SAFEGUARD SCIENTIFICS INC
Form DEF 14A
April 08, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

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))
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

SAFEGUARD SCIENTIFICS, 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):

x 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:

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(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

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SAFEGUARD SCIENTIFICS, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Dear Safeguard Shareholder:

You are invited to attend the Safeguard Scientifics, Inc. 2014 Annual Meeting of Shareholders.

DATE AND TIME:	May 22, 2014, 8:00 a.m. Eastern Time
PLACE:	Courtyard Philadelphia Valley Forge/King of Prussia 1100 Drummers Lane, Wayne, PA 19087
RECORD DATE:	Only shareholders who owned stock at the close of business on March 28, 2014, can vote at this meeting and any adjournments that may take place.
ITEMS OF BUSINESS:	Vote on the election of nine directors; Vote on a non-binding, advisory resolution to approve the compensation of our named executive officers; Vote on a proposal to amend and restate our 2004 Equity Compensation Plan to increase the number of shares of our common stock reserved for issuance by 2,200,000 shares, or from 2,166,666 shares to 4,366,666 shares, and to make certain other clarifying changes and updates; Vote on the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2014; and Consider such other business as may properly come before the meeting.

YOUR VOTE IS IMPORTANT TO US. We encourage you to read the proxy statement and submit your proxy or voting instructions as soon as possible to ensure your representation at the annual meeting, regardless of whether you plan to attend in person.

April 8, 2014

By Order of the Board of Directors,

Deirdre Blackburn, *Corporate Secretary*

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 22, 2014

The Notice of Annual Meeting, Proxy Statement and our Annual Report for the fiscal year ended December 31, 2013, are available at www.safeguard.com/proxy.

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PROXY STATEMENT

FOR ANNUAL MEETING OF SHAREHOLDERS

QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING

When and where is the annual meeting?

Safeguard s annual meeting is being held on May 22, 2014, at 8:00 a.m. Eastern Time at Courtyard Philadelphia Valley Forge/King of Prussia, 1100 Drummers Lane, Wayne, PA 19087. You may obtain directions to the meeting at www.safeguard.com/annualmeeting.

Do I need a ticket or proof of Safeguard ownership to attend the annual meeting?

You will not need a ticket to attend the annual meeting. However, only persons with evidence of stock ownership, or who are guests of Safeguard, may attend and be admitted to the annual meeting. Photo identification, such as a valid driver s license or passport, will be required. If you are not a shareholder of record but hold shares through a broker, trust company, bank or other nominee, you will need to provide proof of beneficial ownership on the record date, such as a legal proxy from your broker, trust company, bank or other nominee, your most recent brokerage account statement prior to March 28, 2014 (the record date for determining the shareholders entitled to vote at the annual meeting), a copy of the voting instruction form provided by your broker, trustee or other nominee, or other similar evidence of ownership. If you do not have photo identification and proof that you own Safeguard shares, you will not be admitted to the annual meeting.

Why am I receiving these materials?

You are receiving Safeguard s annual report, notice of annual meeting, proxy statement and a proxy card or voting instruction form because you owned shares of Safeguard stock on March 28, 2014. This proxy statement contains detailed information relating to the proposals on which we would like you, as a shareholder, to vote. The proxy card or voting instruction form is used for voting on the proposals. The annual report, notice of annual meeting and proxy statement also are available on the Internet at www.safeguard.com/proxy.

How many shares must be present to hold the annual meeting?

To hold our annual meeting, a quorum must be present. A quorum is a majority of our outstanding shares entitled to vote as of March 28, 2014, present in person or represented by proxy. Abstentions and broker non-votes are treated as present for quorum purposes.

Who can vote at the annual meeting?

You can vote your shares of common stock at our annual meeting if you were a shareholder at the close of business on March 28, 2014, the record date for our annual meeting. On the record date, we had 21,238,641 shares of common stock issued and outstanding, each of which entitles the holder to one vote for each matter to be voted on at our annual meeting. In the election of directors, shareholders may elect to cumulate their votes as described below under ***What does cumulative voting mean?***

What does cumulative voting mean?

Cumulative voting applies only in the election of directors. It means that you may cast a number of votes equal to the number of Safeguard shares you own multiplied by the number of directors to be elected. For example, since nine directors are standing for election at the annual meeting, if you hold 100 shares of Safeguard stock, you may cast 900 votes (nine times 100) in the election of directors. You may distribute those votes among as few or as many of the nine nominees as you wish. In other words, in the example provided, you may cast all 900 votes **FOR** one nominee or allocate your 900 votes among two or more nominees, as long as the total equals 900 votes.

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If you received a proxy card and wish to vote cumulatively, you must:

Check the appropriate box under item 1 on the proxy card; and

Write the name of each nominee and the number of votes to be cast for each nominee in the space provided.

If you vote cumulatively, please check to be sure that the votes you cast add up to the number of shares you own multiplied by nine. If the number of votes does not add up correctly, your votes will not be counted until a properly completed proxy card has been received.

The cumulative voting feature for the election of directors also is available by voting in person at the annual meeting; however, it is not available if you vote by telephone or the Internet. If you are the **beneficial owner** of shares held in street name and wish to vote cumulatively, you will need to contact your broker, bank or other nominee holder of your shares.

What is the difference between holding shares as a shareholder of record and as a beneficial owner ?

Most of Safeguard s shareholders hold their shares through a broker, bank or other nominee rather than directly in their own name. There are important distinctions between shares held of record and those owned beneficially.

Shareholder of Record. If your shares are registered directly in your name with our transfer agent, Computershare, you are considered the **shareholder of record** with respect to those shares, and these proxy materials are being sent to you directly by Safeguard. You have the right to grant your voting proxy directly to Safeguard or to vote in person at the annual meeting. Safeguard has enclosed a proxy card for your use in voting your shares.

Beneficial Owner. If your shares are held in street name (such as in a brokerage account or by another nominee, such as a bank or trust company), you are considered the **beneficial owner** of the shares, and these proxy materials, together with a voting instruction form, are being forwarded to you by your broker or other nominee. You have the right to direct your broker or other nominee how to vote your shares, but unless you receive a proxy from your broker, you cannot vote your shares directly or by proxy you must instruct your broker or other nominee as to how to vote your shares. You also are invited to attend the annual meeting. However, to vote your shares at the annual meeting, you will need a legal proxy from your broker or other nominee.

How do I vote my shares?

	If you are a shareholder of record	**If you are a beneficial owner**
By Internet or smartphone (24 hours a day)	www.investorvote.com/SFE or scan the QR code on your proxy card with your smartphone	www.proxyvote.com
By telephone (24 hours a day)	1-800-652-VOTE (8683)	Call the toll-free number indicated on your voting instruction form

By mail	Return a properly executed and dated proxy card in the pre-paid envelope provided	Return a properly executed and dated voting instruction form by mail or by such other method(s) your broker or other nominee makes available
In person at our annual meeting	Instructions on attending our annual meeting in person can be found above	You must obtain a legal proxy from the organization that holds your shares if you wish to attend our annual meeting and vote in person. Additional instructions on attending our annual meeting in person can be found above

Telephone and Internet voting will close at 11:59 p.m. Eastern Time the day prior to the annual meeting date.

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How does Safeguard s Board recommend I vote and what vote is required for adoption or approval of each matter to be voted on?

Proposal	Directors Recommendation	Vote Required
Board of Directors	**FOR** all nominees	The nine nominees who receive the highest number of **FOR** votes at the annual meeting will be elected as directors
Advisory vote to approve executive compensation	**FOR** the resolution approving the compensation of our named executive officers	Affirmative vote of the majority of the votes cast by shareholders entitled to vote for the proposal
Approval of the amended and restated 2004 Equity Compensation Plan	**FOR** approval of the amended and restated 2004 Equity Compensation Plan	Affirmative vote of the majority of the votes cast by shareholders entitled to vote for the proposal
Ratification of appointment of independent registered public accounting firm	**FOR** ratification of the appointment of KPMG LLP	Affirmative vote of the majority of the votes cast by shareholders entitled to vote for the proposal

Unless a contrary choice is specified, proxies solicited by our Board will be voted for the election of our director nominees and for each of the other proposals. Our Board requests discretionary authority to cumulate votes in the election of directors and to vote on any other matters that may properly arise at the annual meeting.

What are my choices for casting my vote on each matter to be voted on?

Proposal	Voting Options	Effect of Withheld Votes or Abstentions	Broker Discretionary Voting Allowed?	Effect of Broker Non-votes
Election of Directors	FOR or WITHHOLD (for each director nominee)	No effect not counted as a vote cast	No	No effect, assuming a quorum is present
Advisory vote to approve executive compensation	FOR, AGAINST or ABSTAIN	No effect not counted as a vote cast	No	No effect, assuming a quorum is present
			No	

Approval of the amended and restated 2004 Equity Compensation Plan	FOR, AGAINST or ABSTAIN	No effect not counted as a vote cast		No effect, assuming a quorum is present
Ratification of appointment of independent registered public accounting firm	FOR, AGAINST or ABSTAIN	No effect not counted as a vote cast	Yes	No effect, assuming a quorum is present

What is a broker non-vote?

A broker non-vote occurs when your broker submits a proxy for the meeting with respect to the ratification of the appointment of our independent registered public accounting firm but does not vote on non-discretionary matters because you did not provide voting instructions on those matters.

Will my shares be voted if I do not sign and return my proxy card or voting instruction form or give specific voting instructions when I deliver my proxy or voting instruction form?

Shareholder of Record. If you do not provide a proxy, your shares will not be voted unless you attend our annual meeting and vote your shares. If you return your proxy card and indicate that you wish to vote as recommended by our Board or if you sign your proxy card but do not mark any boxes showing how you wish to vote, then the proxy holders designated by our Board to act on behalf of shareholders will vote your shares and cumulate your votes as recommended by our Board and, in their discretion, will vote on any other matters which may properly arise at the annual meeting.

Beneficial Owner. If you do not provide your broker or other nominee with voting instructions, your broker may cast a vote on your behalf for ratification of the appointment of our independent registered public accounting firm or leave your shares unvoted. Your broker may not vote on your behalf on any other proposals, absent specific instructions from you.

What do I do if I change my mind after I vote my shares?

If you are a **shareholder of record**, you may change your vote at any time prior to the vote at our annual meeting by:

- Re-voting by telephone or via the Internet (only your latest vote will be counted); note that telephone and Internet voting will close at 11:59 p.m. Eastern Time the day prior to our annual meeting date;

- Submitting another proxy card with a later date (again, only your latest vote will be counted);

- Sending written notice to our Corporate Secretary (which must be received at our corporate headquarters no later than 5:00 p.m. Eastern Time the day before our annual meeting) stating that you would like to revoke (that is, cancel) your proxy; or

- Voting in person at our annual meeting.

If you are the **beneficial owner** of shares held in street name, you may submit new voting instructions by following the instructions provided by your broker or other nominee. You also may vote in person at the annual meeting if you obtain a legal proxy from your broker or other nominee authorizing you to vote at our annual meeting.

Who will count the votes?

A representative of Safeguard will count the votes and act as the judge of election.

What is householding and how does it affect me?

If you and other residents at your mailing address are the **beneficial owner** of shares held in street name, your broker or other nominee may have notified you that your household will receive only one annual report and proxy statement for each company in which you hold stock through that broker or other nominee. This practice is commonly referred to as householding and potentially provides extra convenience for shareholders and cost savings for companies. Unless you responded that you did not want to participate in householding, you were deemed to have consented to the process. Therefore, your broker or other nominee will send only one copy of our annual report and proxy statement to your address; however, each shareholder in your household should continue to receive a separate voting instruction form.

If you are the **beneficial owner** of shares held in street name and you would like to receive your own set of our annual report and proxy statement in the future, or if you share an address with another Safeguard shareholder and together both of you would like to receive only a single set of Safeguard annual documents, please contact your broker or other nominee.

If you are currently subject to householding and would like to receive an individual copy of this year s annual report or proxy statement, we will promptly send a copy to you if you send a written request to Safeguard Scientifics, Inc., Attention: Investor Relations, 435 Devon Park Drive, Building 800, Wayne, PA 19087 or call 1-877-506-7371.

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ITEM 1 ELECTION OF DIRECTORS

Our directors are elected annually and serve until the next annual meeting of shareholders. All of the nominees for this year s election are currently serving as directors. Each nominee has consented to serve until the next annual meeting if elected. If any director is unable to stand for re-election after distribution of this proxy statement, the Board may reduce its size or designate a substitute. If the Board designates a substitute, proxies voted on the original director candidate will be cast for the substituted candidate.

Director Nominee Experience and Qualifications

Our Board believes that the Board should collectively possess a broad range of skills, expertise, industry and other knowledge, and business experience that meets the needs of our corporate strategy and provides effective oversight of our business. The Nominating & Corporate Governance Committee has developed a matrix of skills and experience which it has determined would be beneficial to have represented on our Board. The Nominating & Corporate Governance Committee regularly reviews the appropriate skills and experience required of directors in the context of the fit between Safeguard s needs regarding its Board composition and the individual skills and experience of the current Board members.

The Nominating & Corporate Governance Committee does not have a formal policy with respect to diversity. However, the Nominating & Corporate Governance Committee s charter provides that the committee shall seek members from diverse backgrounds and will evaluate nominees for election to our Board with the objective of recommending a group that through its diversity of experience can provide relevant advice and counsel to management. The Board and the Nominating & Corporate Governance Committee believe that it is essential that our Board members have diverse professional experience and differences in viewpoints and skills.

In considering whether to recommend any candidate for inclusion in the Board s slate of recommended director nominees, the Nominating & Corporate Governance Committee considers the needs of the Board as a whole as well as the staffing needs of each of its committees. With respect to the nomination of continuing directors for re-election, an individual s past contributions to the Board also are considered. The Board monitors the effectiveness of this approach via an annual internal board and peer assessment, as well as ongoing director succession planning discussions by the Board and its Nominating & Corporate Governance Committee. From time to time, the Nominating & Corporate Governance Committee may conduct informal or formal searches and consider specific new candidates for potential nomination for election or for appointment to our Board. In considering potential director candidates, the Nominating & Corporate Governance Committee seeks the following attributes for director nominees:

- A strong record of personal integrity and ethical conduct;

- A leader in the companies or institutions with which he or she is affiliated;

- Competencies, skills and experiences that are complementary to the background and experience represented on Safeguard s Board and that meet the needs of Safeguard s strategy and business;

- A willingness and ability to devote sufficient time to fulfill his or her responsibilities to Safeguard and our shareholders;

- The ability to represent the long-term interests of our shareholders; and

- The ability to provide relevant advice and counsel to management and best perpetuate the success of Safeguard s business.

As part of its ongoing review of Board composition, in late 2013, the Nominating & Corporate Governance Committee recommended to the Board that the retirement age of 75 specified in Safeguard s Corporate Governance Guidelines be waived for Mr. Lietz for one year to allow him to stand for re-election at the 2014 annual meeting and provide continuity of leadership to the Board. The Board concurred with the Nominating & Corporate Governance Committee s recommendation.

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2014 Nominees for Director

Our Board believes that all of the nominees named below are highly qualified and bring to the Board the executive leadership skills and experience required for service on our Board. The biography of each of our director nominees includes the specific experiences, qualifications, attributes and skills that caused the Nominating & Corporate Governance Committee and our Board to determine that the individual should be nominated to serve as a director until our 2015 annual meeting, given our business and structure.

The Board recommends a vote FOR each nominee. The nine nominees who receive the highest number of affirmative votes will be elected as directors.

Andrew E. Lietz, age 75

Chairman of the Board

Director since: 2003

Safeguard Board Committees: Capital Management, Compensation

Other public directorships: Amphenol Corporation

Former public directorships within past five years:

DDi Corp. and Omtool Corporation

Career Highlights:

- Managing Director and Founder, Rye Capital Management, private equity investment firm (2001 2008)
- Executive Chairman, Clare Corporation, manufacturer of integrated circuits, solid-state relays and electronic switches (2000 2002)
- President and Chief Executive Officer (1995 2000) and other executive positions (1985 1995), Hadco Corporation, global manufacturer of electronic interconnect products and services

Experience and Qualifications: Mr. Lietz has more than 40 years of corporate management experience, including strategic planning; operations management; capital markets transactions; debt and equity financings; merger and acquisition transactions; and more than 20 years service in public sector activities and on public company boards.

Stephen T. Zarrilli, age 52

Other public directorships: Nutrisystem, Inc.

President and Chief Executive Officer

Former public directorships within past five years:

Director since: 2012

Clarient, Inc.

Safeguard Board Committees: Capital Management

Career Highlights:

- President and Chief Executive Officer (November 2012 present); Senior Vice President and Chief Financial Officer (June 2008 November 2012); and Acting Chief Administrative Officer and Acting Chief Financial Officer (December 2006 June 2007), Safeguard Scientifics, Inc.
- Co-founder and Managing Director, Penn Valley Group, a middle-market management advisory and private equity firm (2004 June 2008)
- Chief Financial Officer, Fiberlink Communications Corporation (2001 2004)
- Chief Executive Officer, Concellera Software, Inc. (2000 2001)
- Chief Executive Officer (1999 2000) and Chief Financial Officer (1994 1998), US Interactive, Inc. (a public company which filed for bankruptcy protection in 2001)
- Deloitte & Touche (1983 1994)

***Experience and Qualifications*: ** Mr. Zarrilli has more than 30 years of experience in corporate finance and accounting, general operations and executive management; capital markets transactions; debt and equity financings; merger and acquisition transactions; and emerging ventures.

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Julie A. Dobson, age 57

Director since: 2003

Safeguard Board Committees: Compensation (Chair),

Nominating & Corporate Governance

Other public directorships: American Water Works Company Inc., PNM Resources, Inc. and RadioShack Corporation

Former public directorships within past five years: LCC International, Inc.

Career Highlights:

- Chief Operating Officer, Telecorp PCS, Inc., a wireless/mobile phone company that was acquired by AT&T Wireless, Inc. (1998 2002)
- Various executive positions during her 18-year career with Bell Atlantic Corporation, including President, Bell Atlantic Corporation s New York/New Jersey Metro Region mobile phone operations, Vice President of Bell Atlantic Enterprises Corporation, and President and Chief Executive Officer of Bell Atlantic Business Systems International

Experience and Qualifications: Ms. Dobson has 22 years of corporate and entrepreneurial experience, including experience relevant to corporate finance and accounting matters; strategic planning, corporate development and operations management; capital markets transactions; and debt and equity financings. Ms. Dobson also has relevant experience growing businesses organically and through merger and acquisition transactions and experience serving on public company boards and the principal committees thereof.

Keith B. Jarrett, Doctor of Business Administration,

age 65

Director since: 2012

Safeguard Board Committees: Audit, Capital Management

Other public directorships: Trustee, Eagle Mutual Funds of Raymond James Financial

Former public directorships within past five years: None

Career Highlights:

Co-founder and Principal, Rockport Funding, LLC, a specialty finance start-up company incubator and private equity investment boutique (2003 present)

Founding Executive, Thomson Financial, a leading vendor of information and technology solutions to the global financial community, including service as the CEO of Thomson Financial International for seven years, founding and directing its Corporate Venture Capital Group, and founding and developing many of its Straight Through Processing initiatives (1986 2001)

Experience and Qualifications*:* Dr. Jarrett has more than 25 years of experience in venture capital, private equity and finance technology. Dr. Jarrett also has domain expertise in the medical information technology sector and has relevant experience in capital markets transactions; global strategic planning and business development; and growing businesses organically and through merger and acquisition transactions.

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George MacKenzie, age 65

Director since: 2003

Safeguard Board Committees: Audit (Chair), Nominating & Corporate Governance

Other public directorships: American Water Works Company Inc. (Chair) and Tractor Supply Company

Former public directorships within past five years: C&D Technologies, Inc.

Career Highlights:

- Interim Chief Executive Officer, American Water Works Company, Inc., a provider of water services in North America (January April 2006)
- Interim Chief Executive Officer, C&D Technologies, Inc., a technology company that markets systems for the conversion and storage of electrical power (March July 2005)
- Executive Vice President and Chief Financial Officer, P.H. Glatfelter Company, a manufacturer of specialty papers and engineered products (September 2001 June 2002)
- Vice Chairman (2000 2001) and Chief Financial Officer (1995 2001) of, and several other executive positions during his 22-year career with, Hercules, Incorporated, a global chemical specialties manufacturer

Experience and Qualifications: Mr. MacKenzie has extensive experience in corporate finance and accounting. He has served as the chief financial officer of a publicly traded company, and he is a certified public accountant. Mr. MacKenzie also has experience in capital markets transactions; debt and equity financings; global strategic planning and operations management; merger and acquisition transactions; and risk management. In addition, he has extensive public company board experience, including service on multiple audit, compensation and nominating and corporate governance committees.

George D. McClelland, age 67

Director since: 2006

Safeguard Board Committees: Audit, Compensation, Nominating & Corporate Governance (Chair)

Other public directorships: None

Former public directorships within past five years: None

Career Highlights:

Co-founder, Vice Chairman and Director of Business Development of F Squared Investments, an investment management company (2006 2013)

Chairman, CEO and co-founder of eSecLending, a provider of securities lending services to the pension industry (2000 2001)

Senior Vice President, United Asset Management Corporation, a public holding company (1994 2001)

Multiple corporate management roles, FMC Corp., a diversified financial services company (1987 1991)

Corporate Treasurer, Data General Corporation, a technology company (1972 1987)

Experience and Qualifications*:* Mr. McClelland has extensive experience in corporate finance, treasury and accounting; capital markets transactions; debt and equity financings; venture investment; investment management; merger and acquisition transactions; and risk management. He also has entrepreneurial experience as a founding member of multiple companies; extensive domain expertise in the technology, healthcare and financial sectors; and public and private company board service experience.

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Jack L. Messman, age 74

Director since: 1994

Safeguard Board Committees: Capital Management, Nominating & Corporate Governance

Other public directorships: AMG Advanced Metallurgical Group N.V. and RadioShack Corporation

Former public directorships within past five years: Timminco Limited

Career Highlights*:*

- Chairman and Chief Executive Officer, Novell, Inc., a provider of infrastructure software products (2001 2006)
- Chief Executive Officer and President of Cambridge Technology Partners, an e-business systems integration company (1999 2001)
- Chairman and Chief Executive Officer, Union Pacific Resources Group, an oil and gas exploration and production company (1991 1999)
- Chairman and Chief Executive Officer, USPCI, Inc., environmental services company (1988 1991)

Experience and Qualifications*:* Mr. Messman has extensive experience in treasury and financial planning matters; capital markets transactions; debt and equity financings; strategic planning and operations management; and merger and acquisition transactions. In addition, he possesses domain expertise in the technology sector and public and private company board service experience.

John J. Roberts, age 69

Director since: 2003

Safeguard Board Committees: Audit, Compensation

Other public directorships: Armstrong World Industries, Inc., Vonage Holdings Corp., Inc. and Trustee, Pennsylvania Real Estate Investment Trust

Former public directorships within past five years: None

Career Highlights*:*

- Global Managing Partner and a Member of the Leadership Team, PricewaterhouseCoopers LLP at the time of his retirement in June 2002, completing a 35-year career with the professional services firm during which he served in a variety of client service and operating positions

Experience and Qualifications*:* Mr. Roberts is a certified public accountant and has extensive experience in corporate finance and accounting; capital markets transactions; debt and equity financings; global strategic planning, corporate development and operations management; management and technology consulting; risk management; and merger and acquisition transactions. He also has public and private company board service experience, including service on multiple audit committees.

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Robert J. Rosenthal, PhD, age 57

Other public directorships: None

Director since: 2007

Former public directorships within past five years: None

Safeguard Board Committees: Audit, Capital Management (Chair)

Career Highlights:

- Chairman and Chief Executive Officer, IMI Intelligent Medical Implants, AG, a medical technology company (2010 2012)
- President and Chief Executive Officer, Magellan Biosciences, Inc., a provider of clinical diagnostics and life sciences research tools (October 2005 2009)
- President and Chief Executive Officer, TekCel, Ltd., a provider of life sciences research tools (2003 2007)
- President and Chief Executive Officer, Boston Life Sciences, Inc., a diagnostic and therapeutic development company (2002 2003)
- President and Chief Executive Officer, Magellan Discovery Technologies, LLC, a life sciences acquisition company (2001 2002)
- Senior Vice President, Perkin Elmer Corporation and President of its instrument division (1999 2000)
- Various executive positions, Thermo Optek Corporation (1995 1999)

Experience and Qualifications*:* Dr. Rosenthal has 20 years of experience relating to companies involved in the development of diagnostics, therapeutics, medical devices, and life sciences tools. His specific experience includes strategic planning and positioning; corporate and product development; operations management; capital markets transactions; debt and equity financings; fund-raising; merger and acquisition transactions; and corporate finance. Dr. Rosenthal also has significant public and private company board experience.

Skills and Qualifications of Board

The following table includes the skills and qualifications of each director that led our Board to conclude that the director is qualified to serve on our Board.

	Andrew Lietz	**Stephen Zarrilli**	**Julie Dobson**	**Keith Jarrett**	**George MacKenzie**	**George McClelland**	**Jack Messman**	**John Roberts**	**Robert Rosenthal**
Operational / Direct	ü	ü	ü	ü		ü	ü	ü	ü
Management Experience:		ü	ü			ü			

Healthcare Technology Capital Markets Experience	ü	ü	ü	ü	ü	ü	ü	ü	ü
Private Equity / Venture Capital Industry Experience	ü	ü	ü	ü	ü	ü	ü	ü	ü
Financial Expertise / Literacy	ü	ü	ü	ü	ü	ü	ü	ü	ü
C-level Experience	ü	ü	ü	ü	ü	ü	ü	ü	ü
Other Public / Private Director Experience	ü	ü	ü	ü	ü	ü	ü	ü	ü

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CORPORATE GOVERNANCE AND BOARD MATTERS

Safeguard s Corporate Governance Guidelines, Code of Business Conduct and Ethics, Audit Committee Charter, Compensation Committee Charter and Nominating & Corporate Governance Committee Charter are available at www.safeguard.com/governance. The Code of Business Conduct and Ethics is applicable to all employees of Safeguard, including each of our executive and financial officers, and the members of our Board. Safeguard intends to post information regarding amendments to or waivers from our Code of Business Conduct and Ethics (to the extent applicable to Safeguard s directors or executive officers) in the Corporate Governance section of our website. Our website is not part of this proxy statement. All references to our website address are intended to be inactive textual references only.

Board Independence. Safeguard s common stock is listed on the New York Stock Exchange (NYSE). To assist the Board in making independence determinations, the Board has adopted categorical standards which are reflected in our Corporate Governance Guidelines. Generally, under these standards, a director does not qualify as an independent director if any of the following relationships exist:

- Currently or within the previous three years, the director has been employed by us; someone in the director s immediate family has been one of our executive officers; or the director or someone in the director s immediate family has been employed as an executive officer of another company where any of our present executive officers at the same time serves or served on that company s compensation committee;

- The director is a current partner or employee, or someone in the director s immediate family is a current partner of, a firm that is our internal or external auditor; someone in the director s immediate family is a current employee of the firm and personally works on our audit; or the director or someone in the director s immediate family is a former partner or employee of such a firm and personally worked on our audit within the last three years;

- The director or someone in the director s immediate family received, during any 12-month period within the last three years, more than $120,000 in direct compensation from us (other than director and committee fees and pension or other forms of deferred compensation for prior service that are not contingent in any way on continued service);

- The director is a current employee or holder of more than 10% of the equity of another company, or someone in the director s immediate family is a current executive officer or holder of more than 10% of the equity of another company, that has made payments to or received payments from us, in any of the last three fiscal years of the other company, that exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues; or

- The director is a current executive officer of a charitable organization to which we have made charitable contributions in any of the charitable organization s last three fiscal years that exceed the greater of $1 million or 2% of that charitable organization s consolidated gross revenues.

The Board has determined that Julie Dobson, Keith Jarrett, Andrew Lietz, George MacKenzie, George McClelland, Jack Messman, John Roberts and Robert Rosenthal have no direct or indirect material relationships with us other than their directorship and, therefore, are independent within the meaning of the NYSE listing standards and satisfy the categorical standards contained in our Corporate Governance Guidelines. Mr. Zarrilli, our President and Chief Executive Officer, is our only non-independent director.

Director Attendance at Meetings. At the date of this proxy statement, Safeguard s Board has nine members and four standing committees. The Board held six meetings in 2013 and committees of the Board held a total of 25 meetings. Each incumbent director attended well over 75% of the total number of meetings of the Board and committees of which he or she was a member during 2013. Overall attendance at such meetings was approximately 93%. Each year, the Board meets on the same day as the annual meeting of shareholders. Although there is no policy requiring Board members to attend the annual meeting, all Board members are encouraged to attend and typically do so. Eight of our directors attended our 2013 annual meeting.

Executive Sessions of the Board. Under our Corporate Governance Guidelines and NYSE listing standards, non-employee directors meet in executive session at each regularly scheduled Board meeting, outside of the presence of any management directors and any other members of Safeguard s management. The Chairman of the Board presides at these sessions.

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Leadership Structure and Committee Composition. Based upon the recommendation of our Nominating & Corporate Governance Committee, the Board has determined that separating the roles of the Chief Executive Officer and Chairman of the Board is in the best interests of the shareholders at the present time. The Board views the role of the Chief Executive Officer as having responsibility for the day-to-day leadership and performance of Safeguard, while the Chairman of the Board provides guidance to the Chief Executive Officer, sets the agenda for Board meetings and presides over meetings of the Board.

Based on the recommendation of our Nominating & Corporate Governance Committee, our Board has determined that our current Board committee structure is the most appropriate for Safeguard, at present.

Audit Committee. The Audit Committee held five meetings during 2013. The Audit Committee s responsibilities, which are described in detail in its charter, include, among other duties, the responsibility to:

- Assist the Board in fulfilling its responsibilities regarding general oversight of the integrity of Safeguard s financial statements, Safeguard s compliance with legal and regulatory requirements, and the performance of Safeguard s internal audit function;
- Interact with and evaluate the performance, qualifications and independence of Safeguard s independent registered public accounting firm;
- Review and approve related party transactions; and
- Prepare the report required by SEC regulations to be included in the proxy statement.

The Audit Committee has the sole authority to retain, set compensation and retention terms for, terminate and oversee the relationship with Safeguard s independent registered public accounting firm (which reports directly to the Audit Committee). The Audit Committee also oversees the activities of the internal auditor, reviews the effectiveness of the internal audit function and approves the appointment of the internal auditor. The Audit Committee has the authority to obtain advice, counsel and assistance from internal and external legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties and to receive appropriate funding from Safeguard for such advice and assistance. Although the Audit Committee has the powers and responsibilities set forth in its charter, its role is oversight, and management has primary responsibility for the financial reporting process of Safeguard.

The Board has determined that each member of the Audit Committee meets the independence requirements established by SEC regulations, the NYSE listing standards and our Corporate Governance Guidelines. The Board has determined that Messrs. MacKenzie, McClelland and Roberts and Dr. Rosenthal are audit committee financial experts within the meaning of the SEC regulations, and the Board has determined that each member of the Audit Committee has accounting and related financial management expertise within the meaning of the NYSE listing standards. Mr. Roberts serves as a member of the audit committee of the board of directors of four publicly traded companies, including our Audit Committee. The Board has determined that such simultaneous service does not impair Mr. Roberts ability to effectively serve on our Audit Committee.

Capital Management Committee. The Capital Management Committee held 11 meetings during 2013. As described in detail in its charter, the Board has delegated to the Capital Management Committee the authority to approve, between regularly scheduled Board meetings, the following transactions:

- Follow-on transactions in existing partner companies involving amounts between $5 million and $20 million;
- New transactions involving amounts between $10 million and $20 million; and
- Divestitures of existing partner companies involving amounts between $10 million and $20 million.

Compensation Committee. The Compensation Committee held six meetings during 2013. The Compensation Committee s responsibilities, which are described in detail in its charter, include, among other duties, the responsibility to:

- Approve the philosophy for compensation of our executives and other employees;
- Establish compensation (including base salary, incentive compensation and equity-based programs) for our Chief Executive Officer and other executive officers;
- Administer the long- and short-term compensation and performance-based incentive plans (which are cash and equity based);
- Approve employment agreements and perquisites provided to our executive officers;
- Review management s recommendations for our broad-based employee benefit plans;
- Evaluate and recommend to the Board the compensation for all non-employee directors for service on the Board and its committees; and
- Review and discuss with management the Compensation Discussion and Analysis and recommend to the Board its inclusion in our Annual Report on Form 10-K and proxy statement.

It also is the responsibility of the Compensation Committee to assess Safeguard s compensation policies and practices insofar as they may create risk for Safeguard. The Compensation Committee evaluates this risk annually and in early 2014 made the affirmative determination that it does not believe that any of our compensation policies and practices are reasonably likely to have a material adverse effect on Safeguard. Safeguard s Audit Committee and our Board have concurred in that determination.

The Board has determined that each member of the Compensation Committee meets the independence requirements established by SEC regulations, the NYSE listing standards and our Corporate Governance Guidelines.

Nominating & Corporate Governance Committee. The Nominating & Corporate Governance Committee held two meetings during 2013. The Nominating & Corporate Governance Committee s responsibilities, which are described in detail in its charter, include, among other duties, the responsibility to:

- Establish criteria for the selection of directors;
- Evaluate and consider qualified Board candidates, including those recommended by shareholders;

Recommend to the Board the nominees for director, including nominees for director in connection with Safeguard s annual meeting of shareholders;

Conduct an annual evaluation of the Board and its members and oversee the evaluations of each of the Board committees;

Take a leadership role in shaping Safeguard s corporate governance policies, including developing and recommending to the Board Safeguard s Corporate Governance Guidelines and Code of Business Conduct and Ethics;

Review with management Safeguard s strategic direction and Safeguard s strategic plan and the implementation of management s long-term strategy and to report to the Board on such activities;

Evaluate the performance of the Chief Executive Officer; and

Monitor the process of succession planning for the Chief Executive Officer and executive management.

The Board has determined that each member of the Nominating & Corporate Governance Committee meets the independence requirements established in the NYSE listing standards and by our Corporate Governance Guidelines.

Annual Performance Evaluations. The Nominating & Corporate Governance Committee annually assesses the performance of the Board based on input from all directors and shares its assessment with the Board. The Audit Committee, Capital Management Committee, Compensation Committee and Nominating & Corporate Governance Committee also annually assess their respective performance and committee processes.

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Review and Approval of Transactions with Related Persons. The Board has adopted a written policy which charges the Audit Committee with the responsibility of reviewing with management at each regularly scheduled meeting and determining whether to approve any transaction (other than a transaction that is available to all employees generally on a non-discriminatory basis) between us and our directors, director nominees and executive officers or their immediate family members. Between regularly scheduled meetings of the Audit Committee, management may preliminarily approve a related party transaction, subject to ratification of the transaction by the Audit Committee. If the Audit Committee does not ratify the transaction, management will make all reasonable efforts to cancel the transaction.

Risk Management. Our Board, as a whole and at the committee level, is actively involved in the oversight of risks that affect Safeguard s business. The Compensation Committee is responsible for overseeing the management of risks relating to our compensation plans and arrangements. The Audit Committee oversees the management of financial related risks and related party transactions. The Nominating & Corporate Governance Committee manages risks associated with the independence of our Board and potential conflicts of interest. Although the oversight of certain risks is conducted through committees of the Board, our full Board retains responsibility for risk oversight and no individual committee has been delegated responsibility for such function. Our Board receives reports at each regularly scheduled Board meeting by each committee chair regarding each committee s considerations and actions, as well as regular reports directly from our senior management team regarding particular risks that may impact Safeguard. This allows our Board and its committees to coordinate the risk oversight role and to keep our Board timely apprised of all risks that might impact Safeguard s business.

Communications with Safeguard s Board. Any shareholder or other interested party may communicate with our Board or any specified non-management director(s) by addressing the communication as follows:

c/o Corporate Secretary

Safeguard Scientifics, Inc.

435 Devon Park Drive, Building 800

Wayne, PA 19087-1945

The guidelines for communications with our Board are available on our website at www.safeguard.com/governance.

Process for Nominating Potential Director Candidates. In addition to its other responsibilities, the Nominating & Corporate Governance Committee is responsible for screening potential director candidates and recommending qualified candidates to the Board for nomination. The Nominating & Corporate Governance Committee may use any number of methods to identify and evaluate potential director nominees, including personal, management and industry contacts; recruiting firms; and candidates recommended by shareholders.

The Nominating & Corporate Governance Committee considers properly submitted shareholder recommendations of director candidates in substantially the same manner as it considers director candidate recommendations from other sources. Any shareholder recommendation must include the following: the nominee s name and the information about the nominee that would be required in a proxy statement under the SEC s rules; information about the relationship between the nominee and the nominating shareholder; proof of the number of shares of Safeguard common stock that the nominating shareholder owns and the length of time the shares of Safeguard common stock have been owned; and a letter from the nominee certifying his or her willingness to serve, if elected, as a director.

Recommendations should be addressed to the Chairperson, Nominating & Corporate Governance Committee:

c/o Corporate Secretary

Safeguard Scientifics, Inc.

435 Devon Park Drive, Building 800

Wayne, PA 19087-1945

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Board Compensation. During 2013, each of our non-employee directors was compensated for his or her service as a director through cash payments as shown in the table below:

Compensation Item	Amount ($)
Annual Board Retainers (payable relative to a full year of Board service):	
Chairman of the Board	80,000
Other Directors	50,000
Additional Annual Chairperson Retainers (payable relative to a full year of committee service):	
Audit Committee	15,000
Capital Management Committee	15,000
Compensation Committee	10,000
Nominating & Corporate Governance Committee	7,500
Meeting Attendance Fees:	
Board annual strategy meeting	1,500
Committee	1,500

We also reimburse our directors for expenses they incur to attend our Board and committee meetings and for attendance at one director continuing education program during each calendar year or the reasonable cost of one year s membership in an organization which is focused on director education.

In December 2013, at the Compensation Committee s request, Semler Brossy assisted the committee in assessing our Board compensation practices relative to current market practices. After reviewing Semler Brossy s findings and recommendations, the Compensation Committee recommended that the Board increase the annual retainer for the chair of the Nominating & Corporate Governance Committee from $7,500 to $10,000, effective January 1, 2014, in recognition of the increased workload and attention placed on director recruitment.

On May 23, 2013, each non-employee director who stood for re-election at the 2013 annual meeting was awarded a recurring annual service grant which consisted of 5,000 deferred stock units (DSUs). The annual service DSU grants fully vest on the first anniversary of the grant date or, if earlier, once a director reaches age 65. The DSUs represent the right to receive shares of Safeguard common stock, on a one-for-one basis, following the date upon which the director leaves the Board.

Safeguard also maintains a Group Deferred Stock Unit Program for Directors (Directors DSU Program) which allows each outside director, at his or her election, to receive DSUs in lieu of cash retainer and meeting fees paid to each director, as described above, for service on the Board and its committees (Directors Fees). The deferral election applies to Directors Fees to be received for the calendar year following the year in which the election is made and remains in effect for each subsequent year unless the director elects otherwise by the end of the calendar year prior to the year in which the services are rendered. The number of DSUs awarded is determined by dividing the Directors Fees by the fair market value of Safeguard s stock on the date on which the director would have otherwise received the Directors Fees. Each director also receives a number of matching DSUs, based on the same fair market value calculation, equal to 25% of the Directors Fees deferred. A director is always fully vested in DSUs awarded in lieu of Directors Fees deferred; the matching DSUs vest fully on the first anniversary of the date the matching DSUs were credited to the director s account or, if earlier, once a director reaches age 65. Each DSU entitles the director to receive one share of Safeguard common stock following the date upon which the director leaves the Board. A director also may elect to receive the stock in annual installments over a period of up to five years after leaving the Board.

Director Compensation 2013. The following table provides information on compensation earned for services provided during 2013 by each non-employee director who served on our Board at any time during 2013:

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	Option Awards ($)(3)	All Other Compensation ($)	Total ($)(4)
Julie A. Dobson	74,018	83,982			158,000
Keith B. Jarrett	75,500	83,068			158,568
Andrew E. Lietz	105,500	85,999			191,499
George MacKenzie	78,500	79,225			157,725
George D. McClelland	77,518	89,216			166,734
Jack L. Messman	72,500	79,225			151,725
John J. Roberts	66,500	79,225			145,725
Robert J. Rosenthal	86,571	79,225			165,796

(1) The amounts included in this column reflect Directors Fees earned for services provided during 2013, including amounts deferred under our Directors DSU Program. Of the amount of Directors Fees earned for services provided during 2013, Dr. Jarrett deferred payment of 20%, Ms. Dobson and Mr. Lietz each deferred payment of 25%, and Mr. McClelland deferred payment of 50%. Each director received DSUs in lieu of Directors Fees that they deferred and matching DSUs equal to 25% of the Directors Fees that they deferred. Directors who defer fees and receive DSUs are essentially investing in common stock equivalents that are initially valued based on the fair market value of our common stock on the date of issuance. As a result, the value of their DSUs fluctuates with the market value of our common stock.

(2) These amounts do not represent compensation actually received. Rather, these amounts represent the grant date fair values of the matching DSUs and the annual service grant of DSUs computed in accordance with stock-based compensation accounting rules (FASB ASC Topic 718), excluding the effect of estimated forfeitures related to service-based vesting conditions. The fair value of the DSUs is determined by multiplying the number of shares underlying the DSUs by the average of the high and low trading prices of Safeguard s common stock, as reported on the NYSE composite tape, on the grant date. The matching DSUs issued in January 2013 related to fees deferred that were earned during the fourth quarter of 2012. The following table presents the grant date fair value for each DSU award made to each non-employee director during 2013:

	Grant Date Fair Value ($)				
Name	1/15/13	4/15/13	5/23/13	7/15/13	10/15/13
Julie A. Dobson	1,367	1,268	79,225	1,003	1,120
Keith B. Jarrett	921	998	79,225	919	1,004
Andrew E. Lietz	1,813	1,711	79,225	1,537	1,712
George MacKenzie			79,225		
George D. McClelland	2,838	2,662	79,225	1,938	2,552
Jack L. Messman			79,225		
John J. Roberts			79,225		
Robert J. Rosenthal			79,225		

(3)

The directors aggregate holdings of DSUs and stock options to purchase shares of our common stock (both vested and unvested), as of December 31, 2013, were as follows:

Name	DSUs (#)	Stock Options (#)
Julie A. Dobson	30,498	31,664
Keith B. Jarrett	6,682	8,333
Andrew E. Lietz	26,673	15,000
George MacKenzie	19,696	31,664
George D. McClelland	57,000	39,997
Jack L. Messman	52,818	23,332
John J. Roberts	25,376	18,332
Robert J. Rosenthal	21,134	31,665

(4) Directors also are eligible for reimbursement of expenses incurred in connection with attendance at Board and committee meetings. These amounts are not included in the table above.

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Stock Ownership Guidelines. Each non-employee director is expected to own a number of shares of our stock having a value at least equal to a designated multiple of the annual retainer paid to such director for service on our Board. Such ownership is expected to be achieved within the later of five years after an individual s election to our Board or the fifth anniversary following any increase in the required multiple of the annual retainer. Since 2012, the equity position threshold in our stock that is required to be held by non-employee directors is three times the annual cash Board retainer. No sales of stock are permitted during the period in which the ownership requirement has not been met (except for limited stock sales to meet tax obligations), without the approval of the Board. Shares counted toward these guidelines include:

- Outstanding shares beneficially owned by the director;
- Vested shares of restricted stock;
- Vested DSUs that have been credited to the director; and
- The net value of shares underlying vested, in-the-money options (Net Option Value).

For purposes of calculating the value to be used in monitoring compliance with the ownership guidelines, we utilize (a) the greater of the current value or the cost basis of purchased shares; (b) the greater of the current value or fees deferred in connection with vested DSUs; and (c) our trailing six-month average share price in determining Net Option Value.

Based on information they have provided to us, all of our outside directors, with the exception of Dr. Jarrett who joined our Board in 2012, have achieved the required ownership levels.

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ITEM 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION

In 2011, our Board determined that an annual advisory say-on-pay vote on executive compensation would be the most appropriate alternative for Safeguard and approximately 90% of the votes cast by our shareholders at our 2011 annual meeting were voted in favor of future advisory say-on-pay votes being held annually. Accordingly, pursuant to Section 14A of the Securities Exchange Act of 1934, as amended, we are providing our shareholders with the opportunity to endorse or not endorse Safeguard s 2013 executive compensation as described in this proxy statement. Shareholders also may abstain from voting.

In considering your vote, we invite you to review the Compensation Discussion and Analysis beginning on page 19 of this proxy statement. As described in the Compensation Discussion and Analysis, the purpose of Safeguard s compensation policies and procedures is to attract and retain experienced, highly qualified executives crucial to Safeguard s long-term success and enhancement of shareholder value. The Compensation Committee has developed an executive compensation program designed to pay for performance and to align the long-term interests of our named executive officers with the long-term interests of our shareholders. The vote is intended to provide an overall assessment of our executive compensation program rather than focus on any specific item of compensation.

Our Board recommends that shareholders indicate their support for the 2013 executive compensation afforded to Safeguard s named executive officers by voting FOR the following resolution:

RESOLVED, that the compensation paid to Safeguard s named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and related narrative disclosure included in this proxy statement, is hereby APPROVED.

This vote will not be binding on our Board or the Compensation Committee and may not be construed as overruling a decision by our Board or the Compensation Committee or imply any additional fiduciary duty on our Board. Further, it will not affect any compensation paid or awarded to any executive.

Unless our Board modifies its policy on the frequency of future advisory say-on-pay votes, the next advisory say-on-pay vote will be held at our 2015 annual meeting of shareholders.

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Our Compensation Committee (for purposes of this discussion, the Committee) is responsible for establishing our company-wide compensation philosophy and practices, for determining the compensation for our named executive officers, and for approving the compensation for our other senior executives, based on the recommendations of our President and Chief Executive Officer. This Compensation Discussion and Analysis describes our executive compensation program and the compensation decisions made for 2013 for our named executive officers. At December 31, 2013, there were three individuals serving as named executive officers of Safeguard:

Stephen T. Zarrilli	President and Chief Executive Officer
Jeffrey B. McGroarty	Senior Vice President and Chief Financial Officer
Brian J. Sisko	Executive Vice President, Managing Director and Chief Operating Officer

Our senior executive group is currently comprised of a total of eight executives with the title of Senior Vice President or higher, including our named executive officers. This Compensation Discussion and Analysis also describes programs that apply to our senior executive group as a whole.

2013 Business Highlights

We want to highlight some of our key business developments during 2013, because it is an underlying philosophy of the Committee that a significant portion of our senior executives compensation should relate to, and be variable based on, Safeguard s performance.

Overall, the Committee believes that 2013 was a year of outstanding results for Safeguard. Under the leadership of our President and Chief Executive Officer, Stephen T. Zarrilli, who was promoted to that position in November of 2012; Brian J. Sisko, Executive Vice President, Managing Director and Chief Operating Officer; and Jeffrey B. McGroarty, Senior Vice President and Chief Financial Officer, Safeguard showed strong results against many of the metrics that management and the Committee use to assess our performance. Some of the highlights are as follows:

- We deployed $34.1 million of capital into six new partner companies and two other early stage enterprises in 2013. The six new partner companies were balanced between our two principal operating sectors, healthcare (three) and technology (three).

- We deployed an additional $15.3 million in capital to support the growth of our partner companies in which we already had an interest at December 31, 2012.

At the end of 2013, we had 22 partner companies in the healthcare and technology sectors, compared to 18 at the end of 2012.

We maintained a strong balance sheet and replenished cash during 2013, including adding approximately $36.4 million in initial proceeds (excluding an additional escrow of $4.1 million) related to the sale of our former partner company, ThingWorx, Inc., in late December 2013, and adding approximately $15.7 million in initial proceeds (excluding an additional escrow of $1.7 million) from the sale of former partner company, Alverix, Inc., in early January 2014.

We maintained corporate operating expenses (less interest income generated by participating interests in Penn Mezzanine loans and excluding stock-based compensation, severance expenses and transitional service costs paid to our former CEO) at approximately $15.0 million during 2013, while adding additional talent within our deal teams.

Overall, our stock price increased approximately 36% during 2013, outperforming the Russell 2000 Index.

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Change in Named Executive Officers and Responsibilities in 2013

During 2013, our Board promoted Jeffrey B. McGroarty, our then Senior Vice President, Finance, to also serve as our Chief Financial Officer. In addition, James A. Datin, a former Executive Vice President and Managing Director of Safeguard, resigned in June 2013. Mr. Datin s severance payments and benefits upon termination of his employment are discussed below under Severance and Change-in-Control Arrangements.

Effective Corporate Governance Principles

We believe that our executive compensation philosophy is reflected in the corporate governance principles that support our business and align with our shareholders long-term interests. Below is a summary of what we do and what we don t do relating to our executive compensation philosophy.

WHAT WE DO:

- ü **Emphasize variable pay for performance by linking our named executive officers target incentive compensation to Safeguard s financial performance and the attainment of specified metrics**
- ü **Maintain short-term and long-term incentive programs with distinct performance-based measures**
- ü **Apply double-trigger vesting of equity awards to our senior executives upon a change in control**
- ü **Retain an independent compensation consulting firm which provides no other services to Safeguard**
- ü **Maintain a compensation recoupment policy that will permit us to seek reimbursement of cash and incentive compensation and/or equity grants in certain instances of financial statement restatement**
- ü **Maintain meaningful stock ownership guidelines for our senior executives and Board members**

WHAT WE DON T DO:

U **Provide golden parachute excise tax or other tax gross-ups upon a change in control**

U **Provide any material perquisites**

U **Permit repricing of underwater options without shareholder approval**

U **Grant stock option awards or stock appreciation rights (SARs) below 100% fair market value**

U **Permit hedging or short-sales transactions in our stock by our senior executives, or permit the use of Safeguard stock as collateral for indebtedness by our executive officers**

U **Provide a pension plan or special retirement program other than our 401(k) plan, which is available to all employees**

U **Provide post-retirement health coverage**

The Committee reviews our compensation philosophy each year to ensure that its principles and objectives are aligned with our overall business strategy and aligned with the interests of our shareholders in increasing the value of our common stock over the long term. We seek to apply a consistent philosophy across our executive group, not just among our named executive officers.

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Compensation Philosophy and Objectives

Our overall goals in compensating our executives are as follows:

- Attract, retain and motivate executives who are particularly qualified, as a result of their prior professional experience, to shape our business model and pursue our business plan, and whose experience and skills can be leveraged across our partner companies to facilitate the partner companies growth and success;

- Promote and reward the achievement of short-term and long-term corporate and individual objectives that our Board and management believe will lead to long-term growth in shareholder value; and

- Encourage meaningful equity ownership and the alignment of executive and shareholder interests as an incentive to increase shareholder value.

Our executive compensation program is intended to: provide a mix of fixed and variable at-risk cash compensation; balance rewards for short-term performance with our ultimate goal of producing long-term shareholder value; link variable compensation to specific, identifiable metrics that demonstrate value creation for Safeguard; and facilitate executive recruitment and retention. As has been the case in recent years, in 2013, 75% of our executives long-term compensation opportunity was granted subject to capital-return based vesting, under which equity awards vest based on partner company monetizations and the aggregate cash returns produced for Safeguard by such monetizations. The Committee believes this capital-return based vesting directly links our executives compensation opportunity to the accomplishment of specific objectives which, it is believed, will result directly in share price appreciation. Therefore, when the Committee considers the relationships between the different components of our overall compensation philosophy, especially the relationship between fixed compensation and variable annual and long-term incentive compensation opportunity, the Committee carefully considers the challenging performance metrics it incorporates into all of our incentive compensation programs.

Role of the Compensation Committee in Compensation Decisions

The Committee is responsible for the design of our executive compensation program and for making decisions regarding our named executive officers compensation. The Committee also makes, or has final approval authority regarding, all compensation decisions for our other senior executives. Annually, the Committee reviews executive compensation practices, including the methodology for setting total named executive officers compensation, the goals of the program, and the overall compensation philosophy for Safeguard. In setting executive compensation and designing our overall compensation program, the Committee considers the data and advice provided by its independent compensation consultant (as well as information that may be provided by management) to determine the appropriate level, on an absolute and relative basis, of compensation, as well as the mix of compensation components. The Committee has looked to competitive information for guidance rather than rigid adherence to specific percentages. The Committee believes that the overall objectives of its compensation philosophy are better achieved through flexibility. The Committee ultimately makes decisions regarding executive compensation based on its assessment of Safeguard s performance and the achievement of individual, partner company, and corporate goals.

The Committee is also responsible for approving and granting equity awards to our directors, executives, employees and advisory board members, with the exception of certain limited authority which the Committee has delegated to the President and Chief Executive Officer to make equity grants between regularly scheduled Committee meetings (primarily to new hires and new advisory board members). The Committee s responsibilities are more fully described in its charter, which is available at www.safeguard.com/governance.

Role of Executive Officers in Compensation Decisions

Within the parameters approved by the Committee each year, our named executive officers are responsible for evaluating and setting compensation for our other employees. Our President and Chief Executive Officer annually assesses the performance of each other named executive officer and each of his other senior executive direct reports and makes a recommendation to the Committee concerning the achievement by our other named executive officers and senior executives of their individual objectives. Our other named executive officers annually assess the other executives who report to them and make recommendations to our President and Chief Executive Officer concerning the achievement of individual objectives by such executives. In determining the compensation of our executives, the Committee considers our President and Chief Executive Officer s assessment and recommendations. However, other than for compensation that has been established contractually or under quantitative formulas established by the Committee each year under our management incentive plan, the Committee exercises its own discretion in determining whether to accept or modify our President and Chief Executive Officer s recommendations. These individuals are not present when the Committee and our President and Chief Executive Officer review their performance or when the Committee makes its determinations concerning their compensation.

Role of Consultant

During 2013, as in recent years, the Committee engaged Semler Brossy Consulting Group, LLC, an independent compensation consulting firm, to assist the Committee by providing compensation expertise regarding peer group analysis and compensation data, helping the Committee select appropriate performance measures and goals, and advising the Committee regarding evolving compensation best practices and trends. Specifically, Semler Brossy provided information relating to competitiveness of pay levels, compensation plan design, specific equity grant matters, market trends, risk assessment and management and technical considerations concerning named executive officers, other executives and directors. In addition, Semler Brossy also provided information related to specific issues arising during the year. In 2013, these included advising the Committee in connection with compensation adjustments for our Board and regarding proposed changes to our 2004 Equity Compensation Plan, including an increase in the number of shares available for issuance under the plan. Semler Brossy also assisted the Committee with the reporting of executive compensation matters relating to 2013 under applicable SEC disclosure rules. Semler Brossy does not provide services to Safeguard other than those provided to the Committee. Semler Brossy reported to and acted at the direction of, and attended selected meetings as requested by, the Chairperson of the Committee.

The Committee, which has the sole authority to hire and terminate its consultant, evaluates the performance of its consultant annually. In 2013, the Committee considered whether Semler Brossy was independent, pursuant to SEC and NYSE rules and our corporate governance documents, and determined that Semler Brossy and its consultants meet those independence standards. In addition, based on its evaluation of Semler Brossy s independence and information provided by Semler Brossy, the Committee also determined in 2013 that Semler Brossy s services did not present any conflict of interest.

The Committee has utilized the services of Semler Brossy since 2008. Semler Brossy is compensated on an hourly billing basis. Invoices are directed to and reviewed and approved by the Committee Chairperson before payment by Safeguard.

Setting Executive Compensation

The Committee believes that a very significant portion of each executive s total compensation should be variable or at-risk. It is the view of the Committee that the greater the ability of an executive (based on role and responsibilities at Safeguard) to impact Safeguard s achievement of its short- and long-term objectives, the greater the percentage of such executive s overall compensation which should be at-risk. The Committee principally utilizes variable/at-risk cash compensation and performance-based equity awards to accomplish its objectives in this regard.

Safeguard management provides the Committee with comprehensive tally sheets on an annual basis to facilitate the Committee s review of the total compensation of our named executive officers and other senior executives. The Committee has found these tally sheets to be useful in its evaluation of the total compensation program for our named executive officers and other senior executives. From time to time, the Committee requests that supplemental information be included in such tally sheets as its discussions require.

Specifically with regard to our named executive officers, the Committee annually reviews each element of total compensation and compares them to comparable elements at a group of specific companies and industries against which we believe we compete for talent and for shareholder investment, including the venture capital and private equity industries. The Committee also reviews each element of compensation by reference to industry-specific compensation surveys. The analysis provided to the Committee by Semler Brossy at its meeting in October 2012 for purposes of the Committee s consideration of 2013 cash and total compensation levels measured our compensation against data from the following sources:

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Proxy Peer Group Data	g	Business development companies, registered investment companies and holding companies that are representative of the unique nature of our business model for a publicly owned company. Included in this group were: Capital Southwest Corporation; Harris & Harris Group, Inc.; Hercules Technology Growth Capital, Inc.; ICG Group, Inc.; KCAP Financial, Inc.; Main Street Capital Corporation; MCG Capital Corporation; and Triangle Capital Corporation
Venture Capital Survey Data	g	Surveys used included the following: Dow Jones Private Equity Analyst Glocap Compensation Survey US Mercer Benchmark Database Executive (Each of the surveys utilized is broad-based and, therefore, is not highly influenced by the data relating to any one company included in the survey.)

The Committee annually evaluates the companies and surveys used for comparison purposes to be certain that the comparables reviewed by the Committee remain appropriate given mergers/acquisitions that may have occurred and any changes in relevant business scope. In connection with the commencement of its process for its 2013 compensation review, in July 2012, the Committee determined that reviewing compensation from multiple perspectives was still appropriate given Safeguard s unique business model. In reviewing the Proxy Peer Group in connection with that undertaking, the Committee determined that all peers in the peer group remained appropriate. The Committee does not focus on any one single peer or data point in setting compensation levels.

Recognizing that our business strategy, industry focus and diverse array of partner companies make comparisons to other companies difficult, and based on the inherent challenge in matching companies, job positions and skill sets, the Committee has looked to competitive information for general guidance rather than rigid adherence to specific percentages. The Committee has determined that the overall objectives of our compensation philosophy are better achieved through flexibility in determining pay levels to address differences in duties and responsibilities, individual experience, skill levels and achievements, and any retention concerns.

Outcome of the 2013 Say-on-Pay Vote and Shareholder Outreach

At our 2013 annual meeting of shareholders, approximately 78% of our shareholder votes were cast in favor of our say-on-pay proposal on executive compensation. This vote, while overwhelmingly positive, was a decline from the 91% vote in favor in 2012. As part of Safeguard s ongoing investor relations program, our senior management regularly engages with many of our largest shareholders. During 2013, certain of our senior executives, including our President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, and Senior Vice President, Investor Relations and Corporate Communications, met with approximately 28 of Safeguard s largest shareholders, in many cases, multiple times. Safeguard management views this shareholder engagement as an important opportunity to develop strong relationships with our key investors over the long term, and to engage in an open dialogue regarding our business strategy and our specific short-term and long-term objectives, as well as governance and compensation issues. As a result of our shareholder outreach, we believe that our shareholders overwhelmingly support our pay-for-performance policies and our compensation program. Accordingly, after considering the results of the advisory vote on executive compensation in the context of its overall review of Safeguard s compensation policies, and considering our management s discussions with significant shareholders, the Committee has not and does not expect to implement any significant changes to the structure of our executive compensation program for 2014. The Committee will continue to consider the outcome of our shareholders advisory vote on executive compensation and shareholder feedback when making future compensation decisions for our named executive officers.

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2013 Compensation Program

During 2013, the Committee used the following principal elements of executive compensation to meet its overall goals:

Base Pay	g	Fixed cash compensation, based on competitive market practices and existing salary levels, that rewards an executive s core competencies relative to skills, experience, responsibilities and anticipated contributions to us and our partner companies. The Committee reviews salary levels annually in comparison to market data to insure competitive base pay;
Annual Incentives	g	Variable, at-risk, performance-based, short-term incentive compensation, based on competitive market practices and existing incentive compensation levels, that rewards an executive s contributions towards the achievement of annual corporate objectives and an executive s achievement of individual performance objectives. These incentives may be paid in the form of cash or equity at the Committee s discretion, although these have been paid in cash in recent years;
Long-Term Incentives	g	Long-term incentive awards are principally equity-based awards that encourage executive ownership of our stock and promote continued employment with us through the use of vesting based on the achievement of milestones/results which by their nature are long term and/or which are based on extended tenure with Safeguard. These awards align our executives interests with those of our shareholders. The value of the awards to the executive is directly impacted by (i) cash-on-cash realized returns on our partner company deployments and/or (ii) our stock price increases;
Health and Welfare Benefits	g	Benefits that are part of our broad-based employee benefit programs, including medical, dental, life insurance, disability plans, and our 401(k) plan matching contributions; and
Severance and Change-in-Control Arrangements	g	Severance benefits that are payable or which accrue if a particular executive s employment is terminated by Safeguard without cause or by the executive for good reason. These benefits are intended to help us retain certain of our named executive officers and other executives, providing us with continuity of executive management. In the event of a change in control, in certain circumstances, these severance benefits may be increased, which functions as a further retention mechanism.

Base Pay. Base pay is established initially on the basis of several factors, including market competitiveness; past practice; individual performance and experience; the level of responsibility assumed; the level of skills and experience that can be leveraged across our partner companies to facilitate their growth and success; and individual employment negotiations with executives. All of our named executive officers have an agreement with us which sets a minimum base salary.

Base salaries typically are reviewed annually (at the end of one year and the beginning of the upcoming calendar year) by the Committee, as well as in connection with a promotion or other changes in job responsibilities. As noted above, Safeguard believes it competes for executive talent with venture capital and private equity firms, among others. In considering whether to adjust base salary levels of any of our executives for 2013, the Committee took into account:

The proxy peer group and survey data provided by Semler Brossy;

The Committee s assessment of Safeguard s overall performance during 2012 and the ongoing individual performance of each of our named executive officers;

United States economic conditions, in general; and

Changes in scope of job responsibility.

In late 2012, in connection with their promotions, the Committee reviewed the base salaries of Messrs. Zarrilli and McGroarty and approved an increase in each of their base salaries. No further adjustments to base salaries were made for our named executive officers for 2013.

Annual Incentives.

Incentive Opportunity. The Committee annually awards bonuses to our executives under Safeguard s Management Incentive Program (MIP). The MIP is designed to provide a variable short-term incentive to each of our named executive officers and our other executives and employees based on Safeguard s annual performance. These awards are approved annually following the end of each year, based on the Committee s assessment of the achievement by each executive of corporate and individual performance objectives, as measured against the executive s target personal and corporate objectives established at the beginning of the year. Payments may be made in cash and/or equity, in the Committee s discretion. Neither the actual awards to be made under the MIP nor the minimum long-term value of any equity grants made is guaranteed.

In early March 2013, the Committee approved corporate objectives and target award levels for 2013 for our named executive officers and also approved the individual objectives for our President and Chief Executive Officer under the 2013 MIP. The Committee further authorized our President and Chief Executive Officer to approve the 2013 individual objectives for our other senior executives, including our other named executive officers. Finally, the Committee also determined that each of our named executive officers and other senior executives was eligible to receive an award under the MIP based on the following mix of corporate and individual objectives:

80% on the achievement of corporate objectives; and

20% on the achievement of individual objectives.

Our remaining employees also participated in our 2013 MIP, with professional staff incentives based on the same mix of corporate and individual objectives as our executives, and administrative employee incentives based 50% on corporate objectives and 50% on individual objectives.

We believe that short-term compensation (such as base salary and annual incentive awards under the MIP) should not be based solely on the short-term performance of our stock, whether favorable or unfavorable, but rather as well on our executives management of Safeguard towards achieving the annual goals that we believe will contribute to long-term growth in shareholder value. In the past, the Committee has adjusted the relative weightings of corporate and individual objectives for specified employees under our MIP, including our named executive officers, and the Committee may adjust these percentages in the future in light of Safeguard s overall compensation goals.

2013 Performance Measures. In March 2013, the Committee reviewed and approved the 2013 MIP, including the corporate objectives and weightings to align the short-term incentive provided by the 2013 MIP with our 2013 business strategy. Specifically, the Committee approved the following weighting for the corporate objectives:

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Weighting	Corporate Objectives
50% - Partner Company Performance	50% of the total possible points attributable to corporate objectives were based on the achievement by our partner companies of specific performance-related goals (with three measurable goals identified for each partner company). Specifically, the Committee defined three performance-related metrics for each of our partner companies as of December 31, 2012. These pre-defined metrics varied by partner company based on their business plans and strategies and stage of development. A table setting forth a summary of the types of performance metrics for the partner companies in which Safeguard had deployed capital and held an active interest as of the adoption of the 2013 MIP is set forth below. With respect to the achievement of partner company performance goals, the Committee also determined that, for 2013, partner companies would be grouped into three groups, based on the amount of capital deployed into each partner company by Safeguard, with the partner companies representing our largest deployments constituting 50% of the target total points, the middle group of companies constituting 30% of the target total points, and the smaller deployment grouping constituting 20% of the target total points. Weighting of partner companies performance may vary from year to year based on such factors as the Committee determines to be appropriate.
50% - Overall Corporate Performance	50% of the total possible points attributable to corporate objectives were based on the Committee s evaluation of the overall corporate performance of Safeguard during 2013. In March of 2013, the Committee specifically identified the following corporate operating objectives that would be considered in making its assessment of overall corporate performance: capital deployments: specifically, a target of 25 partner companies (net of exited partner companies) as of December 31, 2013; target capital deployments totaling between $50 and $60 million in the aggregate during 2013 to new partner companies; target follow-on capital deployments of between $25 million and $40 million in the aggregate to existing partner companies; and target capital deployments of $2 to $5 million in participating loans through the Penn Mezzanine vehicle; a target of two partner company exits during 2013 with target proceeds to Safeguard of $40 million in the aggregate; and target net corporate operating expenses for 2013 of not greater than $16 million (less interest income generated by participating interests in Penn Mezzanine loans and excluding stock-based compensation, severance expenses and transitional service costs paid to our former CEO).

The Committee also reserved the ability to consider its subjective analysis of the achievement of other corporate objectives and factors, such as share value improvement (compared to industry benchmarks and peer groups) and strategic initiatives and accomplishments.

The Committee established the specific performance-based corporate and partner company target metrics based on recommendations of management and taking into consideration the stage of development of each of our partner companies. Within the specific parameters of the 2013 MIP, the Committee reserved for itself a significant level of discretion in reaching final determinations of achievement levels attained, as described above. The determination to reserve such discretion and flexibility arose from the Committee s belief, based on prior years experiences, that, given Safeguard s business activities, as circumstances change throughout a given fiscal year, on a macro and/or a micro level, specific/rigid formulas or guidelines for measuring achievement set in the beginning of a year, if strictly applied, may well incent activity that does not result in, or compensation grants that do not match, actual shareholder value creation. The award criteria finally adopted were designed to provide management with a meaningful guideline for meeting the Committee s criteria for a target award but not guarantee achievement or make achievement somewhat inevitable or impossible. This approach is also intended to provide the possibility of exceeding target awards and some economic recognition, albeit reduced, for near achievement of the target.

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The following table summarizes the specific types of performance metrics that we use to assess our partner companies included in the 2013 MIP, with our 2013 partner companies grouped into A, B, and C groupings as indicated and such groupings weighted 50%, 30% and 20%, respectively, of the total points available under the 2013 MIP attributable to partner company performance. The achievement of the specific performance objectives set for our partner companies represents the basis upon which the Committee determined corporate achievement attributable to our partner companies under the 2013 MIP.

Partner Company	2013 Objectives / Targets (may include one or more of the following performance metrics)
	Partner Company Grouping A (Weighted 50%)
AdvantEdge Healthcare Solutions	Achieve specified level of annual revenue
MediaMath	Achieve specified level of EBITDA or specified margin
NovaSom	Engage investment banker to assist with consideration of strategic alternatives
NuPathe	Complete additional equity or debt financing
PixelOptics	Manage cash and expenditures to fund operations without additional capital infusion
	Achieve commercial product launch
	Partner Company Grouping B (Weighted 30%)
Beyond.com	Achieve specified level of annual revenue
Bridgevine	Achieve specified level of EBITDA or specified margin

Crescendo Bioscience	Engage investment banker to assist with consideration of strategic alternatives
Good Start Genetics	Achieve specified level of commercial sales
Putney	Add additional revenue stream(s) and/or new product or service line(s)
Spongecell	Complete additional equity or debt financing
ThingWorx	Manage cash and expenditures to fund operations without additional capital infusion

Partner Company Grouping C

(Weighted 20%)

Alverix	Build-out management team
AppFirst	Achieve specified level of annual revenue
DriveFactor	Manage cash and expenditures to fund operations without additional capital infusion
Hoopla	Successful commercial sales of product(s) or service(s), or successful product implementation
Lumesis	
Medivo	

In connection with the finalization of the 2013 MIP corporate objectives, each executive also prepared written individual objectives. Our President and Chief Executive Officer s individual objectives were reviewed and approved by the Committee. Each of our other named executive officers individual objectives and the individual objectives of our other senior executives were reviewed and approved by our President and Chief Executive Officer, or by one of our other named executive officers. The individual objectives varied depending upon each participant s roles and responsibilities.

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The following table summarizes the individual objectives approved for each of our current named executive officers:

Named Executive Officer	Personal Objectives (including, but not limited to)
Stephen T. Zarrilli	*(objectives consistent with role of President and Chief Executive Officer)* Develop and execute short-term and long-term strategic plan Work with the Board and committee Chairs to implement effective compensation structures and methodologies, and Board methods and processes relating to Safeguard s core business Further enhance communications within the Board and between the Board and management, and continue to leverage Board expertise Refine and enhance capital raising, cash management, and corporate talent resources Enhance relations with significant investors Develop management succession plan
Jeffrey B. McGroarty	*(objectives consistent with role of Senior Vice President and Chief Financial Officer)* Continue professional development relative to strategic planning and initiatives, as appropriate Revamp, as appropriate, Safeguard s integrated long-term financial forecasting model

	Evaluate, model and analyze potential capital raising and other initiatives from a financial and shareholder value perspective
	Ensure appropriate staffing within finance department to support corporate operations and partner company needs
	Enhance communications with significant investors
Brian J. Sisko	*(objectives consistent with role of Executive Vice President, Managing Director and Chief Operating Officer)*
	Manage legal and operational personnel consistent with reorganization within Safeguard
	Enhance partner company support operations
	Continue professional development relative to capabilities applicable to new role within organization
	Pursue capital raising opportunities to successful conclusion or timely decision to forgo opportunity, as appropriate based on market conditions

Consistent with their respective employment agreements and Safeguard s overall compensation philosophy, the Committee set the following target MIP awards for 2013 for our current named executive officers:

Name	**2012 MIP Target Variable Incentive (1)(2)**	**2013 MIP Target Variable Incentive**	**2014 MIP Target Variable Incentive (1)**
Stephen T. Zarrilli	$ 425,000	$ 550,000	$ 550,000
Jeffrey B. McGroarty	$ 147,125	$ 187,500	$ 206,250
Brian J. Sisko	$ 290,625	$ 337,500	$ 337,500

(1) 2012 and 2014 MIP target variable incentive amounts have been included for comparison purposes.
(2) Represents blended 2012 MIP target variable incentive amounts.

There are no mandatory minimum awards payable under the 2013 MIP, and awards are paid based upon the Committee s determination of the individual s level of achievement of the corporate and individual performance objectives. Payouts are measured in the aggregate on a sliding scale basis from 0% to a possible 150%.

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Determination of 2013 Payouts.

In late 2013 and early 2014, the Committee reviewed Safeguard s corporate performance against the corporate objectives set forth above and preliminarily determined the following payout levels (with the final payouts conditioned upon the completion of the audit of our 2013 consolidated financial statements and internal control over financial reporting without any unexpected material adjustments). Overall, the Committee determined that 2013 was a year of significant positive results for Safeguard. The key factors upon which the Committee based its determination of the payout level are also summarized below.

Corporate Objectives:	**Payout Level (as a % of target)**
Partner Company Performance	**120%**
15 of 18 partner companies met or exceeded performance goals established by Safeguard for 2013;	
Aggregate revenue for our partner companies as a whole grew by approximately 48% year over year, which exceeded Safeguard s aggregate revenue growth target for partner companies for 2013;	
Safeguard added six new partner companies and two other early stage enterprises in 2013;	
Where partner companies were not performing as anticipated, Safeguard management took appropriate action, including leading successful efforts to replace underperforming partner company senior managers; and	
The achievements of our partner companies as a whole during 2013 significantly offset the challenges experienced by certain individual partner companies.	
Overall Corporate Performance	**140%**
Total capital deployments of approximately $49.4 million, with new deployments of approximately $34.1 million and follow-on deployments of approximately $15.3 million in 2013;	

The sale of our former partner company, ThingWorx, Inc., in late 2013, with initial proceeds to Safeguard of approximately $36.4 million (excluding an additional escrow of $4.1 million) and the sale of former partner company, Alverix, Inc., with initial proceeds to Safeguard of approximately $15.7 million (excluding an additional escrow of $1.7 million);

Positive cash management activities, including maintaining corporate operating expenses (less interest income generated by participating interests in Penn Mezzanine loans and excluding stock-based compensation, severance expenses and transitional service costs paid to our former CEO) at approximately $15.0 million during 2013, while adding additional talent within our deal teams;

The reorganization of our senior management and deal teams, including adding significant additional talent to Safeguard s deal teams;

A significant litigation victory and the release of a lease guarantee provided by Safeguard for the benefit of a former partner company; and

36% increase in share price from December 31, 2012 to December 31, 2013, outperforming the Russell 2000 Index.

Total Percentage	**130%**

In the aggregate, the Committee concluded that Safeguard performed well beyond its targeted 2013 objectives for overall corporate performance.

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Following the end of the 2013 calendar year, the Committee also assessed each named executive officer s achievement of his individual objectives (representing 20% of the total 2013 MIP target award). Each of Messrs. Zarrilli, McGroarty and Sisko completed a self-assessment of his achievement of individual objectives. With respect to our President and Chief Executive Officer, the Committee considered and reviewed Mr. Zarrilli s self-assessment and his achievement of individual and corporate objectives in determining his 2013 MIP achievement level. Regarding the performance of each of our other named executive officers, the Committee based its assessment principally on the recommendation made by our President and Chief Executive Officer. The Committee s determination of the individual achievement levels of each of the 2013 named executive officers was as follows:

Named Executive Officer	Personal Achievements (including, but not limited to)	Payout Level (as a % of target)
Stephen T. Zarrilli	Contributions to short-term and long-term strategic planning for Safeguard;	150%
	Successful reorganization of Safeguard s organizational structure;	
	Addition of talent to Safeguard s deal teams;	
	Effective outreach to and interactions with significant Safeguard shareholders;	
	His overall achievements in Board relationships and communication; and	
	His overall leadership of Safeguard.	
Jeffrey B. McGroarty	Effective management of cash and financial reporting;	100%
	The finance department s support of the operations of Safeguard and our partner companies;	

	The finance department s evaluation of financing opportunities for Safeguard and its partner companies;	
	Successful interactions with significant Safeguard investors; and	
	His overall leadership of the finance department and financial function of Safeguard.	
Brian J. Sisko	Effective reorganization of the Safeguard legal and operational functions;	110%
	Operational support that Safeguard provided to partner companies;	
	Support provided by legal and operations on capital raising initiatives; and	
	His overall leadership of the legal and operations function of Safeguard.	

Based on its assessment of the achievement of the 2013 MIP corporate and personal objectives, the Committee authorized the following individual awards to Safeguard s named executive officers. The Committee determined, based on consultations with the Committee s independent consultant and analysis of data related to incentive payment practices being followed within Safeguard s peer group and throughout the U.S. financial services industry as a whole, to pay 100% of 2013 MIP payments to our executives in cash.

Name	Payout Level (1)	Total Variable Incentive Payment
Stephen T. Zarrilli	134%	$ 737,000
Jeffrey B. McGroarty	124%	$ 232,500
Brian J. Sisko	126%	$ 425,250
Named Executive Officers, as a group (3 persons)	130%	$ 1,394,750

(1) In percentage terms versus targeted incentive amount.

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Long-Term Incentives. The principal approach utilized by the Committee to meet the need for a long-term incentive component to Safeguard s executive compensation program has been the granting of significant amounts of equity to our named executive officers. Our equity compensation plans allow for the grant of options, restricted stock awards and such other equity-based awards as the Committee may determine to be appropriate from time to time. The mix of the types of equity-based awards may vary from time to time.

As noted above, we compete for executive talent with venture capital and private equity firms, and the Committee reviews comparative information regarding venture capital and private equity industry compensation practices as part of its overall compensation analysis. In these industries, executives (referred to as managing partners or managing directors) typically have compensation programs heavily weighted towards long-term incentive, structured as a share of the fund s profits, payable in cash (referred to as carry). We currently do not provide our executives with a cash compensation program tied directly to gains from our sales of our partner company holdings. Instead, as part of our overall executive compensation program, we review our equity compensation plans in light of the type of economic benefit and performance metrics that would be included in a carry approach to compensation. We compare the initial equity awards made to our named executive officers against our assessment of the carry, which would typically be provided to executives in positions of comparable responsibility at private equity and/or venture capital firms at that time. Based upon information available to the Committee through its consultant, we continually reassess the competitiveness of our executives long-term compensation opportunity against a carry methodology as well as other relevant metrics from other types of businesses within our peer group. The potential value for long-term equity grants is intended to be competitive with those held by comparable executives at companies included in the comparison data that is reviewed annually by the Committee (as adjusted for the senior executive s experience).

We refer to options, restricted stock and PSUs that vest upon achievement of specified performance milestones as performance-based. At present, we have issued and outstanding two types of performance-based equity: market-based vesting (for awards made between 2005 and June 2008) and capital-return based vesting (for awards made since September 2008). Both of these types of performance-based equity are described in detail below.

In general, the Committee has used the following model for allocating equity grants (both initial and any annual grants) between equity grants subject to simple time-based vesting and performance-based equity:

- 25% of the total underlying shares are subject to time-based vesting; of such amount, 25% vests on or about the first anniversary date of the grant date and the remaining 75% vests in 36 equal monthly installments on the same date of each month thereafter; and

- 75% of the total underlying shares are subject to performance-based vesting.

The Committee believes that allocating equity grants in this way aligns the long-term interests of Safeguard management and our shareholders. The Committee may infrequently grant equity allocated in a different manner, in special circumstances. All equity grants to our named executive officers in 2013 were allocated between time-based vesting and capital-return based vesting in the above manner.

During 2005 and continuing through the second quarter of 2008, the performance-based options that we granted vested based on the market price of Safeguard s common stock on the NYSE over specified periods. We refer to this as the market-based vesting model. Safeguard executives receive no benefit from these market-based options unless our common stock achieves and sustains a target market price (based on the average closing price of a share of our common stock as reported on the NYSE composite tape for 20 consecutive trading days). More information regarding outstanding market-based options granted to our named executive officers is set forth below under Executive Compensation Outstanding Equity Awards at Fiscal Year-End 2013.

Beginning in the third quarter of 2008, the Committee transitioned to a performance-based vesting model for equity awards that we refer to as the capital-return based vesting model. The capital-return based vesting model seeks to vest the equity awarded based on partner company monetizations and the aggregate cash returns produced for Safeguard by such monetizations, in excess of certain predetermined levels. Vesting is calculated annually on September 30 of each calendar year, and begins to occur after a hurdle amount of proceeds are produced (an amount equal to 100% of aggregate cash deployed in the relevant group of partner companies, plus an amount approximating Safeguard s annual cost of overhead). All instruments will vest upon achievement of a predetermined target amount of proceeds for a designated group of partner companies (an amount equal to 3 times aggregate cash deployed in the relevant group of partner companies for grants between 2008 and 2012, and 2.4 times aggregate cash deployed in the relevant group of partner companies for our 2013 grants). The Committee decided to use a vesting rate for 2013 grants equal to 2.4 times aggregate cash deployed in the relevant group of partner companies, rather than the 3 times cash multiple utilized in connection with prior years grants, based on the overall lower returns on capital deployments experienced generally by companies in the venture capital and private equity markets since 2008. After the hurdle amount is reached, the equity awards vest on a linear basis relative to additional proceeds produced beyond the hurdle amount until 100% are vested when the target amount of proceeds is reached. Adjustments to the hurdle amount and the target amount are made if and when Safeguard deploys additional capital into any of the partner companies included in the relevant group.

The Committee annually reviews the equity awards held by our executives and other employees and also may consider awards periodically during a year in an effort to retain and motivate employees and to ensure continuing alignment of executive and shareholder interests. Grants may be made at regularly scheduled meetings or at special meetings convened to approve compensation arrangements for newly hired executives or for executives who have been promoted or are otherwise subject to changes in responsibilities. All of our stock options are granted with an exercise price equal to the average of the high and low trading prices of our common stock on the date of grant. Since 2008, the Committee has utilized the end of Safeguard s fiscal third quarter each year as an acceptable and administratively convenient time to make annual determinations regarding executive equity compensation matters. For administrative convenience, the Committee has adopted a policy of generally issuing approved grants on the last business day of the quarter for new hires or advisory board grants and on the last business day of the month in which grants are approved by the Committee for all other grants.

In 2013, the Committee decided to use 100% restricted equity awards as the principal component of its long-term incentive program, with 75% of the awards subject to the capital-return based vesting model and 25% of the awards subject to time-based vesting. The decision to use solely restricted equity awards was based, in part, on a recommendation from the Committee s compensation consultant to further align management s interests with our shareholders interests. The Committee also determined that the capital-return based vesting model, which the Committee initially implemented in 2008 (described above), best aligns the long-term incentive award to the factors critical to the creation of shareholder value. Our executive officers will receive value from these capital-return based vesting awards only if the pre-determined performance conditions are met.

In October 2013, the Compensation Committee approved the following grants of equity under our 2004 Equity Compensation Plan to our named executive officers:

Named Executive Officer	Number of Restricted Shares (1)	Number of PSUs (2)
Stephen T. Zarrilli	8,249	24,745
Jeffrey B. McGroarty	2,250	6,748
Brian J. Sisko	4,124	12,373

(1) All of the shares of restricted stock granted vest 25% on November 15, 2014, and in 36 equal monthly installments commencing on the same date of each month thereafter, assuming the executive s continued

employment by Safeguard as of such dates.

(2) All of the PSUs to acquire shares under the 2004 Equity Compensation Plan vest based upon the 2013 capital-return based vesting model adopted by the Committee and are payable in shares of Safeguard common stock, on a one-for-one basis, upon vesting (and payment of required withholding taxes). The partner companies against which the vesting under the 2013 capital-return based vesting model will be measured are Crescendo Bioscience, AppFirst, Sotera Wireless, Pneuron, Clutch Holdings, Quantia, Apprenda, Dabo Health and Noble. The initial hurdle amount is $67,380,000 and the initial target amount is $139,312,000.

More information regarding the equity grants made to our named executive officers during 2013 can be found below under Executive Compensation Grants of Plan-Based Awards 2013.

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Subject to availability under our shareholder approved equity compensation plan, we expect to continue to use stock options, restricted stock and other equity awards as part of our executive compensation program, including performance-based options and PSUs. Equity grants to our key employees may be subject to forfeiture in certain limited circumstances under our Key Employee Compensation Recoupment Policy.

Perquisites (fringe benefits). During 2013, we provided life insurance coverage ranging from $750,000 to $1,000,000 to each of our named executive officers at an average annual cost to Safeguard of approximately $3,592 per named executive officer. Our named executive officers also are eligible to participate in the fringe benefits that Safeguard offers, from time to time, on a non-discriminatory basis to all of our employees.

Severance and Change-in-Control Arrangements

All of our executive officers are employed on an at-will basis. However, all of our named executive officers also have an agreement with Safeguard which provides for certain severance benefits in the event of termination of employment by Safeguard without cause or by the officer for good reason (as defined in the agreements).

Upon the occurrence of a termination event, each executive will be entitled to those benefits outlined in his agreement with us, which include a multiple of his then current base salary, payment of his pro rata bonus for the year of termination, accelerated vesting of certain equity awards and extension of the post-termination exercise period within which some or all of the equity awards held by the executive may be exercised, coverage under our medical, health and life insurance plans for a designated period of time, and outplacement services or office space. See Executive Compensation Potential Payments upon Termination or Change in Control below for a summary of the specific benefits that each named executive officer will receive upon the occurrence of a termination event.

All of the agreements under which our current named executive officers receive benefits in the event of a change in control require a double trigger, namely a change in control coupled with a loss of employment or a substantial change in job duties. We believe a double trigger provides retention incentives as well as continuity of management in the event of an actual or threatened change in control.

James A. Datin, a former Executive Vice President and Managing Director of Safeguard, resigned in June 2013. We agreed with Mr. Datin that his resignation was for good reason, as defined under his agreement with Safeguard dated December 31, 2008, as amended. Accordingly, Mr. Datin was entitled to and received certain severance payments and benefits upon termination of his employment. These severance arrangements are disclosed below under Executive Compensation Summary Compensation Table Fiscal Years Ended December 31, 2013, 2012 and 2011.

Key Employee Compensation Recoupment Policy

In April 2013, the Board approved a Key Employee Compensation Recoupment Policy (the Recoupment Policy). Under the Recoupment Policy, we have the right to require any key employee to reimburse to Safeguard all or any part of an amount equal to any cash incentive award, and/or to forfeit all or any part of any equity grant (whether vested or not), awarded, paid, and/or made to such key employee within three years of a Triggering Event under the Recoupment Policy. For purposes of the Recoupment Policy, the term key employee means each of our named executive officers, each other Safeguard employee who holds the title of Vice President or above, and our controller and assistant controller. A Triggering Event is one or more of the following, as determined by the Board or the Committee, in its sole discretion: (i) it is determined that (a) a key employee engaged in any fraud, misconduct, gross negligence or ethical misconduct which resulted in a financial restatement by Safeguard, or any material adverse impact on Safeguard, and (b) the key employee received any cash incentive award or equity grant from Safeguard, the payment or issuance of which was based in whole or in part on such actions of the key employee; or (ii) it is determined that Safeguard s consolidated financial statements or any other metric utilized by the Committee to establish, in whole or in part, a cash incentive award or equity grant to the key employee were inaccurate due, in whole or in part, to the fraud, misconduct, gross negligence or ethical misconduct of the key employee. The Committee will administer and enforce the Recoupment Policy on behalf of Safeguard and has broad, sole discretionary authority to interpret and to make determinations with respect to the Recoupment Policy. The Committee s determinations will be final and binding on all key employees and other persons.

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The Recoupment Policy was adopted in furtherance of the commitment by the Committee and the Board to sound executive compensation practices and effective corporate governance, and not in response to any particular situation or circumstance. Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires the SEC to promulgate regulations applicable to public companies that require the recovery of incentive compensation in the event of a financial statement restatement and certain other circumstances. The Board intends to review our Recoupment Policy following SEC adoption of rules to implement Section 954 of Dodd-Frank to ensure compliance with those rules.

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), disallows a tax deduction for any publicly held corporation for certain executive compensation exceeding $1,000,000 for each covered employee in any taxable year, unless it is performance based within the meaning of Section 162(m). We believe the stock options and PSUs awarded under our equity compensation plan are in compliance with the provisions of Section 162(m). The portion of cash compensation paid to Mr. Zarrilli in 2013 in excess of $1,000,000 was not performance-based compensation within the meaning of Section 162(m) and, therefore, was not deductible by Safeguard. We believe that providing an appropriate level of cash compensation and maintaining flexibility in determining compensation may be more important than preserving this tax deduction. Therefore, the Committee does not currently plan to take any action to qualify any of our other incentive compensation plans under Section 162(m).

Stock Ownership Guidelines

Our Board has established stock ownership guidelines that are designed to closely align the long-term interests of our named executive officers and other senior executives with the long-term interests of our shareholders. Our current ownership guidelines are:

Executive	Ownership Requirement
Chief Executive Officer	4X Base Salary
Executive Vice President / Chief Financial Officer	3X Base Salary
Senior Vice President	2X Base Salary

The Nominating & Corporate Governance Committee monitors compliance with the ownership requirements as of the end of each calendar year. Shares counted toward these guidelines include:

- Shares beneficially owned by the executive officer;
- Vested portion of restricted stock units / restricted stock awards;
- Vested DSUs that have been credited to the executive officer; and

Net value of shares underlying vested, in-the-money options (Net Option Value).

For purposes of calculating the value to be used in monitoring compliance with the ownership guidelines, we utilize (a) the greater of the current value or the cost basis of purchased shares or vested restricted stock units/restricted stock awards as to which the executive has declared income and paid taxes; and (b) our trailing six-month average share price in determining Net Option Value.

The Nominating & Corporate Governance Committee also approved the time within which each executive must attain the required holding levels. The stock ownership guidelines as approved provide that each executive generally must meet the stock ownership requirement by December 31st of the year of the fifth anniversary of the event triggering the stock ownership requirement (or any increase in the stock ownership requirement). No sales of Safeguard stock by our named executive officers are permitted during the period in which the ownership requirement is not met (except for limited stock sales to meet tax obligations), without the approval of the Board or our Nominating & Corporate Governance Committee. As of the date of this proxy statement, one of our 2013 named executive officers has achieved the required stock ownership level.

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Prohibition on Speculation in Safeguard Stock

Safeguard s policy on securities trading prohibits our executive officers, directors and other employees from engaging in activities with regard to our stock that can be considered as speculative, including but not limited to, short selling (profiting if the market price of our securities decreases); buying or selling publicly traded options (e.g., a put option, which is an option or right to sell stock at a specific price prior to a specified date, or a call option, which is an option or right to buy stock at a specific price prior to a specified date); and hedging or any other type of derivative arrangement that has a similar economic effect. Our executive officers and directors also are prohibited from pledging, directly or indirectly, our common stock or the stock of any of our partner companies, as collateral for indebtedness.

COMPENSATION COMMITTEE REPORT

We have reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Safeguard s Annual Report on Form 10-K for fiscal year 2013 and Safeguard s proxy statement for its 2014 annual meeting of shareholders.

Members of the Compensation Committee:

Julie A. Dobson, Chairperson	Andrew E. Lietz	George D. McClelland	John J. Roberts

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EXECUTIVE COMPENSATION

Summary Compensation Table Fiscal Years Ended December 31, 2013, 2012 and 2011

The table below is a summary of total compensation paid to or earned by our named executive officers for the fiscal years ended December 31, 2013, 2012 and 2011. At December 31, 2013, there were three individuals serving as executive officers of Safeguard.

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)(2)(3)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(1)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(4)	Total ($)
Stephen T. Zarrilli	2013	550,000		466,877		737,000		19,727	1,773,604
President and Chief Executive Officer	2012	425,000		292,730	279,584	403,750		22,398	1,423,462
	2011	400,000		71,228	71,554	484,800		22,125	1,049,707
Jeffrey B. McGroarty	2013	250,000		127,327		232,500	15,813	15,537	641,177
Senior Vice President and Chief Financial Officer	2012	234,771		32,730	30,838	132,413	6,448	14,369	451,569
Brian J. Sisko	2013	375,000		233,436		425,250	10,331	17,447	1,061,464
	2012	375,000		56,956	54,397	273,188	4,973	20,817	785,331

Executive Vice President, Managing Director and Chief Operating Officer	2011	375,000	56,236	56,488	340,875	505	20,567	849,671
James A. Datin	2013	225,000				9,412	931,725	1,166,137
	2012	450,000	61,988	59,198	391,500	9,703	20,528	992,917
Former Executive Vice President and Managing Director	2011	425,000	71,228	71,554	524,200	1,164	19,855	1,113,001

(1) In November 2012, Mr. Zarrilli was promoted from the position of Senior Vice President and Chief Financial Officer to the position of President and Chief Executive Officer, Mr. McGroarty became an executive officer, and Mr. Sisko was promoted to the position of Executive Vice President and Managing Director (and was named to the position of Executive Vice President, Managing Director and Chief Operating Officer in January 2014). The Salary and Non-Equity Incentive Plan Compensation for 2012 for Messrs. Zarrilli, McGroarty and Sisko represent a blended rate based on certain compensation changes that the Compensation Committee approved in connection with their respective promotions. Mr. Datin resigned in June 2013.

(2) Consistent with SEC rules, stock and option awards are required to be valued using the aggregate grant date fair value computed in accordance with stock-based compensation accounting rules (FASB ASC Topic 718). Even though awards may be forfeited, the amounts reported do not reflect this contingency. Amounts reported for these awards do not reflect our accounting expense for these awards during the year and may not represent the amounts that our named executive officers will actually realize from the awards. Whether, and to what extent, our named executive officers realize value will depend on (i) the achievement of the market-based or the capital-return based vesting criteria associated with certain stock options and PSUs awarded; (ii) our stock price; and (iii) an individual s continued employment for awards that are subject to time-based vesting. Vesting of awards held by our named executive officers may be accelerated in certain circumstances as detailed below under Potential Payments upon Termination or Change in Control.

(3) For 2013, the Compensation Committee awarded a combination of time-based vesting restricted stock and PSUs. The fair value of the restricted stock and PSUs is based on $17.55 per share for awards granted on October, 31, 2013, which was the average of the high and low trading prices of a share of our common stock on the grant date. The PSUs are subject to capital-return based vesting criteria and vest based on the aggregate cash produced as a result of monetizations involving certain of our partner companies relative to the amount of cash deployed in connection with such partner

companies over a 10-year period, as described in detail under Compensation Discussion and Analysis Long-Term Incentives. Each PSU entitles a named executive officer to receive one share of Safeguard common stock on or about the date upon which the PSU vests. The grant date fair values included in this column for awards that are subject to capital-return based vesting criteria were computed based upon the probable outcome of the performance conditions as of the grant date. Assuming the highest level of performance conditions will be achieved for the PSUs, the full grant date fair value for all stock awards granted during 2013 would be as follows: Mr. Zarrilli $579,045; Mr. McGroarty $157,915; and Mr. Sisko $289,522.

(4) For 2013, All Other Compensation includes the following amounts:

		Group Life Insurance		
Name	401(k) Matching Contribution ($)	Life Insurance Premiums ($)	Imputed Income ($)	Severance Benefits ($)
Stephen T. Zarrilli	12,750	5,735	1,242	
Jeffrey B. McGroarty	12,750	2,547	240	
Brian J. Sisko	12,750	3,800	897	
James A. Datin	12,750	2,284	598	916,093

Our named executive officers also have occasional personal use of tickets to various sporting events at no incremental cost to us and are eligible to receive matching charitable contributions under our program, which is available to all employees, subject to a maximum of $1,500 in matching contributions for each individual for each calendar year. The severance benefits reported for Mr. Datin represent the following lump-sum payments that he received under his agreement with us dated December 31, 2008, as amended: $450,000, equating to 12 months salary; his 2013 MIP payment, equating to the average of his target bonuses for the last three years; and $6,148 for health benefits.

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Each of our current named executive officers has an employment agreement with us that sets his initial base salary and respective initial minimum annual cash incentive target award as follows: Mr. Zarrilli ($340,000 salary; $195,000 target award); Mr. McGroarty ($275,000 salary; $206,250 target award); and Mr. Sisko ($340,000 salary; $250,000 target award). Base salaries and annual cash incentive target awards for Messrs. Zarrilli and Sisko, which are reviewed by the Compensation Committee each year, currently exceed these contractual minimum amounts. None of the employment agreements provide for a term of employment and each of these executive officers is an employee-at-will. The primary focus of these agreements is to provide our executive officers with severance benefits in the event of a termination of employment involuntarily, for good reason or upon a change in control, as described below under Potential Payments upon Termination or Change in Control.

The components of compensation reported in the Summary Compensation Table, including an explanation of the amount of salary and cash incentive compensation in proportion to total compensation, are described in detail under Compensation Discussion and Analysis.

Grants of Plan-Based Awards 2013

The following table shows non-equity and equity incentive plan awards, stock awards and option awards granted during 2013 to our named executive officers.

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Closing Market Price on Date of Grant	Grant Date Fair Value of Stock and Option Awards
Name	**Grant Date (2013)**	**Date of Committee Action (2013)**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)(2)(3)**	**(#)(2)**	**($/Sh)**	**($/Sh)**	**($)(4)**
Stephen T.	03/05	03/05		550,000	825,000								
Zarrilli	10/31	10/21							8,249				144,770
	10/31	10/21					24,745 (5)						322,107
Jeffrey B.	03/05	03/05		187,500	281,250								
McGroarty	10/31	10/21							2,250				39,488
	10/31	10/21					6,748 (5)						87,839
Brian J. Sisko	03/05	03/05		337,500	506,250								
	10/31	10/21							4,124				72,376
	10/31	10/21					12,373 (5)						161,060

James A. Datin	03/05	03/05	450,000	675,000

(1) These awards were made under our 2013 MIP. There were no mandatory minimum awards payable under our 2013 MIP and the maximum awards payable were 150% of the target amounts. The amounts in the table represent payouts that might have been achieved based on performance at target or maximum performance levels. For Messrs. Zarrilli, McGroarty and Sisko, actual payments under these awards, which have already been determined and were paid in March 2014, are included in the Non-Equity Incentive Plan Compensation column of the 2013 Summary Compensation Table. The amount actually paid to Mr. Datin under this plan is included in the severance benefits paid to him, which is reported in the All Other Compensation column of the 2013 Summary Compensation Table.

(2) The vesting of equity awards may be accelerated upon death, permanent disability, retirement on or after 65th birthday, termination of employment for good reason or without cause, or termination of employment in connection with a change in control. Further information regarding the equity awards that are subject to acceleration of vesting in each circumstance can be found below under Potential Payments upon Termination or Change in Control.

(3) The restricted stock vests as to 25% of the underlying shares on November 15, 2014 and as to the remaining 75% of the underlying shares in 36 equal monthly installments thereafter. The restricted stock was granted under our 2004 Equity Compensation Plan.

(4) The amounts in this column represent the grant date fair value of the awards computed in accordance with FASB ASC Topic 718. The assumptions used by us in calculating these amounts are incorporated by reference to Note 9 to our Consolidated Financial Statements in our Annual Report on Form 10-K.

(5) As described in detail under Compensation Discussion and Analysis Long-Term Incentives, these PSUs are subject to capital-return based vesting criteria and vest based on the aggregate cash produced as a result of monetizations involving certain of our partner companies relative to the amount of cash deployed in connection with such partner companies over a 10-year period. Each PSU entitles a named executive officer to receive one share of Safeguard common stock on or about the date upon which the PSU vests. The PSUs have a 10-year term and were granted under the 2004 Equity Compensation Plan. There is no minimum number of PSU shares potentially issuable and the target amount is the maximum number of shares underlying the PSUs if full vesting of the PSUs is achieved.

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Outstanding Equity Awards at Fiscal Year-End 2013

The following table shows the equity awards we have made to our named executive officers that were outstanding at December 31, 2013.

		Option Awards					Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options (#)(1) Exercisable	Number of Securities Underlying Unexercised Options (#)(1)(2) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)(2)	Option Exercise Price	Option Expiration	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested