

SAFEGUARD SCIENTIFICS INC

Form DEF 14A

April 28, 2004

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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

- | | |
|--|--|
| <input type="checkbox"/> [] Preliminary Proxy Statement | <input type="checkbox"/> [] Confidential, For use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> [X] Definitive Proxy Statement | |
| <input type="checkbox"/> [] Definitive Additional Materials | |
| <input type="checkbox"/> [] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12 | |

SAFEGUARD SCIENTIFICS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (check the appropriate box):

[X] No fee required.
]

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

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**800 The Safeguard Building
435 Devon Park Drive
Wayne, PA 19087-1945**

Phone: (610) 293-0600

Toll-Free: (877) 506-7371

Fax: (610) 293-0601

Automated Investor Relations Line: (888) 733-1200

Internet: www.safeguard.com

**SAFEGUARD SCIENTIFICS, INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

Dear Safeguard Shareholder:

You are invited to attend the Safeguard Scientifics, Inc. 2004 Annual Meeting of Shareholders.

DATE: June 11, 2004

TIME: 10:00 a.m. Eastern time

PLACE: The Desmond Great Valley Hotel and Conference Center
One Liberty Boulevard
Malvern, Pennsylvania 19355
(610) 296-9800 or (800) 575-1776

RECORD DATE: Only shareholders who owned stock at the close of business on April 15, 2004, can vote at this meeting or any adjournments that may take place.

ITEMS OF BUSINESS:

1. To elect nine directors
2. To approve the Safeguard Scientifics, Inc. 2004 Equity Compensation Plan
3. To ratify the appointment of KPMG LLP as Safeguard's independent auditors for the fiscal year ending December 31, 2004
4. To consider such other business as may properly come before the meeting

We also will report on Safeguard's 2003 business results and other matters of interest to our shareholders. You will have an opportunity at the meeting to ask questions, make comments, and meet our management team.

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Your vote is very important. We encourage you to read this proxy statement and submit your proxy or voting instructions as soon as possible to ensure your representation at the annual meeting, regardless of whether you attend in person. You may vote by completing, signing, dating and returning your proxy card or voting instruction form in the pre-addressed envelope provided, or, in most cases, by using the telephone or the Internet. For specific instructions on how to vote your shares, please refer to the section entitled Questions and Answers beginning on page 1 of this proxy statement and the instructions on the proxy or voting instruction form.

This notice of annual meeting, proxy statement, accompanying proxy card, and 2003 annual report are being mailed to shareholders beginning April 28, 2004, in connection with the solicitation of proxies by the Board of Directors.

Please contact our Corporate Secretary, Deirdre Blackburn, with any questions or concerns.

Sincerely,

Anthony L. Craig
President and Chief Executive Officer

Deirdre Blackburn
Secretary

April 28, 2004

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QUESTIONS AND ANSWERS ABOUT THE MEETING AND THE PROPOSALS

Q: *Why am I receiving these materials?*

A. Safeguard is providing these proxy materials to you in connection with Safeguard's annual meeting of shareholders, which will take place on June 11, 2004. As a shareholder, you are invited to attend the meeting and are entitled to and requested to vote on the items of business described in this proxy statement. This proxy statement contains detailed information relating to the proposals to be voted on at the annual meeting, the voting process, the compensation of directors and the most highly paid executive officers, and certain other required information.

Q: *What items of business will be voted on at the annual meeting?*

A: You may vote on the following items of business:

1. the election of nine directors who have been nominated to serve on Safeguard's Board of Directors;
2. the approval of the Safeguard Scientifics, Inc. 2004 Equity Compensation Plan; and
3. the ratification of the appointment of KPMG LLP as Safeguard's independent auditors for the 2004 fiscal year.

We also will consider other business that properly comes before the annual meeting.

Q: *How does Safeguard's Board of Directors recommend I vote?*

A: Safeguard's Board recommends a vote **FOR** each Board nominee, **FOR** adoption of the Safeguard Scientifics, Inc. 2004 Equity Compensation Plan, and **FOR** ratification of the appointment of KPMG LLP as Safeguard's independent auditors. Our Board requests discretionary authority to cumulate votes. Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of our Board.

Q: *What shares can I vote?*

A: Each share of Safeguard common stock issued and outstanding as of the close of business on April 15, 2004, the Record Date for the annual meeting, is entitled to vote on all items being voted upon at the annual meeting. On the Record Date, we had 119,706,383 shares issued and outstanding.

Every shareholder may cast one vote for each share owned as of that time, including (1) shares held directly in your name as the shareholder of record and (2) shares held for you as the beneficial owner through a broker, trustee, or other nominee, such as a bank. In the election of directors, shareholders may elect to cumulate their votes as described below under ***What does cumulative voting mean?***

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

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

Shareholder of Record

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If your shares are registered directly in your name with Safeguard's transfer agent, Mellon Investor Services LLC, you are considered the shareholder of record with respect to those shares, and these proxy materials are being sent to you directly by Safeguard. As a shareholder of record, you have the

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right to grant your voting proxy directly to Safeguard or to vote in person at the meeting. If you are a shareholder of record, Safeguard has enclosed a proxy card for your use in voting your shares.

Beneficial Owner

If your shares are held in street name (such as in a brokerage account or by another nominee, such as a bank or trust company), you are considered the beneficial owner of the shares, and these proxy materials, together with a voting instruction form, are being forwarded to you by your broker or other nominee. As the beneficial owner, you have the right to direct your broker or other nominee how to vote your shares. You also are invited to attend the annual meeting.

However, since a beneficial owner is not the shareholder of record, if you wish to vote those shares in person at the meeting, you must obtain a legal proxy from your broker or other nominee that holds your shares giving you the right to vote those shares at the meeting. We will be unable to accept a vote from you at the meeting without that legal proxy.

Q: *How do I vote my shares?*

A: If you are a shareholder of record, you may vote your shares by completing, signing and dating each proxy card you receive and returning each proxy card to Mellon Investor Services in the pre-addressed envelope provided. If you sign your proxy card but do not mark any boxes showing how you wish to vote, Anthony L. Craig and Christopher J. Davis will vote your shares and will cumulate your votes as recommended by the Board.

If you hold your shares beneficially in street name, in most cases you will be able to vote in the following three ways:

1. by telephone;
2. by Internet; or
3. by completing, signing and returning the voting instruction form in the accompanying pre-addressed envelope.

Your vote by telephone or Internet will help Safeguard save money. Remember, if you vote by telephone or Internet, do not return your voting instruction form.

In the election of directors, if you wish to vote cumulatively, please follow the directions in the next question.

Q: *What does cumulative voting mean?*

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

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

write the words *cumulate for* in the space provided under item 1 of the proxy card; and

write the name of each nominee and the number of votes to be cast for each nominee in that space.

If you vote cumulatively, please check to be sure that the number of votes you cast adds up to the number of shares you own multiplied by nine. If the number of votes does not add up correctly, our proxy tabulator will not vote your shares until a properly completed proxy card has been received. If you hold your shares beneficially in street name and wish to vote cumulatively, you will need to contact your broker, trustee or other nominee.

Q: *What if I want to change my vote?*

A: You may change your vote at any time prior to the vote at the annual meeting. If you are the shareholder of record, you may change your vote in any of the following ways:

1. delivering to our Corporate Secretary at 800 The Safeguard Building, 435 Devon Park Drive, Wayne, PA 19087-1945, on or before the business day prior to the annual meeting, a written revocation of the proxy or a later dated, signed proxy card;
2. delivering a written revocation or a later dated, signed proxy card to us at the annual meeting prior to the taking of the vote on the matters to be considered at the annual meeting;
3. attending the annual meeting and voting in person at the meeting; or
4. if you have instructed a broker to vote your shares, following the directions received from your broker to change those instructions.

Attendance at the annual meeting will not cause your previously granted proxy to be revoked unless you specifically request so.

Q: *How many shares must be present or represented to conduct business at the annual meeting?*

A: The quorum requirement for holding the annual meeting and transacting business is that holders of a majority of shares of our common stock entitled to vote must be present in person or represented by proxy. Proxies received but marked as abstentions or containing broker non-votes on a particular matter will be included in the calculation of the number of shares entitled to vote for the purpose of determining the presence of a quorum. A broker non-vote can occur when a broker submits a proxy on certain matters but does not vote on one or more non-routine matters on which the broker is not permitted to exercise voting discretion.

Q: *Who will count the votes?*

A: A representative of Mellon Investor Services, our registrar and transfer agent, will count the votes and act as the judge of election.

Q: *What is the voting requirement to approve each of the proposals?*

A: In the election of directors, the nine nominees who receive the highest number of **FOR** votes at the annual meeting will be elected as directors. A properly executed proxy that withholds authority to vote with respect to the

election of one or more directors will not be voted with respect to the director or directors indicated and will not be taken into account in determining the outcome of the election; however, it will be counted for purposes of determining whether there is a quorum.

The other two proposals require the affirmative FOR vote of a majority of those shares present in person or represented by proxy and entitled to vote on those proposals at the annual meeting.

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If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute broker non-votes. Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. In tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming that a quorum is obtained. Abstentions will have the same effect as negative votes against the proposal.

Q: What does it mean if I get more than one proxy card or voting instruction form?

A: It may mean that you have multiple accounts at the transfer agent or hold your shares in more than one brokerage account. **Please provide voting instructions for all proxy cards and voting instruction forms that you receive.** If you are a shareholder of record, we encourage you to contact our transfer agent to obtain information about how to combine your accounts. You may contact our transfer agent at the following address and telephone numbers:

Safeguard Scientifics, Inc.
c/o Mellon Investor Services
P. O. Box 3315
South Hackensack, NJ 07606
Toll Free: 1-800-526-0801
TDD Hearing Impaired: 1-800-231-5469
International: 1-201-329-8660

If you provide Mellon Investor Services with photocopies of the proxy cards that you receive or with the account numbers that appear on each proxy card, it may be easier to accomplish this.

If you are a shareholder of record, you also can find information on transferring shares and other useful shareholder information on our transfer agent's web site at www.melloninvestor.com.

Q: Are there any expenses associated with collecting the shareholder votes?

A: We will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation. We also have hired Georgeson Shareholder Communications, Inc. (Georgeson) to assist us in the distribution of proxy materials and the solicitation of votes described above. We will pay Georgeson a fee not to exceed \$8,500 plus customary costs and expenses for these services. Upon request, we also will reimburse brokerage houses and other custodians, nominees and fiduciaries for forwarding proxy and solicitation materials to our shareholders.

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Q: *What is a shareholder proposal?*

A: A shareholder proposal is your recommendation or requirement that Safeguard or our Board take action on a matter that you intend to present at a meeting of shareholders. However, under applicable rules we have the ability to exclude certain matters proposed, including those that deal with matters relating to our ordinary business operations.

Q: *Can anyone submit a shareholder proposal?*

A: To be eligible to submit a proposal, you must have continuously held at least \$2,000 in market value, or 1% of our common stock, for at least one year by the date you submit your proposal. You also must continue to hold those securities through the date of the meeting.

Q: *If I wish to submit a shareholder proposal for the annual meeting in 2005, what action must I take?*

A: If you wish us to consider including a shareholder proposal in the proxy statement for the annual meeting in 2005, you must submit the proposal, in writing, so that we receive it no later than December 29, 2004. The proposal must meet the requirements established by the Securities and Exchange Commission (SEC). The proposal should be sent to:

Safeguard Scientifics, Inc.
Attention: Corporate Secretary
800 The Safeguard Building
435 Devon Park Drive
Wayne, PA 19087-1945

Our bylaws provide that only proposals included in the proxy statement may be considered at the annual meeting.

Q: *What is householding and how may I obtain a separate annual report and proxy statement?*

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

If you would like to receive your own set of our annual report and proxy statement in the future, or if you share an address with another Safeguard shareholder and together both of you would like to receive only a single set of Safeguard annual disclosure documents, please contact ADP by telephone at 800-542-1061. Be sure to include your name, the name of your brokerage firm or bank, and your account number. The revocation of your consent to householding should be effective 30 days following its receipt.

If you did not receive an individual copy of this year's annual report or proxy statement, we will send a copy to you if you address a written request to Safeguard Scientifics, Inc., Attention: Investor Relations, 800 The Safeguard Building, 435 Devon Park Drive, Wayne, PA 19087-1945 or call 1-888-733-1200.

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Q: Can a shareholder nominate someone to be a director of Safeguard?

A: The policy of the Corporate Governance Committee is to consider properly submitted shareholder nominations for candidates for membership on the Board in substantially the same manner as it considers other Board candidates it identifies. Criteria to be considered in connection with a nominee's qualifications include, at a minimum, the following: (i) a candidate's qualification as independent under the various standards applicable to the Board and each of its committees; (ii) depth and breadth of experience within Safeguard's industry and otherwise; (iii) outside time commitments; (iv) special areas of expertise; (v) accounting and finance knowledge; (vi) business judgment; (vii) leadership ability; (viii) knowledge of international markets; (ix) experience in developing and assessing business strategies; (x) corporate governance expertise; (xi) risk management skills; and (xii) for incumbent members of the Board, the past performance of the incumbent director.

Any shareholder nomination must include (i) the nominee's name, a comprehensive biography of the director nominee, an explanation of why the nominee is qualified to serve as a director and whatever other supporting material the shareholder considers appropriate; (ii) the name, address and telephone number of the shareholder or group of shareholders making the recommendation, proof of Safeguard stock ownership, number of shares and length of time the shares of Safeguard's voting securities have been beneficially owned by the stockholder or group of stockholders, and a representation that the stockholder or group of stockholders is entitled to and will remain entitled to vote at Safeguard's next annual meeting; and (iii) a letter from the individual being recommended certifying his or her willingness to serve, if elected, as a director. Recommendations should be directed to:

Chair, Corporate Governance Committee
c/o Corporate Secretary
Safeguard Scientifics, Inc.
800 The Safeguard Building
435 Devon Park Drive
Wayne, PA 19087-1945

Q: How may I communicate with Safeguard's Board of Directors or with non-management directors on Safeguard's Board?

A: Safeguard's Audit Committee has established procedures for confidential, anonymous submission of complaints by employees and for receipt, retention and treatment of complaints, from whatever source, received by Safeguard, regarding accounting, internal accounting controls or auditing matters. Any person who desires to contact the Audit Committee may do so by addressing correspondence to the Audit Committee Chair, in care of the Corporate Secretary, at:

Safeguard Scientifics, Inc.
800 The Safeguard Building
435 Devon Park Drive
Wayne, PA 19087-1945

All such communications are sent to the Chair of the Audit Committee, and after consultation with the Chair of the Audit Committee, may be sent to the other members of the Audit Committee.

All other communications directed to the Board or any specified director(s) should be addressed in care of the Corporate Secretary at the address noted above. All communications are initially reviewed by the Corporate Secretary. The Chair of the Audit Committee is advised promptly of any

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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.

On a regular basis, the Chair of the Audit Committee receives updates on other communications received from shareholders that raise issues related to the affairs of Safeguard but which do not fall into the two prior categories. The Chair of the Audit Committee determines which of these communications he would like to see. The Corporate Secretary will maintain a log of all such communication which will be available for review upon request of any member of the Board. 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.

Q: *Who are Safeguard's largest shareholders?*

A: At December 31, 2003, no shareholder owned more than 5% of our stock. At April 15, 2004, our current directors and executive officers beneficially owned a total of approximately 2.2% of our stock.

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**ELECTION OF DIRECTORS
Item 1 on Proxy Card**

Directors are elected annually and serve a one-year term. There are nine nominees for election this year. Each nominee is currently serving as a director and has consented to serve until the next annual meeting if elected. You will find detailed information on each nominee below. If any director is unable to stand for re-election after distribution of this proxy statement, the Board may reduce its size or designate a substitute. If the Board designates a substitute, proxies voting on the original director candidate will be cast for the substituted candidate.

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

ROBERT E. KEITH, JR.

Director since 1996

Age 62

Mr. Keith was appointed chairman of the board of Safeguard in October 2001, prior to which he served as vice chairman since February 1999. Mr. Keith also served as a member of the office of the chief executive of Safeguard from April 2001 to October 2001. Mr. Keith has been a managing director of TL Ventures and its predecessor funds since 1988. He served as president from 1991 to December 2002, and as chief executive officer from February 1996 to December 2002, of Technology Leaders Management, Inc., a private equity capital management company. Mr. Keith is also a senior adviser to, and co-founder of, EnerTech Capital Partners, a private equity fund that targets technology companies that benefit from deregulation of the utility industry. Mr. Keith is a director of Internet Capital Group, Inc.

ANTHONY L. CRAIG

Director since 2001

Age 58

Mr. Craig became president and chief executive officer of Safeguard in October 2001. Before joining Safeguard, Mr. Craig was chief executive officer from December 1999 to October 2001 and remains chairman of Arbinet-thexchange, a leading online trading exchange for the telecommunications industry. Before Arbinet, he served as president and chief executive officer of Global Knowledge Network, a premier provider of technology learning services, from January 1997 to December 1999. Mr. Craig has also served as corporate vice president for Digital Equipment Corporation, senior vice president for Oracle Systems Corporation, and president and chief executive officer of Prime Computer. Mr. Craig has also held the positions of vice president of General Electric Company and president and chief executive officer of GE Information Services, as well as a series of executive assignments internationally at IBM Corporation. Mr. Craig is a director of ChromaVision Medical Systems, Inc. and CompuCom Systems, Inc.

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JULIE A. DOBSON

Director since 2003

Age 47

Ms. Dobson served as chief operating officer, from 1998 until February 2002, of TeleCorp PCS, a wireless/mobile phone company that was acquired by AT&T Wireless in late 2001. From 1997 to 1998, Ms. Dobson was president of Bell Atlantic's New York/ New Jersey Metro Region mobile phone operations. Prior to that time, Ms. Dobson served in a number of executive positions during her 18-year career with Bell Atlantic, including sales, operations, and strategic planning and development in the CEO's office. Ms. Dobson is a director of PNM Resources Inc. and LCC International, Inc.

ANDREW E. LIETZ

Director since 2003

Age 65

Mr. Lietz is managing director of Rye Capital Management, a company he founded in 2001 to provide capital and professional services to pre-IPO stage companies. From late 2000 until mid-2002, he served as executive chairman of Clare Corporation, a designer and manufacturer of integrated circuits, solid-state relays and electronic switches, which was acquired by Ixys Corporation. Prior to his tenure with Clare, Mr. Lietz served as president and chief executive officer of Hadco Corporation, a global manufacturer of electronic interconnect products and services, a position which he held since 1995, and served in several other executive positions during his 16-year career with Hadco. Prior to joining Hadco, Mr. Lietz served in a variety of positions at IBM Corporation. Mr. Lietz is a director of Amphenol Corporation, Omtool Corporation and DDi Corp. and is a member of the Board of Trustees of the University System of New Hampshire.

GEORGE MACKENZIE

Director since 2003

Age 55

Mr. MacKenzie served from September 2001 until June 2002 as executive vice president and chief financial officer of Glatfelter Co., a paper manufacturer. Prior to that time, Mr. MacKenzie had retired in June 2001 as vice chairman and chief financial officer of Hercules, Incorporated, a global manufacturer of chemical specialties. Mr. MacKenzie's 22-year career with Hercules culminated in his role as vice chairman and chief financial officer, the latter a position which he held since 1995. Mr. MacKenzie is a director of C&D Technologies, Inc. and Central Vermont Public Service Corporation.

JACK L. MESSMAN

Director since 1994

Age 64

Mr. Messman is chairman of the board, president and chief executive officer of Novell, Inc., a leading provider of information solutions that deliver secure identity management, Web application development and cross-platform networking services. Mr. Messman previously served as chief executive officer and president of Cambridge Technology Partners (Massachusetts), Inc., an e-business systems integration company, from August 1999 until its acquisition by Novell in July 2001. From April 1991 until August 1999, Mr. Messman was chairman and chief executive officer of Union Pacific Resources Group Inc., an independent oil and gas exploration and production company. From May 1988 to April 1991, Mr. Messman was chairman and chief executive officer of USPCI, Inc., Union Pacific's environmental services company. Mr. Messman is a director of RadioShack Corporation and Timminco Limited.

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JOHN W. PODUSKA, SR., Ph.D.

Director since 1987

Age 66

Dr. Poduska is an independent business consultant. From January 1992 until December 2001, he served as chairman of Advanced Visual Systems, Inc., a provider of visualization software and solutions. Before 1992, Dr. Poduska was president and chief executive officer of Stardent Computer, Inc, a computer manufacturer, from December 1989 to December 1991. From December 1985 to December 1989, Dr. Poduska was founder, chairman and chief executive officer of Stellar Computer, Inc., a computer manufacturer and the predecessor of Stardent Computer, Inc. Dr. Poduska is a director of Novell, Inc. and Anadarko Petroleum Corporation.

ROBERT RIPP

Director since 2003

Age 62

Mr. Ripp is currently chairman of the board of LightPath Technologies, Inc., a fiber optic component manufacturer. Mr. Ripp is retired chairman and chief executive officer of AMP Incorporated. Mr. Ripp held several executive positions at AMP, including chief financial officer from April 1994 to January 1998, executive vice president of sales and marketing from January 1998 to July 1998, and chairman and chief executive officer from August 1998 until the company was sold in May 1999. Prior to joining AMP, Mr. Ripp was employed for 29 years with IBM Inc. He held a number of financial positions and retired from IBM in April 1993 as vice president and treasurer. Mr. Ripp is a director of ACE Ltd. and PPG Inc.

JOHN J. ROBERTS

Director since 2003

Age 59

Mr. Roberts retired in June 2002 as a global managing partner and a member of the Leadership Team of PricewaterhouseCoopers, completing a 35-year career with the professional services firm. Mr. Roberts is a C.P.A. and served in a variety of client service and operating positions during his career. He is a director of Armstrong Holdings, Inc., a trustee of Pennsylvania Real Estate Investment Trust and a trustee of Drexel University.

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CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

We have long believed that good corporate governance is important to ensure that Safeguard is managed for the long-term benefit of our shareholders and to maintain Safeguard's integrity in the marketplace. Safeguard's Statement on Corporate Governance, Code of Conduct and committee charters referenced below are available through the Corporate Governance link on Safeguard's website at <http://www.safeguard.com/investors/> and, upon a shareholder's written request directed to the Corporate Secretary, in print. The Statement on Corporate Governance also is attached to this proxy statement as Appendix A. The Code of Conduct is applicable to all employees of Safeguard, including each of Safeguard's executive and financial officers, and the members of our Board of Directors. Safeguard intends to post amendments to or waivers from our Code of Conduct (to the extent applicable to Safeguard's directors or executive officers) at this same location on our website.

Board Independence: The Board has affirmatively determined that each of the current directors standing for re-election, except Robert E. Keith, Jr., chairman of the Board and Anthony L. Craig, president and chief executive officer, has no material relationship with Safeguard (either directly or through Safeguard's relationship with an organization of which the director is a partner, shareholder or officer) and is independent within the meaning of Safeguard's director independence standards, which reflect the New York Stock Exchange (NYSE) director independence standards as currently in effect. The Statement on Corporate Governance attached as Appendix A addresses the director independence standards.

Board Compensation: Directors employed by Safeguard receive no additional compensation for serving on the Board or its committees. Mr. Craig is the only employee of Safeguard who is a member of the Board. During 2003, non-employee directors received the following compensation:

\$25,000 annually, or \$75,000 in the case of the chairman of the Board;

\$5,000 annually for chairing a committee;

\$2,000 for each Board meeting attended in person;

\$1,500 for each committee meeting attended in person;

\$500 for each Board or committee meeting attended by telephone; and

reimbursement of out-of-pocket expenses.

For 2004, the annual retainer has been increased to \$35,000, or \$85,000 in the case of the chairman of the Board, and the fee for each Board or committee meeting attended by telephone has been increased to \$2,000 and \$1,500, respectively. Safeguard does not provide retirement benefits to directors under any current program.

The Group Deferred Stock Unit Program for Directors (Directors' DSU Program) allows each director, at his or her election, to receive a deferred stock unit award in lieu of the annual retainer fees paid to directors (Directors' Fees). The election to defer Directors' Fees applies to Directors' Fees to be received for the following calendar year and a new election is required for each year. The number of deferred stock units 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. At the same time, the director also would receive a number of matching share units, based on the same fair market value calculation, equal to 25% of the Directors' Fees. A director is always 100% vested in Directors' Fees deferred; the matching share units vest 100% on the first anniversary of the date the matching share units are credited to the director's account. To date, no director has elected to participate in the Directors' DSU Program.

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Each director who is not an employee of Safeguard receives an initial option grant to purchase 50,000 shares of Safeguard common stock upon initial election to the Board. Each of these directors also receives an annual option grant to purchase 15,000 shares. Directors' options generally have an eight-year term. Initial option grants generally vest 25% each year starting on the first anniversary of the grant date. Annual stock option grants generally vest 100% on the first anniversary of the grant date. The exercise price is equal to the fair market value of a share of our common stock on the grant date.

In February 2003, Ms. Dobson and Messrs. MacKenzie and Roberts each received an initial option grant to purchase 50,000 shares at a per share exercise price of \$1.27; in April 2003, Mr. Lietz received an initial option grant to purchase 50,000 shares at a per share exercise price of \$1.735; and in May 2003, Mr. Ripp received an initial option grant to purchase 50,000 shares at a per share exercise price of \$1.965. Each of the initial option grants has an eight-year term and vests 25% each year commencing on the first anniversary of the grant date.

In December 2003, each non-employee director received the annual service option grant to purchase 15,000 shares. These options have a per share exercise price of \$3.56, an eight-year term, and vest 100% on the first anniversary of the grant date.

Board Structure and Committee Composition: As of the date of this proxy statement, Safeguard's Board has ten members, one of whom will be retiring as of the date of our annual meeting, and four standing committees. The Board held 10 meetings in 2003. Each incumbent director attended at least 75% of the total number of meetings of the Board and committees of which he or she was a member. Directors are encouraged to attend annual meetings of Safeguard shareholders. Seven directors attended the last annual meeting of shareholders. In addition, under Safeguard's Statement on Corporate Governance and in accordance with NYSE listing standards, non-employee directors will have an opportunity to 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 who may otherwise be present; and during at least one session per year, only independent directors may be present. The chair of the Corporate Governance Committee will preside at the executive sessions. The table below describes the membership of each of the standing committees during 2003 and the number of meetings held by each of these committees during 2003.

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	<u>Acquisition⁽¹⁾</u>	<u>Audit⁽²⁾</u>	<u>Compensation⁽³⁾</u>	<u>Corporate Governance⁽⁴⁾</u>
Number of Meetings held in 2003	2	7	9	5
Anthony L. Craig	ü			
Julie A. Dobson		ü	ü	(X)
Robert E. Keith, Jr.	ü*			
Andrew E. Lietz		ü		ü
George MacKenzie	ü	ü*	(X)	
Jack L. Messman		(X)		ü*
Russell E. Palmer		(X)		
John W. Poduska, Sr.	(X)	(X)	ü*	
Robert Ripp	ü			ü
John J. Roberts		ü	ü	(X)

* = Chairperson ü = Committee Member (X) = Former Committee Member
= Retiring as of the date of the annual meeting

- (1) Acquisition Committee: Dr. Poduska served as a member of this committee until July 2003. Messrs. Ripp and MacKenzie were appointed to this committee in July 2003 and October 2003, respectively.
- (2) Audit Committee: Mr. Palmer served as chair and a member of this committee until May 2003; Messrs. Messman and Poduska served as members of this committee until July 2003, at which time Ms. Dobson and Mr. Lietz were appointed.
- (3) Compensation Committee: Mr. MacKenzie served as a member of this committee until July 2003, at which time Mr. Roberts was appointed.
- (4) Corporate Governance Committee: Ms. Dobson and Mr. Roberts served as members of this committee until July 2003, at which time Mr. Ripp was appointed.

Audit Committee. The functions of the Audit Committee are described under the heading **Audit Committee Report**. The Audit Committee Charter is attached to this proxy statement as Appendix B and also is available through the Corporate Governance link on Safeguard's website at <http://www.safeguard.com/investors/>. Each member of the committee meets the independence requirements established by rules of the SEC, the listing standards of the NYSE and Safeguard's Statement on Corporate Governance. Messrs. MacKenzie and Roberts qualify as audit committee financial experts within the meaning of the SEC regulations, and the Board has determined that they have accounting and related financial management expertise within the meaning of the listing standards of the NYSE.

Corporate Governance Committee. The Corporate Governance Committee is responsible for establishing criteria for the selection of directors, considering qualified Board candidates recommended by shareholders, and recommending to the Board the nominees for director, including nominees for director in connection with Safeguard's annual meeting of shareholders. In addition, the committee conducts annual evaluations of the Board, its committees and its members. The committee also is responsible for taking a leadership role in shaping Safeguard's corporate governance policies and developing and recommending to the Board Safeguard's Statement on Corporate Governance and Safeguard's Code of Conduct. The committee operates under a written charter adopted by the Board which is available through the Corporate Governance link on Safeguard's website at <http://www.safeguard.com/investors/>. Each member of the committee is independent within the meaning of the listing standards of the NYSE and Safeguard's Statement on Corporate Governance.

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Compensation Committee. The functions of the Compensation Committee are described under the heading **Report of the Compensation Committee on Executive Compensation.** The committee operates under a written charter adopted by the Board which is available through the Corporate Governance link on Safeguard's website at <http://www.safeguard.com/investors/>. Each member of the committee is independent within the meaning of the listing standards of the NYSE and Safeguard's Statement on Corporate Governance.

Acquisition Committee. The Board has delegated to the Acquisition Committee the authority to approve, between regularly scheduled Board meetings, the following transactions:

follow-on investments in existing companies and investments in related companies involving an amount between \$5 million and \$20 million;

divestitures of existing companies involving an amount between \$5 million and \$20 million; and

new investments in an amount up to \$10 million.

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**ADOPTION OF THE 2004 EQUITY COMPENSATION PLAN
Item 2 on Proxy Card**

Background

On April 6, 2004, the Board of Directors approved the adoption of the 2004 Equity Compensation Plan (2004 Plan), subject to approval by Safeguard shareholders. If the 2004 Plan is approved by Safeguard shareholders, 6,000,000 shares of common stock will be reserved for issuance under the 2004 Plan. The affirmative vote of a majority of the shares present and entitled to vote on this proposal will be required for approval of the 2004 Plan.

Equity grants are a valuable component of our total compensation philosophy that is designed to provide us an edge in recruiting and retaining the caliber of employees and non-employee members of our Board of Directors essential for achievement of our principal mission of creating long-term shareholder value. Unlike many companies, our equity grants are not limited to a select group of top management, but rather are spread among all levels of the organization, including certain management at our strategic companies. This helps to align the interest of the employees of Safeguard and our strategic companies with those of our shareholders.

At April 15, 2004, our 2001 Associates Equity Compensation Plan (the 2001 Plan), which does not permit grants to executive officers or directors, had approximately 1.1 million shares available for future issuance. Our 1999 Equity Compensation Plan (1999 Plan), which is the only existing plan under which grants may be made to executive officers and directors, only had approximately 2.0 million shares available for future issuance on April 15, 2004. Without the adoption of the 2004 Plan, Safeguard believes that the number of shares currently available for issuance under our existing plans will only be sufficient to cover projected awards for approximately the next 12 months. Safeguard believes that the 6,000,000 shares of common stock that will be available under the 2004 Plan, as well as any shares remaining available for grant under our other equity compensation plans, should provide sufficient shares for market-competitive grant levels to eligible participants over the next several years.

The shares that will be authorized for issuance under the 2004 Plan are necessary to ensure that Safeguard will continue to be able to make equity grants as incentives to recruit and retain those individuals upon whose efforts Safeguard and our strategic companies rely for the success, development and growth of our business. If the 2004 Plan is not approved, Safeguard will not be able to grant any awards to eligible participants once all the shares reserved for issuance under the 1999 Plan and the 2001 Plan have been used. Safeguard believes that the inability to grant sufficient equity incentives will significantly impair our ability to be competitive with the companies with which Safeguard and its subsidiaries compete for top talent.

At April 15, 2004, there were 9,787,225 shares subject to outstanding stock options, 1,494,375 shares underlying outstanding deferred stock units, 223,320 shares subject to unvested restricted stock awards, and 3,106,676 shares remaining available for future grant. In total, this represents 10.9% of the outstanding stock of Safeguard on a fully diluted basis. Our compensation consultant has advised us that based on recognized benchmarks and surveys they have reviewed, this percentage is significantly less than comparables of 15% or more for other small cap or information technology companies. Furthermore, included in this calculation are a total of 1,938,144 shares subject to outstanding options that will expire by the end of 2004. These options, which have a per share exercise price in excess of \$8.00, were granted under plans which have since been terminated or individual agreements. Hence, if these options expire unexercised, the shares will not be available for reissuance. After taking into

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consideration the likely expiration without exercise of those 1,938,144 options and addition of the 6,000,000 shares that will be reserved for issuance under the 2004 Plan, total outstanding grants and shares available for future issuance under all of Safeguard's equity compensation plans will represent approximately 13.5% of our outstanding shares on a fully diluted basis. **THEREFORE, THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE ADOPTION OF THE 2004 PLAN.**

A copy of the 2004 Plan was filed electronically with the SEC with this proxy statement. The following is a summary of the principal features of the 2004 Plan and is qualified in its entirety by reference to the full text of the 2004 Plan.

Purpose of the 2004 Plan

The 2004 Plan provides the employees of Safeguard and its affiliated entities, individuals to whom an offer of employment has been extended, non-employee directors, and advisors who perform services at Safeguard's request with an opportunity to receive grants of stock appreciation rights, stock options, stock units, performance units, stock awards, dividend equivalents and other stock-based awards. The purpose of the 2004 Plan is to encourage participants to contribute materially to Safeguard's growth, thereby benefiting Safeguard's shareholders and aligning the economic interests of the participants with those of our shareholders.

Shares Subject to the 2004 Plan

The 2004 Plan authorizes the issuance of up to 6,000,000 shares of Safeguard common stock, subject to adjustment as discussed below. The 2004 Plan provides for the following maximum limits for grants to any individual during any calendar year: (i) the maximum number of shares subject to grants is 1,500,000; (ii) the maximum dividend equivalents that may accrue may not exceed \$500,000; and (iii) the maximum amount payable for grants expressed in dollar amounts is \$1,000,000. These limits will be adjusted by the Committee for stock splits, stock dividends, recapitalizations, mergers, consolidations or reorganizations, a reclassification or change in the par value of our stock, or other similar transactions affecting our stock.

Shares used to make grants may be issued directly by us or purchased on the open market and then transferred to participants by us. If and to the extent options granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised, or if any stock appreciation rights, stock units, performance units, stock awards, dividend equivalents or other stock-based awards are forfeited or terminated, the shares subject to such grants shall again be available for purposes of the 2004 Plan. Shares of stock surrendered in payment of the option price of an option or any withholding taxes shall again be available for issuance or transfer under the 2004 Plan. To the extent any grants are paid in cash and not in shares of stock, any shares previously reserved for issuance or transfer under the 2004 Plan with respect to such grants shall again be available for issuance or transfer under the 2004 Plan.

No grants have been made under the 2004 Plan, and there are no current plans to authorize any specific grants under the 2004 Plan. The closing price of a share of Safeguard common stock on April 15, 2004, was \$3.46.

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Administration of the 2004 Plan

The Compensation Committee administers the 2004 Plan. An administrative committee comprised of Safeguard employees appointed by the Committee performs ministerial functions.

The Committee has the sole authority to administer and interpret the 2004 Plan, and the Committee's determinations relating to the interpretation and operation of the 2004 Plan shall be conclusive and binding on all persons having interest in the 2004 Plan or in any awards granted under the 2004 Plan. Specifically, the Committee is authorized to:

determine the individuals to whom grants will be made;

determine the type, size and terms of the grants;

determine the time grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability;

determine the form and timing of payment under grants; and

make factual determinations and adopt or amend appropriate rules, regulations, agreements, and instruments for implementing the 2004 Plan and the conduct of its business.

Eligibility and Award Estimates

All employees of Safeguard and its affiliated companies (including employees who are officers or members of the Board), individuals to whom we have offered employment, non-employee directors, and certain advisors are eligible to receive grants under the 2004 Plan. Because the granting of awards under the 2004 Plan is at the discretion of the Committee, it is not possible to indicate which persons may receive grants under the 2004 Plan or to estimate the number of shares which may be subject to grants awarded under the 2004 Plan.

Type of Awards

Grants under the 2004 Plan may consist of the following:

stock appreciation rights;

incentive stock options;

nonqualified stock options;

stock units;

performance units;

stock awards;

dividend equivalents; or

other stock-based awards.

Stock Appreciation Rights

The Committee may grant stock appreciation rights (SARs). A SAR gives a participant the right to receive the appreciation in the value of Safeguard stock over a specified period of time. The amount of this benefit is equal to the difference between the fair market value of the stock on the exercise date and the base amount of the SAR. Generally, the base amount of a SAR is equal to the per share exercise price of the related stock option or, if there is no related option