

SAFEGUARD SCIENTIFICS INC

Form DEF 14A

April 12, 2019

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

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):

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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Fee paid previously with preliminary materials:

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

- (1) Amount previously paid:

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

- (3) Filing Party:

(4) Date Filed:

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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. 2019 Annual Meeting of Shareholders (the Annual Meeting).

DATE AND TIME: May 22, 2019, 8:00 a.m. Eastern Time

PLACE: The Radnor Hotel

Barnes-Willows Room

591 East Lancaster Ave., Wayne, PA 19087

RECORD DATE: Only shareholders of record as of the close of business on March 25, 2019 are entitled to vote at this meeting and any adjournments, continuations, reschedulings or postponements that may take place.

ITEMS OF BUSINESS: To elect as directors of Safeguard the six persons named in the accompanying proxy statement to serve on the Board of Directors for terms expiring at the 2020 annual meeting of shareholders and, thereafter, until their successors are duly elected and qualified;

To cast an advisory vote to approve the compensation of the named executive officers for the year ended December 31, 2018, as disclosed in the accompanying proxy statement (say-on-pay);

To ratify the Audit Committee s appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019; and

To transact any other business properly brought before the meeting.

YOUR VOTE IS IMPORTANT TO US. The accompanying proxy statement contains important information, including a description of the business that will be acted upon at the meeting, voting procedures, and documentation required to attend the meeting. We encourage you to read the proxy statement and submit your proxy card or voting instruction form as soon as possible to ensure your representation at the annual meeting, regardless of whether you plan to attend in person.

April 12, 2019

By Order of the Board of Directors,

G. Matthew Barnard, *Corporate Secretary*

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 22, 2019**

The Notice of Annual Meeting, Proxy Statement, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, are available at www.envisionreports.com/SFE.

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PROXY STATEMENT
FOR ANNUAL MEETING OF SHAREHOLDERS

Proxy Statement Summary

The following summary highlights information contained elsewhere in this Proxy Statement but does not contain all of the information you should consider. You should read the entire Proxy Statement carefully before voting.

General Information

<i>Meeting:</i>	2019 Annual Meeting of Shareholders
<i>Meeting Location:</i>	The Radnor Hotel Barnes-Willows Room 591 East Lancaster Ave., Wayne, PA 19087
<i>Time and Date:</i>	8:00 a.m. ET on May 22, 2019
<i>Record Date:</i>	March 25, 2019
<i>Shares Outstanding as of Record Date:</i>	20,576,974
<i>Stock Exchange /Stock Symbol:</i>	NYSE: SFE
<i>Registrar & Transfer Agent:</i>	Computershare Trust Company, N.A. /1-800-736-3001 www.computershare.com/investor
<i>State /Year of Incorporation:</i>	Pennsylvania / 1953
<i>Website:</i>	www.safeguard.com

Notice and Access Availability of Proxy Materials

On or about April 12, 2019, we will furnish this proxy statement and related proxy materials over the Internet to our shareholders under the notice and access rules of the Securities and Exchange Commission (SEC). Most of our shareholders will receive a Notice Regarding the Availability of Proxy Materials (the Notice) in the mail instead of a paper copy of this proxy statement, a proxy card or voting instruction form, and our 2018 annual report on Form 10-K. The Notice contains instructions on how to access our proxy materials and vote over the Internet and how shareholders can receive a paper copy of the materials, including this proxy statement, a proxy card or voting instruction form, and our 2018 annual report on Form 10-K. The Notice is not itself a proxy card and should not be returned with voting instructions. Shareholders who do not receive a Notice, including shareholders who have previously requested to receive paper copies of proxy materials, will receive a paper copy of the proxy materials by mail. Shareholders who have previously requested delivery of proxy materials electronically will not receive a Notice and will instead receive an electronic notification with instructions for accessing the proxy materials.

Proposals to be Voted On

Proposal

1. Election as directors of Safeguard of the six nominees named in this proxy statement for terms expiring at the 2020 annual meeting of shareholders and, thereafter, until their successors are duly elected and qualified
2. Advisory say-on-pay vote on the compensation of our named executive officers for the year ended December 31, 2018, as disclosed in this proxy statement
3. Ratification of the Audit Committee's appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019

Board Recommendation

FOR all six nominees named in this proxy statement for terms expiring at the 2020 annual meeting of shareholders and, thereafter, until their successors are duly elected and qualified

FOR approval, on an advisory basis, of Safeguard's named executive officer compensation for the year ended December 31, 2018, as disclosed in this proxy statement

FOR ratification of the Audit Committee's appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019

Table of Contents**Corporate Governance**

<i>Board Meetings in 2018:</i>	13
<i>Standing Board Committees (meetings in 2018):</i>	Audit 4
	Compensation 5
	Nominating & Corporate Governance (N&CG) 3
<i>Separate Chairman & CEO:</i>	Yes (independent non-executive chairman)
<i>Annual Election of Directors:</i>	Yes
<i>Independent Directors Meet without Management</i>	Yes
<i>Director and Officer Share Ownership Guidelines</i>	Yes
<i>Hedging and Short Sale Policy:</i>	Yes
<i>Key Employee Compensation Recoupment Policy</i>	Yes

Recent Business Highlights

We realized \$45 million in July 2018 from MediaMath's repurchase of 39.1% of our interest in MediaMath. The transaction represented a cash-on-cash return of 4.5x.

Our funding to partner companies decreased from \$38.0 million in 2017 to \$15.9 million in 2018 reflecting both the health and maturity of the portfolio and a prudent focus on reducing our further deployments, where appropriate.

We repaid \$41.0 million of convertible senior debentures with proceeds from our credit facility and other available cash in the second quarter of 2018.

At December 31, 2018, our balance of cash, cash equivalents, restricted cash and marketable securities was \$46.2 million.

We reduced our aggregate debt principal balance to \$68.6 million at December 31, 2018 from \$91.0 million at December 31, 2017.

In January 2019, we received \$41.5 million from the consummation of the sale of partner company Propeller. The transaction represented an approximate 3x cash-on-cash return.

We significantly reduced our on-going cost structure. For the twelve months ended December 31, 2018, our corporate expenses totaled \$9.9 million as compared to \$15.1 million for the twelve months ended December 31, 2018, in each case excluding severance, retirement and non-recurring items.

In February 2019, we announced the hiring of Evercore as our financial advisor as we execute against the New Strategy to maximize returns to shareholders.

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<i>Name</i>	Director Nominees (6)			Board Committees			
	<i>Director</i>	<i>Since</i>	<i>Independent</i>	<i>Position</i>	<i>Audit</i>	<i>Comp</i>	<i>N&CG</i>
Russell D. Glass		2018	*	Founder and Managing Member of RDG Capital LLC			
Ira M. Lubert		2018	*	Co-Founder and Chairman, Independence Capital Partners, LLC			
Joseph M. Manko, Jr.		2019	*	Managing Member and Senior Principal, Horton Capital Management, LLC			
Maureen F. Morrison		2017	*	Retired Audit Partner, PricewaterhouseCoopers LLP			
John J. Roberts		2003	*	Retired Global Managing Partner, PricewaterhouseCoopers LLP			
Robert J. Rosenthal		2007	*	Chairman of Board of Directors, Taconic Biosciences, Inc.			

Questions and Answers about the Proxy Materials and our Annual Meeting***Why am I receiving these materials?***

We have made these materials available to you in connection with the solicitation by our Board of proxies for proposals that will be presented for a vote at our annual meeting and at any reconvened or rescheduled meeting following any adjournment or postponement of our annual meeting, which will take place on May 22, 2019, at 8:00 a.m. ET. As a shareholder, you are invited to attend our annual meeting and vote on the proposals described in the proxy statement. The proxy statement includes information that we are required to provide to you under SEC rules and is designed to assist you in making an informed decision on how to vote your shares.

Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a paper copy of the full set of proxy materials?

In accordance with SEC rules, we are providing our shareholders of record at the close of business on March 25, 2019 with access to the proxy materials over the Internet for our annual meeting. We believe that this process expedites receipt of the proxy materials by our shareholders, reduces the cost of our annual meeting, and conserves natural resources. The Notice contains instructions on how to access our proxy materials over the Internet and how to vote online. The Notice is not itself a proxy card and should not be returned with voting instructions. As described in the Notice, you will not receive a printed copy of our annual meeting proxy materials (including a proxy card) unless you specifically request paper copies or have previously asked to receive paper copies. You may request printed copies of our proxy materials free of charge by following the instructions contained in the Notice. For shareholders who have previously elected delivery of our proxy materials electronically, those shareholders should receive an email containing a link to the website where those materials are available.

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, state identification card 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 valid proxy from your broker, trust company, bank or other nominee, your most recent brokerage account statement prior to March 25, 2019 (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, along with proper identification. If you do not have photo identification and proof that you own Safeguard shares, you will not be admitted to the annual meeting. Safeguard reserves the right to deny admittance to anyone who cannot adequately show proof of share ownership as of the record date. No cameras, recording equipment, large bags, briefcases or packages will be permitted into the annual meeting.

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

To hold our annual meeting, a quorum must be present and represented by proxy. A quorum is a majority of our outstanding shares entitled to vote as of March 25, 2019. Abstentions and broker non-votes are treated as present at our annual meeting for purposes of establishing a quorum. For purposes of determining whether a quorum exists, we count as present any shares that are voted over the Internet, by telephone, by mail or that are represented in person at our annual meeting. If a quorum is not present, we expect to adjourn our annual meeting until we obtain a quorum.

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Who can vote on the matters to be presented for a vote at the annual meeting?

You are entitled to vote your shares of common stock on the matters to be presented for a vote at our annual meeting and any adjournments, continuations, reschedulings or postponements that may take place if you were a shareholder at the close of business on March 25, 2019, the record date for our annual meeting. On the record date, we had 20,576,974 shares of common stock, \$0.10 par value (the 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 have cumulative voting rights and may elect to cumulate their votes as described below.

What does cumulative voting mean?

Since Safeguard is a Pennsylvania corporation, Safeguard's shareholders have cumulative voting rights under the Pennsylvania Business Corporation Law. Cumulative voting applies only in the election of directors. Cumulative voting means that a shareholder has the right to give any one director candidate who has been properly placed in nomination a number of votes equal to the number of directors to be elected multiplied by the number of Safeguard shares the shareholder is entitled to vote, or to distribute such votes on the same principle among as many properly nominated director candidates (up to the number of persons to be elected) as the shareholder may wish. For example, since six directors are standing for election at the annual meeting, if you hold 100 shares of Safeguard stock as of the Record Date, you may cast 600 votes (six times 100) in the election of directors. You may distribute those votes among as few or as many of the six nominees as you wish. In other words, in the example provided, you may cast all 600 votes FOR one nominee or allocate your 600 votes among two or more nominees, as long as the total equals 600 votes.

How can I cumulate my votes in the election of directors at the annual meeting?

If you are a shareholder of record and choose to cumulate your votes, you will need to request, complete, and submit a proxy card by mail and follow the instructions on the proxy card for allocating your votes. 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 six. 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. If you provide vote allocation instructions for less than all of the votes that you are entitled to cast, the proxy holders will have discretionary authority to cast your remaining votes pursuant to the instructions of the Board, except for any nominee for whom you have withheld authority by marking the FOR ALL EXCEPT box. If you wish to grant the proxy holders discretionary authority to allocate votes among all our nominees, you may check the FOR ALL NOMINEES box, but you are not required to do so. The proxy holders will retain discretionary authority to allocate votes among all our nominees except where you provide a specific instruction by hand marking the number of votes to be allocated or by marking the FOR ALL EXCEPT box.

Any shareholder who holds shares in street name and desires to specifically allocate votes among nominees may do so by either informing the shareholder's broker, banker, or other custodian of the shareholder's desire to attend the annual meeting, and requesting a legal proxy to attend the meeting, or by providing the broker, banker, or other custodian with instructions as to how to allocate votes among nominees, which can then be delivered to Safeguard prior to the date of the annual meeting. Because each broker, banker, or custodian has its own procedures and requirements, a shareholder holding shares in street name who wishes to allocate votes to specific nominees should contact its broker, banker, or other custodian for specific instructions on how to obtain a legal proxy or provide vote allocation instructions.

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.

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. By voting before our annual meeting by Internet, by telephone, or by submitting a proxy card, you will have granted your voting proxy to Safeguard and your shares will be voted as you have instructed. You also may cast your vote directly by voting at our annual meeting.

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. You have the right to direct your broker or other nominee with respect to how to vote your shares, which you can do by Internet, by telephone, or by voting instruction form (depending on the voting procedures of your broker or other nominee) before our annual meeting. You also are invited to attend, and may vote at, our annual meeting.

Table of Contents***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)	http://www.envisionreports.com/SFE or scan the QR code on your proxy card with your smartphone	Follow the instructions provided on the voting instruction form or other information provided by your broker or other nominee
By telephone (24 hours a day)	1-800-652-VOTE (8683)	Call the toll-free number indicated on your voting instruction form
By mail	If you received proxy materials by mail, you may vote by completing, signing and returning a properly executed and dated proxy card that was sent to you	If you received a printed copy of our proxy materials, return a properly executed and dated voting instruction form sent to you by your broker or other nominee in the pre-paid envelope provided
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 on May 21, 2019. Even if you plan to attend our annual meeting, we encourage you to vote your shares before our annual meeting.

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	Board Recommendation	Vote Required
Election of Directors	FOR all six nominees named in this proxy statement for terms expiring at the 2020 annual meeting of shareholders and, thereafter, until their successors are duly elected and qualified	The six nominees who receive the highest number of FOR votes at the annual meeting will be elected as directors
Advisory say-on-pay vote on the compensation of our named executive officers for the year ended December 31, 2018, as disclosed in this proxy statement	FOR approval, on an advisory basis, of Safeguard's named executive officer compensation for the year ended December 31, 2018, as disclosed in this proxy statement	Affirmative vote of the majority of the votes cast by shareholders entitled to vote for the proposal

Ratification of the Audit Committee's appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019	FOR ratification of the Audit Committee's appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019	Affirmative vote of the majority of the votes cast by shareholders entitled to vote for the proposal
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Unless a contrary choice is specified, proxies solicited by our Board will be voted for the election of all six director nominees named in this proxy statement and recommended by our Board and for each of the other proposals referenced above.

Are there other matters to be voted on at the Annual Meeting?

We do not know of any matters that may come before the annual meeting other than as discussed in this proxy statement. If any other matters are properly presented at the annual meeting, the persons named in the accompanying proxy card intend to vote, or otherwise act, in accordance with their judgment on the matter subject to compliance with Rule 14a-4(c) of the Exchange Act.

Table of Contents***How will my shares be voted if I mark **Abstain** on my proxy card?***

We will count a properly executed proxy card marked **Abstain** as present for purposes of determining whether a quorum is present, but abstentions will not be counted as votes cast for or against any given matter.

Who will serve as proxies for the Annual Meeting?

In soliciting your proxy, our Board is asking you to give your proxy to Brian J. Sisko, our Chief Executive Officer and President, and G. Matthew Barnard, our Corporate Secretary. Giving your proxy to Messrs. Sisko and Barnard means that you authorize Mr. Sisko, Mr. Barnard, either of them, or their duly appointed substitutes to vote your shares at our annual meeting in accordance with your instructions. All shares represented by a proxy will be voted, and where a shareholder specifies by means of the proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the specification so made.

If you elect to grant us your proxy and do not specifically instruct otherwise, you are authorizing the proxy holders to vote your shares in accordance with their discretion and at the instruction of the Board (or an authorized committee thereof), including to cumulate your votes in favor of certain nominees (rather than allocating votes equally among the nominees) and to determine the specific allocation of votes to individual nominees. You may withhold your authority to vote for one or more nominees, in which case the proxy holders will retain discretion to allocate your votes among our other nominees unless you specifically instruct otherwise. Under no circumstances may the proxy holders cast your votes for any nominee from whom you have withheld authority to vote.

For example, a proxy marked **FOR ALL EXCEPT** may only be voted for those of our director nominees for whom you have not otherwise specifically withheld authority to vote, a proxy marked **WITHHOLD VOTE FROM ALL NOMINEES** may not be voted for any of our director nominees, and a proxy marked **FOR ALL NOMINEES** may be voted for all of our director nominees. In exercising its discretion with respect to cumulating votes, our Board (or an authorized committee thereof) may instruct, in its sole discretion, the proxy holders to cumulate and cast the votes represented by your proxy for any of our director nominees for whom you have not otherwise withheld authority. For example, if you grant a proxy with respect to shares representing 600 cumulative votes, and mark **FOR ALL EXCEPT** one of our director nominees, our Board (or an authorized committee thereof) may instruct the proxy holders to cast the 600 votes for any or all of our five other director nominees; of those five other director nominees, moreover, our Board (or an authorized committee thereof) may allocate the 600 votes among them as it determines, such that each of those other director nominees may receive unequal portions of the 600 votes or none at all.

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

		Effect of Withheld	Broker Discretionary	Effect of Broker
Proposal	Voting Options	Votes or Abstentions	Voting Allowed?	Non-votes
Election of Directors	FOR ALL NOMINEES, WITHHOLD VOTE FROM ALL NOMINEES, or FOR ALL EXCEPT	No effect not counted as a vote cast	No	No effect, assuming a quorum is present
Non-binding, advisory vote to	FOR, AGAINST, or ABSTAIN	No effect not counted as a vote cast	No	No effect, assuming a quorum is present

approve the executive compensation of Safeguard s named executive officers

Ratification of the Audit Committee s 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

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Who will solicit proxies on behalf of the Board?

Proxies may be solicited on behalf of the Board by Safeguard's directors and certain of its executive officers. The original solicitation of proxies by mail may be supplemented by telephone, telegram, facsimile, electronic mail, internet, other electronic means and personal solicitation by our directors and certain executive officers (who will receive no additional compensation for such solicitation activities). You may also be solicited by advertisements in periodicals, press releases issued by us and postings on our corporate website or other websites. Unless expressly indicated otherwise, information contained on our corporate website or other websites is not part of this proxy statement.

Who will bear the cost of the solicitation of proxies?

The entire cost of soliciting proxies, including the costs of preparing, assembling, printing and mailing this proxy statement, the proxy card and any additional soliciting materials furnished to shareholders, will be borne by Safeguard. Copies of solicitation material will be furnished to banks, brokerage houses, dealers, voting trustees, their respective nominees and other agents holding shares in their names, which are beneficially owned by others, so that they may forward such solicitation material, together with our Annual Report on Form 10-K to beneficial owners. In addition, if asked, we will reimburse these persons for their reasonable expenses in forwarding these materials to the beneficial owners.

A note about certain information contained in this proxy statement.

Filings made by companies with the SEC sometimes incorporate information by reference. This means that the company is referring you to information that has previously been filed with the SEC and that such information should be considered part of the filing you are then reading. The Audit Committee Report contained in this proxy statement is not incorporated by reference into any other filings with the SEC.

Where can I find the voting results of the annual meeting?

You can find the official results of the voting at our annual meeting in our Current Report on Form 8-K that we will file with the SEC within four business days after our annual meeting. If the official results are not available at that time, we will provide preliminary voting results in a Current Report on Form 8-K and will provide the final results in an amendment to the Form 8-K as soon as they become available.

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, absent specific instructions from you.

Will my shares be voted if I do not vote by Internet or by telephone or do not sign and return a proxy card or voting instruction form?

Shareholder of Record. If you do not vote by Internet or by telephone or complete and return a proxy card, your shares will not be voted unless you attend our annual meeting and vote your shares. If you vote by Internet or by telephone and submit your vote without selecting any proposals individually, or if you sign and return a 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 or a committee

thereof and, in their discretion, will vote on any other matters that may properly arise at our annual meeting.

Beneficial Owner. If you hold shares through an account with a bank or broker, the voting of the shares by the bank or broker when you do not provide voting instructions is governed by the rules of the New York Stock Exchange (the NYSE). These rules allow banks and brokers to vote shares in their discretion on routine matters for which their customers do not provide voting instructions. On matters considered non-routine, banks and brokers may not vote shares without your instruction. Shares that banks and brokers are not authorized to vote are referred to as broker non-votes. The ratification of the Audit Committee's appointment of KPMG LLP as Safeguard's independent registered public accounting firm for fiscal 2019 is considered a routine matter. Accordingly, if you do not vote by Internet or by telephone or do not otherwise provide your broker or other nominee with voting instructions, banks and brokers may vote shares on this proposal or may leave your shares unvoted, and there will be no broker non-votes with respect to this proposal. The other proposals will be considered non-routine, and banks and brokers therefore cannot vote shares on those proposals without your instructions. Please note that if you want your vote to be counted on those proposals, including the election of directors, you must instruct your bank or broker how to vote your shares. If you do not provide voting instructions, no votes will be cast on your behalf with respect to those proposals.

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

If you are a **shareholder of record**, you may revoke your proxy and/or change your vote at any time prior to the closing of the polls at our annual meeting by:

Re-voting by telephone or by Internet (only your latest vote will be counted); note that telephone and Internet voting will close at 11:59 p.m. Eastern Time on May 21, 2019;

Signing another proxy card with a later date and delivering it to us before our annual meeting (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 on May 21, 2019) stating that you would like to revoke (that is, cancel) your proxy; or

Voting in person at our annual meeting before the polls close.

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 Safeguard's Internet address?

Our Internet website address is <http://www.safeguard.com>. You can access this proxy statement and Safeguard's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as amended, on our website. Safeguard's filings with the SEC are available free of charge via a link from this address. The information contained on our website or connected thereto are not intended to be incorporated by reference into this proxy statement. All references to our website address are intended to be inactive textual references only.

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, you may receive only one paper copy of our proxy materials or Notice, as applicable, unless you have provided contrary instructions. This practice is commonly referred to as householding and potentially provides extra convenience for shareholders and cost savings for companies. If you would like to receive a separate set of proxy materials or Notice in the future, please request the additional copy by contacting your broker or other nominee. If you wish to receive a separate set of proxy materials or Notice now, please request the additional copy by contacting Broadridge Financial Solutions, Inc.:

By Internet: www.proxyvote.com
By telephone: 1-800-579-1639
By email: sendmaterial@proxyvote.com

If you request a separate set of proxy materials or Notice by email, please be sure to include your control number in the subject line. A separate set of proxy materials or Notice will be sent promptly following receipt of your request.

How may I obtain a copy of Safeguard's 2018 Annual Report on Form 10-K?

Shareholders may request a free copy of our 2018 Annual Report on Form 10-K by contacting:

Safeguard Scientifics, Inc.

Attention: Investor Relations

170 North Radnor-Chester Road, Suite 200

Radnor, PA 19087

Alternatively, shareholders can access our 2018 Annual Report on Form 10-K on our website at:
www.safeguard.com/proxy.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

Our directors are elected annually and serve until our next annual meeting of shareholders and until their successors are duly elected and qualified. On March 25, 2019, the Board voted to increase the size of the Board from five (5) to six (6) members, effective upon the execution and effectiveness of the Cooperation Agreement (as defined below). All of the nominees recommended by the Board are currently serving as directors, and each nominee has consented to serve as a nominee for election to the Board, to being named in this proxy statement and, if elected by Safeguard's shareholders, to serve as members of the Board until our next annual meeting. As of the date of this proxy statement, Safeguard has no reason to believe that any nominee will be unable or unwilling to serve if elected as a director. However, if for any reason a nominee becomes unable to serve or for good cause will not serve if elected, the Board upon the recommendation of its Nominating and Corporate Governance Committee may designate substitute nominees, in which event the shares represented by proxies returned to us will be voted for such substitute nominees. If any substitute nominees are so designated, Safeguard will file an amended proxy statement or additional soliciting material that, as applicable, identifies the substitute nominees, discloses that such nominees have consented to being named in the amended proxy statement or additional soliciting material and to serve as directors if elected, and includes certain biographical and other information about such nominees required by the applicable rules promulgated by the SEC.

The accompanying proxy card will not be voted for anyone other than the Board's nominees or designated substitutes.

Cooperation Agreement with the Sierra Group

On March 27, 2019, Safeguard entered into a Cooperation Agreement (the "Cooperation Agreement") with Horton Capital Management, LLC, Joseph M. Manko, Jr., Maplewood Partners, LLC, Maplewood Advisors IM, LLC, Darren C. Wallis, Horton Capital Partners, LLC, Sierra Capital Investments, L.P., Maplewood Capital Partners, LP, Maplewood Global Partners, LLC, Horton Capital Partners Fund, LP, AVI Capital Partners, LP, and Maplewood Advisors GP, LLC (collectively, the "Investor Group").

Pursuant to the terms of the Cooperation Agreement, Safeguard agreed to, among other things: (i) increase the size of its Board from five (5) to six (6) members; (ii) appoint Mr. Manko (the "New Director") to the Board effective immediately with a term expiring at the Annual Meeting of Shareholders; (iii) nominate the New Director and the five (5) members of the Board who are on the Board prior to the execution of the Cooperation Agreement (the "Incumbent Slate," and together with the New Director, the "2019 Nominees") for election at the Annual Meeting with a term expiring at Safeguard's 2020 Annual Meeting of Shareholders (the "2020 Annual Meeting"); (iv) recommend each of the 2019 Nominees for election as directors of the Annual Meeting; (v) support and solicit proxies for the election of the New Director in substantially the same manner as Safeguard supports and solicits proxies for the election of each of the members of the Incumbent Slate at the Annual Meeting; (vi) appoint the New Director to all committees of the Board; (vii) hold the Annual meeting no later than July 1, 2019; and (viii) not increase the size of the Board beyond six (6) members until the expiration of the Standstill Period (as defined below) without the unanimous approval of the Board, subject to certain limitations.

The Cooperation Agreement also provides that if the New Director (or any replacement director) is unable or unwilling to serve as a director, resigns as a director or is removed as a director of Safeguard for any reason, other than failure to be elected or re-elected, and at such time the Investor Group beneficially owns in the aggregate at least the lesser of five percent (5.0%) of Safeguard's then outstanding shares of Common Stock, and 1,028,848 shares of Common Stock, subject to adjustment, then Safeguard and the Investor Group will work together in good faith to identify and propose a replacement director to be appointed to the Board who shall only be appointed to the Board after having been mutually agreed upon by both Safeguard and the Investor Group.

Pursuant to the terms of the Cooperation Agreement, the Investor Group has agreed that at each annual and special meeting of shareholders held during the Standstill Period, the Investor Group will (i) appear at such meeting or otherwise cause all shares of Common Stock beneficially owned by it and its respective Affiliates and Associates (as such terms are defined in Rule 12b-2 of the Exchange Act) to be counted as present thereat for purposes of establishing a quorum; (ii) vote, or cause to be voted, all shares of Common Stock beneficially owned by it and its respective Affiliates and Associates on Safeguard's proxy card or voting instruction form in favor of (a) the directors nominated and recommended by the Board (and not in favor of any other nominees to serve on the Board), and (b) except in connection with any Opposition Matter (as defined below) or Other Voting Recommendation (as defined below), each of the shareholder proposals listed on Safeguard's proxy card or voting instruction form in accordance with the Board's recommendations; and (iii) not execute any proxy card or voting instruction form in respect of such shareholders' meeting other than the proxy card and related voting instruction form being solicited by or on behalf of the Board. Pursuant to the Cooperation Agreement, in the event that Institutional Shareholder Services Inc. (ISS) issues a recommendation with respect to any matter (other than with respect to the election or removal of directors) that is different from the recommendation of the Board, the Investor Group shall have the right to vote its shares of Common Stock on Safeguard's proxy card or voting instruction form in accordance with the ISS recommendation (the Other Voting Recommendation). Under the Cooperation Agreement, Opposition Matter means any of

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the following transactions, but only to the extent submitted by the Board to shareholders for approval: (A) the sale or transfer of all or substantially all of Safeguard's assets in one or a series of transactions; (B) the sale or transfer of a majority of the outstanding shares of Safeguard's Common Stock (through a merger, stock purchase, or otherwise); (C) any merger, consolidation, acquisition of control, or other business combination; (D) any tender or exchange offer; (E) any dissolution, liquidation, or reorganization; (F) any changes in Safeguard's capital structure (but excluding any proposals relating to the adoption, amendment or continuation of any equity plans); (G) any proposals relating to the Tax Benefits Plan (as defined in the Cooperation Agreement); or (H) any other transactions that would result in a Change of Control (as defined in the Cooperation Agreement) of Safeguard. The Investor Group also irrevocably withdrew its Nomination Notice delivered to the Issuer on March 22, 2019.

The Investor Group also agreed to certain standstill provisions from the date of the Cooperation Agreement until 11:59 p.m., Eastern Time, on the date that is the earlier of (i) ten (10) calendar days prior to the expiration of the advance notice period for the submission by shareholders of director nominations for consideration at the 2020 Annual Meeting and (ii) one hundred (100) calendar days prior to the first anniversary of the Annual Meeting (the Standstill Period). The standstill provisions generally prohibit the Investor Group and its Affiliates from taking specified actions during the Standstill Period with respect to Safeguard and its securities, including, among others: (i) soliciting or participating in any solicitation of proxies or written consents to vote any voting securities of Safeguard, (ii) conducting any non-binding referendum with respect to any voting securities of Safeguard; (iii) joining any other group for purposes of Section 13(d) of the Exchange Act or becoming party to any voting arrangement or agreement; (iv) seeking or encouraging others to submit nominations for the election or removal of directors; (v) seeking, alone or in concert with others, representation on the Board, except as expressly permitted by the Cooperation Agreement; (vi) advising, encouraging or influencing any person with respect to the voting of or disposition of any securities of Safeguard; (vii) making shareholder proposals at any annual or special meeting of shareholders; (viii) calling, or supporting another shareholder's call of, any meeting of shareholders; (ix) initiating, encouraging or participating in any vote no, withhold or similar campaign relating to Safeguard; (x) acquiring any additional securities of Safeguard or any rights decoupled from the underlying securities of Safeguard representing in the aggregate in excess of ten percent (10%) of the shares of Common Stock then outstanding, provided that any such additional share acquisitions can only be made to the extent that Safeguard was to determine to grant the Investor Group a waiver or exemption under the Tax Benefits Plan; or (xi) publicly announce or otherwise publicly disclose an intent to propose or enter into or agree to enter into, singly or with any other person, directly or indirectly, any form of business combination or acquisition or other transaction relating to a material amount of assets or securities of Safeguard or any of its subsidiaries.

The foregoing description of the Cooperation Agreement is qualified in its entirety by reference to the Cooperation Agreement, which is filed as Exhibit 10.1 to Safeguard's Current Report on Form 8-K filed with the SEC on March 27, 2019 and incorporated herein by reference.

Director Nominee Experience and Qualifications

Our Board believes that directors should collectively possess a broad range of skills, expertise, knowledge and business experience that will enable the Board to fulfill its responsibilities, including providing effective oversight of our business. The Nominating & Corporate Governance Committee has developed a matrix of skills and experience that 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 diversity must be viewed in a broad sense, including skills, experience, age, race, gender and ethnicity.

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;

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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.

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2019 Nominees for Director

Our Board believes that all of the nominees named below are highly qualified and bring executive leadership skills and experience, resulting in a talented and diverse 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 2020 annual meeting, given our business and structure.

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

Russell D. Glass, age 56

Other public directorships: None

Director since: 2018

Former public directorships within past five years:
None

Safeguard Board Committees: Audit, Compensation,
Nominating & Corporate Governance

Career Highlights:

Founder and Managing Member of RDG Capital LLC (2005 – present)

Managing Partner of RDG Capital Fund Management, an investment advisory firm (2014 – present)

Senior Adviser at Knights Genesis Group, a private equity firm (2017 – present)

Director of Blue Bite LLC, a digital marketing technology company (2009 – present)

Director of A.G. Spanos Corporation, a national real estate developer and owner of the NFL Los Angeles Chargers (1993 – present)

Managing Member of Princeford Capital Management, an investment advisory firm (2009 – 2014)

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Chief Executive Officer of Cadus Pharmaceutical Corporation (n/k/a Cadus Corporation), a biotechnology holding company (2000–2003), and director (1998–2011)

Co-Chairman and Chief Investment Officer of Ranger Partners, an investment fund management company (2002–2003)

President and Chief Investment Officer of Icahn Associates Corporation, a diversified investment firm and principal investment vehicle for Carl Icahn (1998–2002)

Partner at Relational Investors LLC, an investment fund management company (1996–1998)

Partner at Premier Partners Inc., an investment banking and research firm (1988–1996)

Analyst with Kidder, Peabody & Co., an investment banking firm (1984–1986)

Holds directorship at the Council for Economic Education and held other previous directorships at Automated Travel Systems, Inc., Axiom Biotechnologies, Global Discount Travel Services/Lowestfare.com, National Energy Group and Next Generation Technology Holdings, Inc.

Advisory Board Member of Tierra Nueva Fine Cocoa LLC, a privately held specialty coffee company

Received A.B. in Economics from Princeton University

Received M.B.A. from Stanford Graduate School of Business

Experience and Qualifications: Mr. Glass has experience relating to private equity, investment banking, and serving as chief executive officer of a public company. Mr. Glass has experience serving on the boards of public and private companies in a wide range of industries, including biotech, healthcare information technology, pharmacology, enterprise systems software, real estate, energy, and digital marketing.

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Ira M. Lubert, age 68

Other public directorships: None

Director since: 2018

Former public directorships within past five years:
Pennsylvania Real Estate Investment Trust

Safeguard Board Committees: Audit, Compensation,
Nominating & Corporate Governance

Career Highlights:

Co-Founder of and a Partner of Quaker Partners Management, L.P., which advises a series of life sciences funds (2002 – present)

Co-Founder of and a Partner of LEM Capital, L.P., which advises a series of real estate funds invested primarily in multifamily properties (2002 – present)

Co-Founder of and a Partner of LBC Credit Management, LP, which advises a series of structured finance funds (2005 – present)

Co-Founder of and a Partner of Patriot Financial Management, L.P., which advises a series of community banking funds (2007 – 2017)

Co-Founder of Versa Capital Management, LLC, specializing in distressed and special situations (2004)

Co-Founder of and a Partner of LLR Management, L.P., which focuses on lower middle market growth companies (1999 – present)

Co-Founder and Chairman of Lubert-Adler Management Company, L.P., which advises a series of real estate funds (1997 – present)

Co-Founder and Chairman of Independence Capital Partners, LLC, which provides services to certain investment advisers (1997 – present)

Managing Director and Co-Founder of TL Ventures, the subsequent Safeguard-affiliated family of early stage venture funds with over \$1 billion of capital under management (1986 – 1997)

Experience and Qualifications: Mr. Lubert has 30 years of experience relating to private equity and investment management, including life sciences funds. Mr. Lubert began his private equity career with Safeguard. Mr. Lubert was honored as Drexel University's LeBow College of Business 60th Business Leader of the Year and was honored by Temple University for his excellence in leadership with the Musser Award.

Joseph M. Manko, Jr., age 52

Other public directorships: Repro-Med Systems, Inc.,
Creative Realities, Inc.

Director since: March 2019

Former public directorships within past five years:
None

Safeguard Board Committees: Audit, Compensation,
Nominating & Corporate Governance

Career Highlights:

Managing Member and Senior Principal of Horton Capital Management, LLC, an investment fund (2013 present)

Minority owner and a Managing Director at Mufson Howe Hunter & Co., LLC, a boutique investment bank focusing on middle-market companies (2011 present)

Partner and Chief Executive Officer of Switzerland-based BZ Fund Management Limited, where he was responsible for corporate finance, private equity investments, three public equity funds, and the firm's Special Situations and Event-Driven strategies (2005 2010)

Managing Director, Deutsche Bank AG (NYSE:DB), an investment bank in London (1997 2004)

Vice President, Merrill Lynch & Co, Inc. (n/k/a BofA Securities (NYSE: BAC)), an investment bank (1995 1997)

Corporate Finance Attorney at Skadden, Arps, Slate, Meagher & Flom LLP, a law firm (1991 1995)

Experience and Qualifications: Mr. Manko has experience serving on the boards of several companies and has participated in numerous shareholder value creation strategies and monetizations.

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Maureen F. Morrison, age 64

Other public directorships: ePlus, Inc., Asbury Automotive Group, Inc.

Director since: 2017

Former public directorships within past five years:
None

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

Career Highlights:

Audit Partner with PricewaterhouseCoopers LLP for 28 years, serving public and private multi-national clients in the technology and manufacturing industries. Ms. Morrison led the Atlanta, Georgia Technology Audit Practice for six years, and held other positions at the firm, prior to her retirement in 2015.

Experience and Qualifications: During her tenure at PricewaterhouseCoopers LLP, Ms. Morrison worked closely with clients concentrated in the technology industry dealing with acquisitions, international expansion, financing transactions, subjective technical matters and regulatory compliance. Ms. Morrison is a certified public accountant and has extensive experience in accounting, finance, mergers and acquisitions and capital markets transactions. Ms. Morrison also has experience serving on other public company boards, including serving on the audit, risk management, capital allocation, and/or nominating and corporate governance committees of such boards. Since 2018, Ms. Morrison has served as an independent director on the Board of Directors of ePlus inc. She is also a member of its Audit Committee and Nominating and Corporate Governance Committee. In 2019, Ms. Morrison joined the Board of Directors of Asbury Automotive Group as an independent director. She is also a member of its Audit Committee and Capital Allocation and Risk Management Committee.

John J. Roberts, age 74

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

Director since: 2003

Former public directorships within past five years:
None

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

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 extensive public and private company board service experience, including service on multiple audit committees.

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Robert J. Rosenthal, PhD, age 62

Chairman of the Board since 2016

Director since: 2007

Other public directorships: Bruker Corporation

Former public directorships within past five years:
None

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

Career Highlights:

Chief Executive Officer and director (2014 – 2018) and Chairman of the Board of Directors (2019 – present), Taconic Biosciences, Inc., a provider of research models for pharmaceutical and biotechnology researchers

Chairman and Chief Executive Officer, IMI Intelligent Medical Implants, AG, a medical technology company that developed an intelligent retinal implant for degenerative retinal disorders (January 2010 – December 2013)

President and Chief Executive Officer, Magellan Biosciences, Inc., a provider of clinical diagnostics and life sciences research tools (October 2005 – December 2009)

President and Chief Executive Officer, TekCel, Ltd., a provider of life sciences research tools (October 2003 – January 2007)

President and Chief Executive Officer, Boston Life Sciences, Inc., a diagnostic and therapeutic development company (July 2002 – October 2003)

President and Chief Executive Officer, Magellan Discovery Technologies, LLC, a life sciences acquisition company (January 2001 – July 2002)

Senior Vice President, Perkin Elmer Corporation and President of its instrument division (March 1999 – November 2000)

Various executive positions, Thermo Optek Corporation (September 1995 – February 1999)

Experience and Qualifications: Dr. Rosenthal has 30 years of experience relating to companies involved in the development of diagnostics, therapeutics, medical devices and life sciences tools and technologies. His specific

experience includes strategic planning and positioning; corporate, business 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.

	Russell D. Glass	Ira M. Lubert	Joseph M. Manko, Jr.	Maureen F. Morrison	John J. Roberts	Robert J. Rosenthal
Operational / Direct Management Experience						
Capital Markets Experience						
Private Equity / Venture Capital Industry Experience						
Financial Expertise / Literacy						
C-level Experience						
Other Public / Private Director Experience						

Recommendation of the Board of Directors

The Board recommends a vote FOR the election of all six of the Board's nominees: Russell D. Glass, Ira M. Lubert, Joseph M. Manko, Jr., Maureen F. Morrison, John J. Roberts, and Robert J. Rosenthal.

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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 will 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 NYSE. To assist the Board in making independence determinations, the Board has adopted categorical standards that 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 Russell D. Glass, Ira M. Lubert, Joseph M. Manko, Jr., Maureen F. Morrison, John J. Roberts, and Robert J. Rosenthal, and previously determined that former directors, Julie A. Dobson, Stephen Fisher,

and George F. MacKenzie, Jr. (each of whom did not stand for re-election at the 2018 Annual Shareholders Meeting), meet the above independence standards and have no other direct or indirect material relationships with us other than their directorship; therefore, each of such directors is independent within the meaning of the NYSE listing standards and satisfies the categorical standards contained in our Corporate Governance Guidelines.

Director Attendance at Meetings. The Board held 13 meetings in 2018 and committees of the Board held a total of 12 meetings. Each incumbent director who was on the Board in 2018 attended 100% of the total number of meetings of the Board and committees of which he or she was a member while serving on the Board in 2018, with the exception of Russell D. Glass, who joined our Board in April 2018 and was not available for the Board meeting and three committee meetings that were held on October 24, 2018. Each year, the Board meets on the same day as our annual meeting of shareholders. Although there is no policy requiring Board members to attend our annual meeting, all Board members are encouraged to attend and typically do so. All of our then directors, other than Ms. Dobson and Messrs. Fisher, MacKenzie and Zarrilli, who were not standing for reelection, attended our 2018 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.

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. The Chairman of the Board also coordinates the work of the Board committees and serves as the independent director primarily responsible for consultations and communications with shareholders.

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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 four meetings during 2018. 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 Mr. Glass, Ms. Morrison, Mr. 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.

Compensation Committee. The Compensation Committee held five meetings during 2018. 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 may be cash or 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 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.

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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 three meetings during 2018. 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 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 and the individual performance of each Board member, based on input from all directors, and shares its assessment with the Board. The Audit Committee, Compensation Committee and Nominating & Corporate Governance Committee also annually assess their respective performance and committee processes. The Chairman of the Board reviews the feedback received on individual director performance with each director and solicits suggestions for improving committee and Board performance.

Board Refreshment and Tenure. Our Corporate Governance Guidelines do not maintain term limits on the service of our directors. The Board believes that term limits could result in the loss of directors who have been able to develop

over time increasing insight into our business and operations and an institutional memory that benefits the entire membership of the Board. Instead, the Nominating and Governance Committee reviews annually each director's continuation on the Board, which allows the director to confirm his or her desire to continue to serve and provides the Board an opportunity to refresh its membership when it deems appropriate. There has been significant Board refreshment since 2017, with four new independent directors joining our Board, and four directors not standing for re-election to our Board at the 2018 annual meeting.

Our Corporate Governance Guidelines, however, generally restrict a non-employee director who has reached his or her 75th birthday prior to the date of our annual meeting of shareholders from being nominated for re-election to the Board. However, the Nominating and Corporate Governance Committee may, in special circumstances and where deemed in Safeguard's best interests, grant an exception to this policy on an annual basis.

Review and Approval of Transactions with Related Persons. The Board has adopted a written policy that 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

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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.

170 North Radnor-Chester Road, Suite 200

Radnor, PA 19087

All communications are initially reviewed by the Corporate Secretary. The Chair of the Audit Committee is advised promptly of any such communication that alleges misconduct on the part of Safeguard's management or raises legal, ethical or compliance concerns about Safeguard's policies or practices. Typically, we do not forward to our independent directors communications from our shareholders or other communications which are of a personal nature or not related to the duties and responsibilities of the Board, including, without limitation, business plan or other business opportunity submissions, inquiries related to products or services provided by Safeguard's companies, spam, junk mail and mass mailings, resumes and other forms of job inquiries, surveys or polls, business solicitations or advertisements, and any material that relates to improper or irrelevant topics or is unduly hostile, threatening, illegal or similarly unsuitable.

Process for Shareholders to Recommend 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 recommending shareholder; proof of the number of shares of Safeguard common stock that the recommending shareholder owns and the length of time the shares of Safeguard common stock have been owned; and a letter from the nominee consenting 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.

170 North Radnor-Chester Road, Suite 200

Radnor, PA 19087

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Board Compensation. Beginning July 1, 2018, each of our non-employee directors is compensated for his or her service as a director through cash payments as shown in the table below:

Compensation Item	Amount (\$)
<u>Annual Board Retainers</u> (payable relative to a full year of Board service):	
Chairman of the Board	100,000
Other Directors	50,000
<u>Additional Annual Chairperson Retainers</u> (payable relative to a full year of committee service):	
Audit Committee	15,000
Compensation Committee	10,000
Nominating & Corporate Governance Committee	10,000
<u>Additional Annual Committee Retainers</u> (payable relative to a full year of committee service)(1):	
Audit Committee	15,000
Compensation Committee	15,000
Nominating & Corporate Governance Committee	10,000

(1) The additional annual committee retainers were eliminated effective as of July 1, 2018.

Directors' fees are paid quarterly, in arrears, and retainers are prorated based on actual days of service relative to a full year of Board service or the service period during which the fees were in effect. 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 that is focused on director education.

In connection with the Compensation Committee's review of the compensation of the non-employee directors, effective as of July 1, 2018, the Compensation Committee recommended changing the annual equity grant to non-employee directors from a fixed number of deferred stock units (DSUs) having a value of \$85,000 to a number of shares of restricted stock having a value of \$75,000, based upon the average closing price of a share of our common stock on the New York Stock Exchange composite tape for the 20 consecutive trading days immediately preceding the grant date. The Board concurred with this recommendation and on July 31, 2018, each non-employee director serving on the Board on that date received 6,066 shares of restricted stock, which had a value of \$75,000 based upon the average closing price of a share of our common stock on the New York Stock Exchange composite tape for the 20 consecutive trading days immediately preceding July 31, 2018. The annual restricted stock service grants are fully vested at issuance for directors who have reached age 65 and otherwise vest on the first anniversary of the grant date or, if earlier, once a director reaches age 65.

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 the cash retainers 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 are fully vested at grant for directors who have reached age 65 and otherwise vest 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. For 2018, no directors elected to defer Directors' Fees under this program.

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Director Compensation 2018. The following table provides information on compensation earned for services provided during 2018 by each non-employee director who served on our Board at any time during 2018:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)(2)	Option Awards (\$)(2)	All Other Compensation (\$)	Total (\$)(3)
Julie A. Dobson	40,164	1,332			41,496
Stephen Fisher	37,802	4,995			42,797
Russell D. Glass	38,077	69,152			107,229
Ira M. Lubert	37,280	69,152			106,432
George F. MacKenzie, Jr.	49,615				49,615
Maureen F. Morrison	65,796	69,152			134,948
John J. Roberts	80,000	75,401			155,401
Robert J. Rosenthal	106,510	69,152			175,662

- (1) These amounts do not represent compensation actually received. Rather, these amounts represent the grant date fair values of the matching DSUs issued in January 2018 related to fees deferred that were earned during the fourth quarter of 2017 and the annual service grant of shares of restricted stock computed in accordance with stock-based compensation accounting rules (FASB ASC Topic 718). The fair value of the DSUs and shares of restricted stock is determined by multiplying the number of shares underlying the DSUs and shares of restricted stock 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 following table presents the grant date fair value for each DSU and restricted award made to each non-employee director during 2018:

Name	Grant Date Fair Value (\$)	
	1/15/18	7/31/18
Julie A. Dobson	1,332	
Stephen Fisher	4,995	
Russell D. Glass		69,152
Ira M. Lubert		69,152
George F. MacKenzie, Jr.		
Maureen F. Morrison		69,152
John J. Roberts	6,249	69,152
Robert J. Rosenthal		69,152

- (2) The directors' aggregate holdings of DSUs, stock options (both vested and unvested), and unvested shares of restricted stock, as of December 31, 2018, were as follows:

Name	DSUs (#)	Restricted Stock (#)	Stock Options (#)
Julie A. Dobson	9,166		10,000
Stephen Fisher			4,167
Russell D. Glass		6,066	

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Ira M. Lubert			
George F. MacKenzie, Jr.	12,196		10,000
Maureen F. Morrison		6,066	8,333
John J. Roberts	64,153		10,000
Robert J. Rosenthal	43,540	6,066	10,000

- (3) 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, Dr. Rosenthal and Mr. Roberts have achieved the required ownership levels. Ms. Morrison, who joined our Board in 2017, Messrs. Glass and Lubert, who joined our Board in 2018, and Mr. Manko, who joined our Board in 2019, have not yet achieved the required ownership levels. In connection with Mr. Lubert's stated commitment to donate all of the compensation paid by Safeguard to him for his service on the Board, in December 2018, the Board approved the sale by Mr. Lubert of 6,066 shares of Safeguard's common stock.

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**PROPOSAL NO. 2 NON-BINDING, ADVISORY VOTE ON NAMED EXECUTIVE
OFFICER COMPENSATION**

Consistent with our Board's initial determination in 2011, in 2017 our Board again determined that an annual advisory say-on-pay vote on executive compensation would be the most appropriate alternative for Safeguard and approximately 81% of the votes cast by our shareholders at our 2017 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 2018 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 24 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 2018 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.

Recommendation of the Board of Directors

Our Board of Directors recommends that you vote FOR the approval of the compensation paid to Safeguard's named executive officers in 2018 as disclosed in this proxy statement.

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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 2018 for our named executive officers.

In January 2018, Safeguard announced that, effective immediately, Safeguard would cease making capital deployments into any new partner company opportunities and that it would focus its efforts on managing and financially supporting its existing partner companies so that it could maximize monetization opportunities for its existing partner companies interests and return value to its shareholders. This strategy is sometimes referred to in this Compensation Discussion and Analysis (CD&A) as the New Strategy.

During 2018, as part of the New Strategy, changes were made to Safeguard's named executive officers. At December 31, 2018, there were two individuals serving as named executive officers of Safeguard:

Brian J. Sisko President and Chief Executive Officer

Mark A. Herndon Senior Vice President and Chief Financial Officer

On April 6, 2018, Safeguard announced that it promoted Mr. Sisko to the position of President and Chief Executive Officer, effective as of July 1, 2018, to succeed Stephen Zarrilli, Safeguard's then President and Chief Executive Officer. Mr. Zarrilli acted as a special advisor to Safeguard through September 30, 2018 and then retired from Safeguard.

Jeffrey McGroarty, who previously held the position of Senior Vice President and Chief Financial Officer, departed from Safeguard effective June 30, 2018. David Kille, Safeguard's then Corporate Controller, assumed the role of Senior Vice President and Chief Financial Officer effective June 1, 2018 and served in such role until September 21, 2018. Safeguard appointed Mr. Herndon to the position of Senior Vice President and Chief Financial Officer to succeed Mr. Kille, effective September 21, 2018.

Our senior executive group is currently comprised of a total of six executives, including our current two named executive officers. This CD&A also describes programs that apply to our senior executive group as a whole.

Recent Business Highlights

Recent business highlights are included below because the Committee believes senior executive compensation should correlate with Safeguard's performance.

Overall, the Committee determined that Safeguard executed well against the New Strategy in 2018.

We realized \$45 million in July 2018 from MediaMath's repurchase of 39.1% of our interest in MediaMath. The transaction represented a cash-on-cash return of 4.5x.

Our funding to partner companies decreased from \$38.0 million in 2017 to \$15.9 million in 2018 reflecting both the health and maturity of the portfolio and a prudent focus on reducing our further deployments, where appropriate.

We repaid \$41.0 million of convertible senior debentures with proceeds from our credit facility and other available cash in the second quarter of 2018.

At December 31, 2018, our balance of cash, cash equivalents, restricted cash and marketable securities was \$46.2 million.

We reduced our aggregate debt principal balance to \$68.6 million at December 31, 2018 from \$91.0 million at December 31, 2017.

In January 2019 we received \$41.5 million from the consummation of the sale of partner company Propeller. The transaction represented an approximate 3x cash-on-cash return.

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We significantly reduced our on-going cost structure. For the twelve months ended December 31, 2018, our corporate expenses totaled \$9.9 million as compared to \$15.1 million for the twelve months ended December 31, 2018, in each case excluding severance, retirement and non-recurring items.

In February 2019 we announced the hiring of Evercore as our financial advisor as we execute against the New Strategy to maximize returns to shareholders.

Key 2018 Compensation Decisions

In connection with Mr. Sisko's promotion to President and Chief Executive Officer, effective July 1, 2018, Mr. Sisko's base salary was increased from \$400,000 to \$500,000 and Mr. Sisko's target management incentive plan award (pro-rated for 2018) was increased from \$360,000 to \$600,000. This compares to a full-year base salary of \$580,000 and a full-year target management incentive plan award of \$696,000 for our previous President and Chief Executive Officer.

Mr. Herndon's annual base salary was established at \$250,000 and his target management incentive plan award was \$125,000 (each prorated for 2018). This compares to a full-year base salary of \$305,000 and a full-year target management incentive plan award of \$228,750 for Mr. McGroarty, who served as Senior Vice President and Chief Financial Officer through May 31, 2018.

After reviewing Safeguard's performance against the objectives set forth in the 2018 management incentive plan, the Committee approved a 100% achievement level in overall corporate performance (against targeted amounts).

In February 2019, the Committee approved an Amended and Restated Transaction Bonus Plan (as described in more detail below) to better align the long-term interests of our senior executive group with the long-term interests of our shareholders.

Effective Corporate Governance Principles

Below is a summary of what we did and what we did not do relating to executive compensation during 2018:

WHAT WE DID:

Emphasized variable pay for performance by linking our named executive officers' target incentive compensation to Safeguard's financial performance and the attainment of specified metrics

Maintained short-term and long-term incentive programs with distinct performance-based measures

Retained an independent compensation consulting firm that provides no other services to Safeguard

Maintained 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

Maintained meaningful stock ownership guidelines for our senior executives and Board members

WHAT WE DIDN T DO:

- V **Provide golden parachute excise tax or other tax gross-ups upon a change in control**
- V **Provide any material perquisites**
- V **Grant stock option awards or stock appreciation rights (SARs) below 100% of fair market value**
- V **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 senior executives**
- V **Provide a pension plan or special retirement program other than our 401(k) plan, which is available to all employees**

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. 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

In January 2018, Safeguard announced the New Strategy. See [New Strategy - Changes in Compensation Policies and Practices](#) below. In furtherance of such new strategy, our overall goals in compensating our executives in 2018 were as follows:

Attract, retain and motivate executives whose experience and skills could be leveraged to facilitate the partner companies' growth, success and ultimate monetization;

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

Encourage alignment of executive and shareholder interests as an incentive to increase shareholder value. Our executive compensation program in 2018 was 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 shareholder value;

Link variable compensation to metrics that demonstrate value creation for Safeguard; and

Facilitate executive retention.

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 partner company and corporate goals.

The Committee is also responsible for approving and granting equity awards to our directors, executives, employees and, from time to time, other independent advisors and consultants. 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 President and Chief Executive Officer is responsible for evaluating and setting compensation for our other employees, including annually assessing the performance of each other employee. 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 program, 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 2018, 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, equity grant matters, market trends, risk assessment and management and technical considerations concerning executives and directors. Semler Brossy also assisted the Committee with the reporting of executive compensation matters relating to 2018 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.

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The Committee, which has the sole authority to hire and terminate its consultant, evaluates the performance of its consultant annually. In 2018, 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 2018 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 Chairperson of the Committee before payment by Safeguard.

With respect to the New Strategy, Semler Brossy provided assistance to the Committee regarding compensation changes for executives and directors in support of the New Strategy, which included providing competitive information on similar initiatives, developing alternatives and working with the Committee's other advisors to finalize executive employment agreements and long-term incentive programs.

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 that should be at-risk. In 2018, the Committee principally utilized variable/at-risk cash compensation to pursue 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. 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. Recognizing that our new 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.

For further discussion of setting executive compensation, see *New Strategy - Changes in Compensation Policies and Practices* below.

Outcome of the 2018 Say-on-Pay Vote and Shareholder Outreach

At our 2018 annual meeting of shareholders, our shareholders approved the compensation of our named executive officers, with approximately 82% of shareholder votes being cast in favor of our say-on-pay proposal on executive compensation. The Committee believes that this support from our shareholders is evidence that our pay-for-performance policies were aligned with our shareholders' interests.

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.

Table of Contents**2018 Compensation Program**

During 2018, the Committee used the following principal elements of executive compensation to meet its overall goals:

Compensation Element	Objective	Key Features	Performance /
			At Risk?
Base Pay	Rewards an executive's core competencies relative to skills, experience, responsibilities and anticipated contributions to us and our partner companies.	Reviewed annually in comparison to market data to ensure competitive base pay; subject to adjustment annually based on individual performance, experience, leadership and market factors.	No.
Annual Incentives	Rewards an executive's contributions towards the achievement of annual corporate objectives.	The Committee establishes annual performance objectives that align our compensation practices with our shareholders' interests.	Yes; payout occurs only upon achievement of established measurable goals. May not pay out if annual performance goals are not met.
Transaction Bonus Plan	Rewards an executive's contributions towards the achievement of the monetization of partner company interests.	The bonus pool is principally based on cash consideration received by Safeguard.	Yes; payout occurs only upon the achievement of thresholds related to cash received by Safeguard or specified events.
Restricted Stock (subject to time-based vesting)	Encourages executive ownership of our stock and promotes continued employment with us through the use of vesting based on extended tenure with Safeguard.	Value is realized based on future stock price, with a direct correlation to changes in shareholder value.	Yes; value increases or decreases in correlation to share price.
Health and Welfare Benefits	Provides 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.	Ensures competitive market practices and promotes continued employment.	No.

Severance and Change-in-Control Arrangements	Helps us retain certain of our executive officers, providing us with continuity of executive management.	Equity awards to our senior executives provide for double-trigger vesting upon a change in control.	No.
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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. Each of our executive officers has an agreement with us that 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 part of adjusting base salary levels of our executives for 2018, the Committee took into account the New Strategy as well as the proxy peer group and survey data provided by Semler Brossy, including market rates for Chief Executive Officers as compared to Chief Operating Officers, United States economic conditions, in general, and changes in scope of job responsibility.

The Committee does not typically make adjustments to the base salary levels for our executives based on cost-of-living types of factors.

Table of Contents***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 our named executive officers and our other executives and employees principally based on Safeguard's annual performance and/or individual achievement. These awards are determined annually following the end of each calendar year based on the Committee's assessment of the achievement of objectives established at the beginning of the year. Payments may be made in cash and/or equity, in the Committee's discretion. The awards have been paid solely in cash in recent years. Neither the actual awards to be made under the MIP nor the minimum long-term value of any equity grants made is guaranteed.

For 2018, the Committee determined that our named executive officers and other senior executives would be eligible to receive an award under the MIP based 100% on the achievement by Safeguard of corporate objectives. Other employees also participated in our 2018 MIP based 100% on the achievement by Safeguard of corporate objectives. The Committee may adjust the relative weightings of corporate and individual objectives for specified employees under our MIP, including our named executive officers, in the future in light of Safeguard's overall compensation goals.

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 also on our executives' management of Safeguard towards achieving the annual goals that we believe will contribute to shareholder value.

2018 Performance Measures. The Committee established specific performance-based corporate and partner company target metrics based principally upon the most pressing components of the New Strategy: monetization of partner company interests, liquidity, debt restructuring, follow-on deployment management, expenses management, risk management and stock price. Within the specific parameters of the 2018 MIP, the Committee reserved a significant level of discretion in reaching final determinations of achievement levels attained. The determination to reserve such discretion and flexibility arose from the Committee's belief 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 and that implementation of the New Strategy would likely entail the arising of unforeseen circumstances. 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.

Consistent with their respective employment agreements and Safeguard's overall compensation philosophy, and based upon multiple factors reviewed by the Committee, including an assessment of competitive compensation data in the market in which Safeguard competes for executive talent (specifically taking into account market rates for Chief Executive Officers as compared to Chief Operating Officers) and to better align the interests of Safeguard management and our shareholders, the Committee set the following target MIP awards for 2018 for our named executive officers:

Name

	2017 MIP Target	2018 MIP Target	2019 MIP Target
	Variable Incentive (1)	Variable Incentive (1)	Variable Incentive (1)
Brian J. Sisko (2)	\$ 360,000	\$ 480,000	\$ 600,000
Mark A. Herndon (3)	\$	\$ 36,301	\$ 125,000
Stephen T. Zarrilli (4)	\$ 696,000	\$ 520,538	\$
Jeffrey B. McGroarty (5)	\$ 228,750	\$ 114,375	\$
David A. Kille (6)	\$	\$ 97,292	\$

- (1) The 2017 and 2019 MIP target variable incentive amounts have been included for comparison purposes.
- (2) Effective July 1, 2018, Mr. Sisko was promoted to serve as President and Chief Executive Officer. In connection with such appointment, Mr. Sisko's 2018 MIP Target was increased from \$360,000 to \$600,000 (pro-rated for 2018). \$480,000 represents Mr. Sisko's blended 2018 MIP Target. The 2019 MIP Target reflects a full year at target levels.
- (3) Effective September 21, 2018, Mr. Herndon was appointed to serve as Senior Vice President and Chief Financial Officer. In connection with such appointment, Mr. Herndon's 2018 MIP Target was set at \$125,000 (pro-rated for 2018). \$36,301 represents Mr. Herndon's pro-rated 2018 MIP Target.

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- (4) Mr. Zarrilli served as President and Chief Executive Officer through June 30, 2018. Pursuant to terms of the agreement relating to Mr. Zarrilli's separation from Safeguard, Mr. Zarrilli's 2018 MIP Target was prorated to \$520,538, reflecting his service to Safeguard through September 30, 2018 in the role of employee-advisor.
- (5) Mr. McGroarty served as Senior Vice President and Chief Financial Officer through June 1, 2018. Pursuant to the terms of Mr. McGroarty's employment agreement, upon his separation from Safeguard, Mr. McGroarty's 2018 MIP Target was prorated to \$114,375, reflecting his service to Safeguard through June 1, 2018.
- (6) Effective June 1, 2018, Mr. Kille was promoted to serve as Senior Vice President and Chief Financial Officer. In connection with such appointment, Mr. Kille's 2018 MIP Target was increased from \$58,500 to \$125,000 (pro-rated for 2018). \$97,292 represents Mr. Kille's blended 2018 MIP Target. Mr. Kille resigned on September 21, 2018 and did not receive a 2018 MIP payment.

There were no mandatory minimum awards payable under the 2018 MIP, and awards were paid based upon the Committee's determination of the level of achievement of the applicable corporate objectives.

Determination of 2018 Payouts. In late 2018 and early 2019, the Committee reviewed Safeguard's corporate performance against the corporate objectives set forth below. Overall, the Committee determined that 2018 was a year of excellent results for Safeguard and, that while not all goals were achieved in full, Safeguard over-achieved with respect to other goals, specifically the goal of monetizing partner company interests. Therefore, the Committee approved a 100% achievement level in overall corporate performance (against targeted amounts).

Corporate Objectives:

Successful implementation of the New Strategy.

Monetization of partner company interests.

Achievement of exit of some or all of interests in MediaMath.

Prudent management of follow-on deployments to partner companies at target levels.

Achievement of target reductions in operating expenses.

Management of corporate indebtedness, including repayment of our outstanding convertible debentures.

Achievement of aggregate partner company performance with respect to revenue growth and completed financing activities.

Share price performance

Based on its assessment of the achievement of the 2018 MIP corporate objectives, or the forecasted achievement in the cases of Messrs. Zarrilli and McGroarty, the Committee authorized the following individual awards to Safeguard's

named executive officers (with the final payouts to our current named executive officers conditioned upon the completion of the audit of our 2018 consolidated financial statements and internal control over financial reporting without any unexpected material adjustments, each of which has now occurred). The Committee determined to pay 2018 MIP payments to our executives solely in cash.

Name	Payout Level	Total Variable Incentive Payment
Brian J. Sisko	(1)	\$ 480,000
Mark A. Herndon	(2)	\$ 36,301
Stephen T. Zarrilli	(3)	\$ 442,458
Jeffrey B. McGroarty	(4)	\$ 114,375
David A. Kille	(5)	\$
Named Executive Officers, as a group (5 persons)		\$ 1,073,134

- (1) Effective July 1, 2018, Mr. Sisko was promoted to serve as President and Chief Executive Officer. In connection with such appointment, Mr. Sisko's 2018 MIP Target was increased from \$360,000 to \$600,000 (pro-rated for 2018). \$480,000 represents Mr. Sisko's blended 2018 MIP Target. Mr. Sisko's 2018 MIP payout was equal to 100% of his 2018 MIP Target.
- (2) Effective September 21, 2018, Mr. Herndon was appointed to serve as Senior Vice President and Chief Financial Officer. In connection with such appointment, Mr. Herndon's 2018 MIP Target was set at \$125,000 (pro-rated for 2018). \$36,301 represents Mr. Herndon's pro-rated 2018 MIP Target. Mr. Herndon's 2018 MIP payout was equal to 100% of his 2018 MIP Target.

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- (3) Mr. Zarrilli served as President and Chief Executive Officer through June 30, 2018. Pursuant to terms of the agreement relating to Mr. Zarrilli's separation from Safeguard, Mr. Zarrilli's 2018 MIP Target was prorated to \$520,538, reflecting his service to Safeguard through September 30, 2018 in the role of employee-advisor. Mr. Zarrilli's 2018 MIP payout was equal to 85% of his prorated 2018 MIP Target.
- (4) Mr. McGroarty served as Senior Vice President and Chief Financial Officer through June 1, 2018. Pursuant to the terms of Mr. McGroarty's employment agreement, upon his separation from Safeguard, Mr. McGroarty's 2018 MIP Target was prorated to \$114,375, reflecting his service to Safeguard through June 1, 2018. Mr. McGroarty's 2018 MIP was equal to 100% of his 2018 MIP Target.
- (5) Effective June 1, 2018, Mr. Kille was promoted to serve as Senior Vice President and Chief Financial Officer. Mr. Kille resigned on September 21, 2018 and did not receive a 2018 MIP payment.

Long-Term Incentives.

In furtherance of the New Strategy, in 2018, except for a new-hire grant made to Mr. Herndon, the Committee did not issue any equity awards to employees.

In February 2019, the Committee adopted the Amended and Restated Transaction Bonus Plan (as discussed in more detail below).

Through 2017, the principal approach utilized by the Committee to meet the need for a long-term incentive component to Safeguard's executive compensation program had been the granting of significant amounts of equity to our named executive officers. Our equity compensation plans allow for the grant of: (i) stock options, (ii) restricted stock, (iii) restricted stock units (which include deferred stock units (DSUs) and performance stock units (PSUs)) and (iv) 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 have varied from time to time.

Beginning in 2013, the Committee decided that equity grants in the form of restricted stock and restricted stock units would be the principal component of Safeguard's long-term incentive program, although stock options have been granted from time to time. The decision to use primarily restricted stock and restricted stock units, a significant percentage of which have been subject to performance-based vesting based on the capital-return based vesting model (which the Committee initially implemented in 2008 and is discussed in more detail below) was based, in part, on a recommendation from the Committee's compensation consultant to further align management's interests with our shareholders' interests and to create an appropriate balance for our senior executives between incentive and retention. The Committee also determined at that time that such capital-return based vesting model best aligned the long-term incentive award to the factors critical to the creation of shareholder value.

Entering 2017, the Committee once again determined to allocate equity grants (both initial and any annual grants) between (i) equity grants subject to performance-based vesting using the capital-return based vesting model, as discussed in more detail below, and (ii) equity grants subject to simple time-based vesting. It was the Committee's view that allocating equity grants in this way aligned the long-term interests of Safeguard management and our shareholders and created a balance for our senior executives between incentive and retention. The Committee has always reserved the right to allocate equity grants in a different manner as circumstances dictate.

Our performance-based equity grants that remain outstanding are all subject to capital-return based vesting.

The capital-return based vesting model vests the particular equity grants awarded based on aggregate cash returns received by Safeguard from the ultimate monetizations of phantom pools of Safeguard's partner companies that were typically first funded during the same calendar year in which those equity grants were made.

The capital-return based vesting model has evolved over time as conditions in the marketplace changed and as the Committee gained further experience with predicting intended or targeted outcomes. The basic capital-return based vesting model utilized entering 2017 provided that, subject to minimum time periods having expired with respect to grants that were granted on or after 2014, vesting will begin to occur once a minimum cash return hurdle with respect to the relevant partner company pool is reached and will continue to occur incrementally over time as cash returned on the relevant partner company pool approaches targeted levels. In all instances since the inception of the capital-return based vesting model, adjustments are made to the required cash return hurdle amounts if and when Safeguard deploys additional capital into any of the partner companies included in the relevant pool of partner companies.

For the performance-based equity grants that were granted through 2013, vesting of such grants *begins to occur* after cash proceeds received by Safeguard from the ultimate monetization of the pool of partner companies applicable to such grants equals the aggregate capital deployed by Safeguard in such pool of partner companies plus an amount approximating Safeguard's annual overhead (allocated overhead). Proceeding on a linear basis from that point, all such grants will fully vest upon the achievement of a predetermined target amount of proceeds that must be received by Safeguard from the ultimate monetization of the pool of partner companies applicable to such grants. For such performance-based equity grants made through 2012, such predetermined target amounts of proceeds needed for full vesting are equal to 3 times the aggregate capital deployed by Safeguard in the relevant pool of

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partner companies (plus allocated overhead). For such performance-based equity grants made in 2013, such predetermined target amounts of proceeds needed for full vesting are equal to 2.4 times the aggregate capital deployed by Safeguard in the relevant pool of partner companies (plus allocated overhead). The foregoing change in target amounts for full vesting (i.e., 2.4 times capital deployed for 2013 deployments versus 3 times capital deployed for deployments through 2012) was due to the Committee's determination that such a reduction was appropriate given the overall lower returns experienced generally within the venture capital and private equity markets since 2008. For the same reason, the Committee decided to further revise the predetermined target amounts of proceeds needed for initial vesting and full vesting for performance-based equity grants that were granted starting in 2014, and also considered the actual vesting that was occurring over time relating to the partner company pools previously created in the earliest years of the capital-return based vesting model as well as market feedback regarding Safeguard's long-term incentive program.

For performance-based equity grants that were granted from 2014 through 2017, the predetermined target amounts of proceeds that must be received by Safeguard from the ultimate monetizations of the applicable pool of partner companies *before any vesting occurs* for such equity grants was raised to 1.25 times the aggregate capital deployed by Safeguard in the applicable pool of partner companies (plus allocated overhead). ***Subject to minimum time periods having been reached as described below***, such performance-based equity grants will vest, as follows:

Required Multiple of Capital Deployed in

Applicable Pool (plus allocated overhead)*	Resulting Cliff Vesting and Cash Payment Metrics
1.25x	25% vesting
1.50x	50% (incremental 25%) vesting
1.75x	75% (incremental 25%) vesting
2.00x	100% (incremental 25%) vesting
2.25x	Cash equal to 25% of performance grant values
2.50x	Cash equal to 50% (incremental 25%) of performance grant values**

* Notwithstanding the above vesting thresholds, so as to ensure against the unlikely possibility that performance-based equity grants do not vest too quickly (for example, if cash proceeds relating to a particular pool are achieved very soon after the equity grant date), the Committee required that such performance-based equity grants not vest (or cash amounts be paid) more quickly than based upon the following schedule following grant:

March 15th of the second calendar year following the grant date - 25%; and

Each September 15th and March 15th thereafter - 12 ½% increments.

In addition, recipients must be actively employed/providing service to Safeguard through such dates.

** Cash amounts will continue to accrue/be paid at the rate of 25% of performance grant values for each .25x of additional return of deployed capital in the applicable pool; provided, however, no cash amounts shall accrue/be

payable to any participant who is considered a named executive officer (for reporting purposes under the Securities Exchange Act of 1934) relating to any returns of capital beyond 3x deployed capital in the applicable pool, effectively capping the combined equity and cash incentive payout for named executive officers at 200%. No further vesting or cash accruals/payments will be made beyond the term of the grant, which is 10 years following the grant date.

Because no deployments were made in 2017 into new partner companies and, therefore, a pool of new partner companies to measure performance against did not exist, for the grants made in 2017, the Committee chose to award equity incentives solely in the form of restricted stock grants subject to time-based vesting in amounts that were lower than those granted in 2016 and also below average competitive levels.

As of December 31, 2018, the following vesting under capital-return based vesting grants had been achieved:

Performance Pool	Expiration Date	Vested Percentage
2008	September 30, 2016 and December 23, 2020	44%
2009	October 30, 2019	0%
2010	November 5, 2020	0%
2011	September 30, 2021	1%
2012	October 2, 2022 and December 5, 2022	0%
2013	October 31, 2023	0%
2014	December 31, 2024	0%
2015	December 31, 2025	0%
2016	December 31, 2026	0%

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More information regarding transaction bonus awards made to our named executive officers in February 2019 can be found below under Executive Compensation Grants of Plan-Based Awards 2018 as well as New Strategy Changes in Compensation Policies and Practices.

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. Any stock options granted 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. 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 and on the last business day of the month in which grants are approved by the Committee for all other grants.

With the implementation of the New Strategy and the other compensation programs currently in effect, as discussed in this CD&A, at the present time the Committee does not intend to issue additional equity as compensation to management.

Perquisites (fringe benefits). During 2018, we provided life insurance coverage ranging from \$750,000 to \$1,000,000 to each of our named executive officers at a total cost of \$6,212. Our named executive officers also are eligible to participate in the fringe benefits that Safeguard may offer, from time to time, on a non-discriminatory basis to all of our employees.

Severance and Change-in-Control Arrangements

During 2018, each of our current named executive officers, respectively, were a party to an employment agreement with Safeguard. Mr. Sisko's employment agreement provides for a term of employment through December 31, 2020, following which he will be an employee-at-will. Mr. Herndon is an employee-at-will since his employment agreement does not provide for a term of employment. Each such employment agreement with Safeguard 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). 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.

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.

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 the Recoupment Policy following SEC adoption of final rules to implement Section 954 of Dodd-Frank and the effectiveness of the applicable NYSE listing standards to ensure compliance.

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Deductibility of Executive Compensation