies. Among other responsibilities, the Audit Committee also reviews financial information provided to stockholders and others, assesses the adequacy of financial, accounting, operating and disclosure controls, evaluates the scope of the audits of the independent registered public accounting firm and internal auditors, and reports on the results of such audits to the Board of Directors. In addition, the Audit Committee assists the Board of Directors in its oversight of the performance of the Company's independent registered public accountants. The current members of the Audit Committee are Ms. Hinshaw (Chairperson), Mr. Dick, and Mr. Cardinale, all of whom meet all applicable standards for Audit Committee membership under the NASDAQ listing standards and Securities

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and Exchange Commission ( SEC ) rules. The Board of Directors has determined that Ms. Hinshaw qualifies as an audit committee financial expert because she has served in oversight roles in finance and accounting. The Audit Committee held six meetings with two continuations during the last fiscal year.

### **Compensation Committee**

The Compensation Committee is composed entirely of independent directors, as defined by The Nasdaq Stock Market listing standards and SEC rules, and is responsible for administering the Company's compensation programs and recommending to the Board of Directors other compensation and benefits of the Chief Executive Officer and all named executive officers. The current members of the Compensation Committee are Mr. Dick (Chairperson), Mr. Cardinale and Mr. Guarch. The Compensation Committee held six meetings during the last fiscal year.

The Compensation Committee meets at the end of each fiscal year to determine and recommend to the Board for approval the compensation packages for executive officers in light of the Company's compensation philosophy and objectives as presented in the Compensation Discussion and Analysis below. In making its recommendations, the Compensation Committee considers input from the Chief Executive Officer as to compensation for each executive officer based upon their performance against Company and personal objectives, other than himself. The Compensation Committee has full responsibility to recommend to the independent directors of the Board the compensation package of the Chief Executive Officer.

### **Nominating and Corporate Governance Committee**

The members of the Company's Nominating and Corporate Governance Committee are Mr. Cardinale (Chairperson), Mr. Dick and Mr. Guarch, all of whom meet the independence requirements of The Nasdaq Stock Market listing standards and SEC rules. The Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to become members of the Board of Directors, recommending to the Board of Directors the director nominees to be proposed for election by the stockholders and recommending to the Board of Directors corporate governance guidelines and procedures applicable to the Company. The Nominating and Corporate Governance Committee held one meeting during the last fiscal year.

The Nominating and Corporate Governance Committee will consider nominees recommended by stockholders of the Company. Each stockholder must comply with applicable requirements of the Company's Bylaws and the Exchange Act with respect to the nomination of, or proposal of, nominees for election as directors of the Company. Stockholders should submit any such nominations, together with appropriate biographical information and a description of the nominee's qualifications to serve as director, to the Chairperson of the Nominating and Corporate Governance Committee, c/o Pamela G. Boone, Secretary, Synergetics USA, Inc., 3845 Corporate Centre Drive, O'Fallon, Missouri, 63368. The Nominating and Corporate Governance Committee has not established specific, minimum qualifications for director nominees that it recommends to the Board of Directors, but instead considers all factors it deems relevant, including sound judgment, business specialization, technical skills, diversity and the extent to which the candidate would fill a present need. Nominees to be evaluated by the Nominating and Corporate Governance Committee for future vacancies on the Board of Directors will be selected by the Committee from candidates recommended by multiple sources, including members of the Board of Directors, senior management, independent search firms, stockholders and other sources, all of whom will be evaluated based on the same criteria.

### **Code of Conduct and Ethics**

The Company has established a Code of Business Conduct and Ethics, which is applicable to all of its employees, officers and directors. The Code is available on the Company's website at [www.synergeticsusa.com](http://www.synergeticsusa.com) and also available to stockholders in print upon request. We intend to post any future amendments and revisions to the Code of Business

Conduct and Ethics on our website.



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**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

All executive officer compensation decisions are made by the Company's Compensation Committee. The Compensation Committee also reviews and makes recommendations to the Board of Directors regarding the compensation of all named executive officers and other key employees, including salaries and bonuses. As of July 31, 2007, the members of the Compensation Committee for Synergetics USA, Inc. are Mr. Robert H. Dick (Chairperson), Mr. Lawrence C. Cardinale and Mr. Guy R. Guarch.

No member of the Compensation Committee of the Company during fiscal 2007 was an employee or officer of the Company or any of its subsidiaries. During the year ended July 31, 2007, no executive officer of the Company served as a member of (i) the compensation committee of another entity in which one of the executive officers of such entity served on the Company's Compensation Committee, (ii) the Board of Directors of another entity in which one of the executive officers of such entity served on the Company's Compensation Committee, or (iii) the compensation committee of another entity in which one of the executive officers of such entity served as a member of the Company's Board of Directors.

**COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

Stockholders may communicate directly with the Board of Directors, as a group, or any individual director by submitting written correspondence addressed to them at Synergetics USA, Inc., 3845 Corporate Centre Drive, O'Fallon, Missouri, 63368.

**DIRECTOR COMPENSATION**

Directors who are neither employees of the Company nor an immediate family member of an officer of the Company are paid \$750 for each meeting of the Board of Directors and each meeting of a committee of the Board of Directors that they attend. The Chairperson of the Audit Committee receives \$2,250 for each meeting of the Audit Committee. In addition, all directors are entitled to reimbursement for travel and lodging expenses incurred in connection with their attendance at meetings.

Compensation for members of the Board has been established and will be reviewed annually by the Compensation Committee. The Compensation Committee may not delegate its authority regarding director compensation, and no executive officer plays a role in determining the amount of director compensation. The Compensation Committee considers the amount of time directors dedicate to Company matters and the need to attract and retain qualified directors when determining Board compensation. For example, the Compensation Committee has approved additional compensation for the Audit Committee Chairperson in recognition of the time commitment required by such position.

To align the interests of directors with those of the Company's stockholders, each independent director also receives an option to purchase 10,000 shares of the Company's common stock each year in which he or she is elected, appointed, or re-elected to serve as a director pursuant to the 2005 Non-Employee Directors' Stock Option Plan.

The following table discloses compensation paid for the fiscal year ended July 31, 2007 to the directors for serving as members of the Board.

**2007 Director Compensation**

**Fees Earned**

<b>Name</b>	<b>or Paid in Cash (\$)</b>	<b>Option Awards \$(1)</b>	<b>Total (\$)</b>
Lawrence C. Cardinale	\$ 15,750	\$ 29,800	\$ 45,550
Robert H. Dick	\$ 15,750	\$ 29,800	\$ 45,550
Guy R. Guarch	\$ 7,500	\$ 29,800	\$ 37,300
Juanita H. Hinshaw	\$ 21,750	\$ 29,800	\$ 51,550

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- (1) The fair value of options granted to the independent directors during the fiscal year ended July 31, 2007 was determined at the date of the grant using a Black-Scholes options-pricing model and the following assumptions:

Expected average risk-free interest rate	4.0%
Expected average life (in years)	5.0%
Expected volatility	79.7%
Expected dividend yield	0.0%

The fair value on the date of the grant was \$2.98, the exercise price is \$3.89 and the options vest immediately and are exercisable for ten years.

Mssrs. Scheller, Gampp and Malis receive no compensation for their services as directors of the Company.

**PRINCIPAL STOCKHOLDERS**

The following table sets forth as of November 7, 2007 certain information with respect to the beneficial ownership of the Company's common stock by (i) each of the named executive officers and directors, (ii) all executive officers and directors as a group, and (iii) each person known by the Company to beneficially own more than 5% of the Company's common stock based on certain filings made under Section 13 of the Exchange Act. All such information provided by the stockholders who are not executive officers or directors reflects their beneficial ownership as of the dates specified in the footnotes to the table. The percent of shares beneficially owned is based on 24,274,500 shares issued and outstanding as of November 7, 2007.

Name and Address of Beneficial Owner	Number of Synergetics USA Shares Beneficially Owned	Percent of Shares Beneficially Owned
<b>(i) Named Executive Officers and Directors(1)</b>		
Gregg D. Scheller(2),(3)	820,623	3.4%
Lawrence C. Cardinale(2),(4)	34,244	*
Robert H. Dick(2),(5)	84,000	*
Kurt W. Gampp, Jr.(2),(6)	863,392	3.6%
Guy R. Guarch(2),(7)	22,000	*
Juanita H. Hinshaw(2),(8)	336,710	1.4%
Jerry L. Malis(2),(9)	1,114,745	4.6%
Pamela G. Boone(2),(10)	47,437	*
<b>(ii) All Executive Officers and Directors as a Group (8 persons)</b>	3,323,151	13.6%
<b>(iii) Certain Beneficial Owners</b>		
JPMorgan Chase & Co.	1,347,650	5.6%

\* Less than 1%.

(1)

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Except as indicated in the footnotes to this table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

- (2) The mailing address of Messrs. Scheller, Cardinale, Dick, Gampp, Guarch and Malis and Mses. Hinshaw and Boone is 3845 Corporate Centre Drive, O Fallon, Missouri 63368.
- (3) Includes 809,373 shares held in the Gregg D. Scheller Trust. Mr. Scheller, in his capacity as trustee, possesses sole voting and investment power with respect to these shares. Also includes 3,750 shares issuable to Mr. Scheller subject to options exercisable currently or within 60 days. This does not include 817,020 shares held by the Donna Scheller Trust, of which Mr. Scheller's wife is trustee. Mr. Scheller disclaims beneficial ownership as to these shares.
- (4) Includes 20,000 shares issuable to Mr. Cardinale subject to options exercisable currently or within 60 days.
- (5) Includes 84,000 shares issuable to Mr. Dick subject to options exercisable currently or within 60 days.

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- (6) Includes shares held in the Kurt W. Gampp, Jr. Trust. This does not include 106,725 shares held by the Julie Gampp Trust, of which Mr. Gampp's wife is trustee, nor 62 shares held by his daughter, Lindsey Gampp. Mr. Gampp disclaims beneficial ownership as to these shares.
- (7) Includes 20,000 shares issuable to Mr. Guarch subject to options exercisable currently or within 60 days.
- (8) Includes shares held in the Hinshaw-Harrison Joint Revocable Living Trust. Ms. Hinshaw, in her capacity as trustee, possesses joint voting and investment power with respect to these shares. Also includes 20,000 shares issuable to Ms. Hinshaw subject to options exercisable currently or within 60 days.
- (9) Includes 50,000 shares issuable to Mr. Malis subject to options exercisable currently or within 60 days. Also includes 200,000 shares held in the Malis Family L.P., a limited partnership in which Jerry L. Malis is the general partner and possesses voting and investment power.
- (10) Includes 17,437 shares issued to Ms. Boone subject to restrictions including a cliff vesting period of five years from the date of the grant in March, 2006 and August, 2007.
- (11) Pursuant to JPMorgan Chase & Co. Schedule 13G filed with the Securities and Exchange Commission on December 29, 2006, JPMorgan Chase & Co. has the sole power to vote 1,200,650 shares and the sole dispositive power over 1,347,650 shares. The address of JPMorgan Chase & Co. is 270 Park Avenue, New York, NY 10017.

**COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES AND EXCHANGE ACT**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership of, and transactions in, the Company's securities with the SEC and The NASDAQ Stock Market. Such directors, executive officers and 10% stockholders are also required to furnish the Company with copies of all Section 16(a) forms they file.

Based solely upon a review of reports furnished to the Company, and on written representations from certain reporting persons, the Company believes that, with respect to the fiscal year ended July 31, 2007, each director, executive officer and 10% stockholder of the Company's securities made timely filings of all reports required by Section 16 of the Exchange Act, except as follows: Messrs. Cardinale and Guarch each filed a late Form 4 reporting their grants of stock options pursuant to the 2005 Non-Employee Directors' Stock Option Plan (Mr. Cardinale's Form 4 was filed on November 7, 2007 for awards granted on November 30, 2006; and Mr. Guarch's Form 4 was filed on November 7, 2007 for awards granted on November 30, 2006). Mr. Scheller filed a late Form 4 on June 14, 2007 for awards granted on March 30, 2007. Ms. Boone filed a late Form 4 on November 6, 2007 reporting her grant of restricted stock options on August 1, 2007.

**EXECUTIVE OFFICERS**

The following table sets forth certain information, as of the date of this proxy statement, with respect to the executive officers of the Company.

<b>Name</b>	<b>Age</b>	<b>Position(s) with the Company</b>
Gregg D. Scheller	52	

		President, Chief Executive Officer & Chairman of the Board of Directors
Kurt W. Gampp, Jr.	47	Executive Vice President, Chief Operating Officer & Director
Jerry L. Malis	75	Executive Vice President, Chief Scientific Officer & Director
Pamela G. Boone	44	Executive Vice President, Chief Financial Officer, Treasurer & Secretary

The biographical information for Messrs. Scheller, Gampp and Malis can be found under Proposal 1 Election of Directors above.

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Ms. Boone joined the Company as its Chief Financial Officer in May 2005. Prior to this, Ms. Boone served as Vice President and Chief Financial Officer of Maverick Tube Corporation from 2001 until January 2005 and as Vice President, Treasurer and acting Chief Financial Officer until May 2005. Maverick Tube Corporation, a Missouri-based company, was a leading North American producer of welded tubular steel products used in energy and industrial applications. From 1997 to 2001, Ms. Boone served as Maverick's Corporate Controller.

## **Compensation Discussion and Analysis**

The following Compensation Discussion and Analysis describes the material elements of compensation for our named executive officers.

### ***Executive Compensation Philosophy and Objectives***

The Compensation Committee believes that compensation paid to our named executive officers should accomplish the following objectives:

Reflect the accomplishment of corporate and individual objectives, and

Assist the Company in attracting, motivating and retaining superior talent.

Our compensation program is intended to motivate our named executive officers to achieve our business objectives and to align their financial interests with those of our stockholders. These objectives are furthered by a compensation philosophy that is based on the following:

*Accountability and Recognition for Individual and Corporate Performance:* Compensation should depend, in part, on the Company's overall performance and on each executive officer's performance in order to motivate and reward success. The Compensation Committee has provided for a portion of the overall compensation packages to be tied to performance through the payments of short-term incentive awards in the form of cash bonuses and the grant of long-term incentive awards in the form of stock options and restricted stock.

*Competition with the Market:* Base salaries should generally be competitive with officers with similar positions at companies within our industry and market, subject to individual adjustments as discussed below.

### ***Compensation Determination Process***

Our Compensation Committee is responsible for establishing, implementing and monitoring our executive compensation program. The Compensation Committee consists of Messrs. Dick, Cardinale and Guarch, each of whom is an independent director. The Compensation Committee typically meets following each fiscal year end to (i) consider and approve salary changes and annual incentive bonuses, if any; (ii) determine and approve long-term incentive awards, if any; and (iii) establish goals for the annual incentive program.

In making its determinations regarding compensation, the Compensation Committee evaluates corporate performance and each executive officer's individual performance. In addition, although the Company does not engage in any formal benchmarking, the Compensation Committee does review compensation data from the following companies (collectively, the Peer Companies):

SteroTaxis, Inc. a public medical devices company in the St. Louis, Missouri area;

Escalon Medical Corp., Inspire Pharmaceuticals Inc., Iridex Corporation and Staar Surgical Company (each of which the Company believes to be a peer in the ophthalmic industry), and

Bovie Medical Corporation, Possis Medical, Inc. and Vascular Solutions, Inc. (each of which is a participant in the Company's general industry and each of which has revenues of less than \$100 million).

The Compensation Committee reviews the executive officer compensation packages at the Peer Companies in connection with its executive officer compensation determinations. Although the Compensation Committee does not formally benchmark against the Peer Companies, or target a median or other point for the executive officer



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compensation packages, it does utilize the Peer Companies' compensation data for purposes of setting executive officer compensation.

The mix of the Company's cash and non-cash compensation and short- and long-term compensation is not subject to a specific policy. Instead, the Compensation Committee considers the Peer Companies' compensation data in light of the Company's compensation philosophies and objectives outlined above, as well as corporate and individual performance, and makes gradual changes over time as necessary to further these compensation goals. The Chief Executive Officer makes recommendations to the Compensation Committee regarding proposed salary changes, bonuses and equity compensation awards, if any, for each executive officer other than the Chief Executive Officer. The Chief Executive Officer also assists the Compensation Committee in setting Company performance goals on which part of each officer's total compensation is based. The Compensation Committee considers this input from the Chief Executive Officer, as well as other factors it believes are relevant, and determines the compensation packages of the executive officers, including the Chief Executive Officer.

### ***Elements of Compensation***

*Base Salary.* The base salaries of each of Messrs. Scheller, Gampp and Malis and Ms. Boone in fiscal 2007 were established in employment terms negotiated with each of these officers at the time of the merger of Synergetics, Inc. and Valley Forge, before the current Compensation Committee of the Board of Directors of the Company had been formed. The employment agreements with Messrs. Scheller, Gampp and Malis were entered into in September 2005 in anticipation of the completion of the merger and provide for minimum base salaries of \$377,000, \$346,000 and \$230,000, respectively. Ms. Boone joined the Company in May 2005, and her employment terms provided for a minimum base salary of \$175,000. Ms. Boone's 2007 salary was increased to \$200,000 by the Compensation Committee based on Ms. Boone's contributions to the successful merger and transition of Synergetics, Inc. to a public company.

For fiscal 2008, the Compensation Committee reviewed and recommended to the full Board of Directors base salary increases for the named executive officers. Ms. Boone's salary increase was reflected in the minimum base salary established in her employment agreement entered into in August 2007. These salary increases were based on the Company's desires that base salaries remain competitive to attract, retain and motivate named executive officers as well as reward performance.

When evaluating competitiveness, the Compensation Committee evaluates the salaries of officers with similar positions at the Peer Companies. As noted above, in reviewing comparative data, the Compensation Committee does not engage in benchmarking for the purpose of establishing salary levels relative to any predetermined point. In the Compensation Committee's view, this external data provides insight into competitiveness, but is not an appropriate single factor in determining base salaries. Rather, the Compensation Committee, as noted above, takes into account overall performance of the named executive officers and the Company.

The Compensation Committee bases salary increases on a combination of Company and individual performance. Company performance is based on the achievement of the Company's goals as set forth in its annual financial plan, which is discussed in further detail below. The Compensation Committee has not established specific individual performance criteria for purposes of determining salary increases, but bases its decisions on its evaluation of (i) each named executive officer's general performance over the prior fiscal year, taking into consideration the accomplishment scores each receive, as more fully described below; (ii) the scope of each officer's duties and responsibilities; and (iii) each officer's experience and expertise. The Compensation Committee seeks input from Mr. Scheller in evaluating the named executive officers other than himself.



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Based on the factors discussed above, the Compensation Committee increased the base salaries for the named executive officers for fiscal 2008 as illustrated in the table below:

<b>Name</b>	<b>Fiscal 2008 Percentage Salary Increase</b>	<b>Fiscal 2008 Salary</b>
Gregg D. Scheller	5%	\$ 395,850
Kurt W. Gampp, Jr.	4%	\$ 359,840
Jerry L. Malis	4%	\$ 240,240
Pamela G. Boone	16%	\$ 232,000

*Bonus Compensation.* Prior to fiscal 2007, bonuses to executive officers were discretionary, based on the Compensation Committee's evaluation of each executive officer's individual performance and the Company's overall performance. Determinations regarding bonuses were based on qualitative criteria, including the achievement of sales forecasts and successful transition after Synergetics, Inc.'s merger with Valley Forge and compliance with public company reporting requirements. The Compensation Committee and Company management believe the establishment of clear objectives with periodic measurement