

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF PENNSYLVANIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

STANLEY MANNE,

Defendant.

Civil Action No.
08-cv-1068

COMPLAINT

Plaintiff Securities and Exchange Commission (the "Commission") alleges as follows:

SUMMARY

1. This matter involves unlawful insider trading in the securities of Valley Forge Scientific, Inc. ("Valley Forge") by defendant Stanley Manne on the basis of material nonpublic information concerning a merger between Valley Forge and Synergetics, Inc. ("Synergetics").

2. Between February 14, 2005 and May 3, 2005, Manne purchased 105,680 shares of Valley Forge common stock after learning that Valley Forge and Synergetics were engaged in merger discussions. The merger agreement was publicly announced on May 3, 2005, and on that day, Valley Forge's common stock price rose 23 percent. As a result of his unlawful trading, Manne realized potential profits of \$85,601.

3. By knowingly or recklessly engaging in the conduct described in this Complaint, defendant Manne violated and, unless restrained and enjoined, will continue

to violate Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

JURISDICTION AND VENUE

4. The Commission brings this action pursuant to Sections 21(d) and 21(e) of the Exchange Act [15 U.S.C. §§ 78u(d) and (e)], to enjoin such acts, practices and courses of business, and to obtain disgorgement and civil penalties.

5. This Court has jurisdiction over this action pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa].

6. Certain of the acts, practices and courses of business constituting the violations alleged herein occurred within the Eastern District of Pennsylvania and elsewhere, and were affected, directly or indirectly, by making use of the means and instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange.

DEFENDANT

7. Stanley Manne, age 73, is a resident of Aventura, Florida. Manne is a retired business owner.

FACTS

8. Synergetics, Inc. was a privately held corporation located in St. Louis, Missouri, and developed and manufactured microsurgical instruments and devices primarily for use in neurosurgical applications.

9. Valley Forge was a Pennsylvania corporation with headquarters in Oaks, Pennsylvania that manufactured electrosurgical equipment and instrumentation. Valley Forge's common stock was traded on the Boston Stock Exchange and quoted on the

NASDAQ SmallCap Market until the completion of the merger with Synergetics in September 2005. In connection with the merger, Valley Forge reincorporated as a Delaware corporation and changed its name to Synergetics USA, Inc., now headquartered in St. Louis. Synergetics USA, Inc.'s common stock is traded on the NASDAQ Capital Market.

Background of Merger Discussions

10. Valley Forge and Synergetics began general discussions concerning a possible strategic business combination in July 2003. On July 10, 2003 they entered into a Confidentiality and Non-Disclosure agreement and proceeded to engage in negotiations which eventually resulted in the merger of the two companies.

11. On May 3, 2005, Valley Forge and Synergetics jointly announced a definitive agreement to merge the two companies. On May 3, 2005, the day of the merger announcement, Valley Forge common stock closed at \$2.30, an increase of \$0.43, or 23 percent, from the prior trading day's close of \$1.87 per share.

Manne's Unlawful Trading

12. In May 2004, a Valley Forge director who became, in February 2005, Valley Forge's chief operating officer (hereinafter "Chief Operating Officer"), became the principal negotiator for Valley Forge in connection with its merger discussions with Synergetics.

13. Manne and the Chief Operating Officer have had a close personal and professional relationship for more than 30 years and typically spoke to each other twice a month about current events in their personal and professional lives. In addition, they have been involved in business ventures over the years in which they jointly invested in

medical device companies similar to Valley Forge and Synergetics. As a result of their relationship, Manne and the Chief Operating Officer had a history, pattern and practice of sharing confidences.

14. Manne knew, during the relevant time period, that the Chief Operating Officer was a Valley Forge director and that he had access to confidential information about the merger negotiations.

15. In February 2005, the Chief Operating Officer resigned from Valley Forge's board of directors to take on a new role as the company's chief operating officer, and his position on the board became vacant. In early February 2005, the Chief Operating Officer asked Manne if he would be interested in replacing him on Valley Forge's board. At that time, the Chief Operating Officer told Manne that Valley Forge was involved in discussions with several potential sale or merger partners, including Synergetics, and that, as a director, Manne would be involved in these matters. The Chief Operating Officer told Manne that this information was confidential and that he could not trade on the information, and Manne agreed.

16. Nevertheless, on 45 occasions between February 14, 2005 and May 3, 2005, in breach of a duty of trust and confidence he owed to the Chief Operating Officer, Manne misappropriated material nonpublic information concerning the merger negotiations for his own use.

17. Between February 14, 2005 and May 3, 2005, Manne purchased 105,680 shares of Valley Forge common stock in 45 trades on 34 separate days, while in possession of material nonpublic information concerning Valley Forge's merger negotiations.

18. By trading in Valley Forge securities on the basis of material nonpublic information in breach of a duty of trust and confidence, Manne knowingly or recklessly engaged in a device, scheme, artifice, act, practice or course of business that operated as a fraud and deceit upon other persons.

19. Although Manne did not sell his shares immediately after the merger announcement date, as a result of his unlawful trading Manne realized potential profits of \$85,601.

CLAIM

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder

20. Paragraphs 1 through 19 are realleged and incorporated herein by reference.

21. As a result of the conduct alleged herein, defendant Manne, knowingly or recklessly, in connection with the purchase or sale of securities, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or the mails, or the facilities of a national securities exchange:

(a) employed devices, schemes or artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

22. By reason of the foregoing, defendant Manne violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

WHEREFORE, the Commission respectfully requests that this Court:

I.

Permanently restrain and enjoin defendant Manne from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

II.

Order defendant Manne to disgorge the unlawful profits from his trades as alleged in this Complaint, together with prejudgment interest thereon.

III.

Order defendant Manne to pay a civil penalty, pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1].

IV.

Grant such other and further relief as the Court may deem just and appropriate.

Respectfully submitted,

s/ Amy J. Greer

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Dated: March 4, 2008