
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **February 18, 2019**

Safeguard Scientifics, Inc.

(Exact Name of registrant as Specified in Charter)

Pennsylvania

(State or other Jurisdiction of Incorporation)

1-5620

(Commission File Number)

23-1609753

(IRS Employer ID No.)

170 North Radnor-Chester Road

Suite 200

Radnor, PA

(Address of Principal Executive Offices)

19087

(Zip Code)

Registrant's telephone number, including area code: **610-293-0600**

Not applicable

(Former Name or Former Address if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Adoption of Amended and Restated Long-Term Incentive Plan

On February 18, 2019, the Compensation Committee (the “Committee”) of the Board of Directors of Safeguard Scientifics, Inc. (the “Company”) approved, and the Board of Directors (the “Board”) of the Company adopted, the Amended and Restated Safeguard Scientifics, Inc. Transaction Bonus Plan (the “LTIP”). The purpose of the LTIP is to promote the interests of the Company and its shareholders by providing an additional incentive to employees to maximize the value of the Company in connection with the execution of the business strategy announced by the Company in early 2018 (the “Strategic Plan”).

Under the LTIP, participants may receive awards based principally upon the proceeds received by the Company in connection with sales or other liquidations of the assets of the Company on or following the adoption of the Strategic Plan (“Sale Transaction(s)”). The LTIP provides for a bonus pool corresponding to: (i) specified vesting thresholds or (ii) specified events. In the first case, the bonus pool will range from an amount equal to 1% of received proceeds at the first threshold to 1.333% at higher thresholds and no bonus pool will be created if the transaction consideration is less than certain minimum thresholds. In the second case, a minimum pool will be created and paid under specified circumstances.

The bonus pool will be allocated and paid to participants in the LTIP based on the product of (i) the participant’s applicable bonus pool percentage and (ii) the bonus pool calculated as of the vesting date, minus any previously paid portion of the bonus pool. Any portion of the bonus pool available as of the applicable vesting date that is reserved will be allocated in connection with each vesting date so that the entire bonus pool available as of such vesting date is allocated and payable to participants. Subject to the terms of the LTIP, payments under the LTIP will generally be paid in cash not later than March 15th of the calendar year following the calendar year of the applicable vesting date.

Each employee of the Company designated to participate in the LTIP and who executes an award agreement is eligible for awards under the LTIP, provided that he or she (i) does not resign from the Company without good reason or (ii) is not terminated from employment by the Company for cause, in each case prior to the payment date of the applicable award. Any forfeited awards are included in the bonus pool reserve for allocation to other participants.

In connection with the approval of the LTIP, the Committee also approved the Transaction Bonus Plan Form Award Letter (the “Form LTIP Award Letter”). The LTIP and the Form LTIP Award Letter are attached as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference. The summaries of the LTIP and the Form LTIP Award Letter set forth above are not complete and are qualified in their entireties by, and should be read in conjunction with, the LTIP and the Form LTIP Award Letter.

The Committee also approved awards under the LTIP to Brian J. Sisko, the Company’s President and Chief Executive Officer, with a bonus pool percentage equal to 25%, and Mark A. Herndon, the Company’s Senior Vice President and Chief Financial Officer, with a bonus pool percentage equal to 7%. Each award was made pursuant to the Form LTIP Award Letter.

Item 7.01. Regulation FD Disclosure.

On February 19, 2019, the Company issued a press release announcing the engagement of Evercore as its financial advisor to assist the Company's Board of Directors and management in the evaluation and exploration of potential strategic opportunities and alternatives as well as the return of capital alternatives available to the Company as it monetizes its portfolio of partner companies. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.3 and is incorporated into this Item 7.01 by this reference.

The information contained in this Item 7.01, including the information set forth in the press release attached hereto and incorporated by reference herein, is being "furnished" and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise. The information in the Item 7.01 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or into any filing or other document pursuant to the Exchange Act, except as otherwise expressly stated in any such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit Number</u> | <u>Exhibit Title</u> |
|-----------------------|--|
| 99.1+ | Amended and Restated Safeguard Scientifics, Inc. Transaction Bonus Plan |
| 99.2 | Transaction Bonus Plan Form Award Letter |
| 99.3 | Press Release of Safeguard Scientifics, Inc. dated as of February 19, 2019 |

+ Confidential treatment has been requested from the Securities and Exchange Commission with respect to portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Safeguard Scientifics, Inc.

Date: February 19, 2019

By: /s/ Brian J. Sisko

Name: Brian J. Sisko

Title: President and Chief Executive Officer

NOTE: THROUGHOUT THIS DOCUMENT, CERTAIN CONFIDENTIAL MATERIAL CONTAINED HEREIN HAS BEEN OMITTED AND HAS BEEN SEPARATELY FILED WITH THE COMMISSION. EACH PLACE WHERE SUCH AN OMISSION HAS BEEN MADE IS MARKED WITH AN []**

**AMENDED AND RESTATED
SAFEGUARD SCIENTIFICS, INC.
TRANSACTION BONUS PLAN**

Section 1. Purpose and History

In connection with the Board's strategic plan as approved by the Board in its meeting on January 16, 2018 (the "Strategic Plan"), the Safeguard Scientifics, Inc. Transaction Bonus Plan was established on April 6, 2018 (the "Prior Plan"). This Amended and Restated Safeguard Scientifics, Inc. Transaction Bonus Plan amends and restates the Prior Plan as of the Effective Date. The Plan is designed to promote the interests of the Company and its stockholders by providing an additional incentive to employees to maximize the value of the Company's business.

Section 2. Definitions

When used in this Plan, unless the context otherwise requires, the following terms shall have the meanings set forth next to such terms:

- (a) "Award" shall mean the contingent right of a Participant to receive a payment under the Plan from the Bonus Pool based on the Participant's Bonus Pool Percentage, subject to the terms and conditions of the Plan and an Award Agreement.
 - (b) "Award Agreement" shall mean a written agreement entered into between the Company and a Participant in connection with an Award (including any notice of an Award executed and delivered by the Company to a Participant and which is countersigned or acknowledged by such Participant) which sets forth a Participant's Bonus Pool Percentage.
 - (c) "Board" shall mean the Board of Directors of the Company or a committee designated by the Board of Directors of the Company.
 - (d) "Bonus Pool Percentage" shall mean the percentage of the Bonus Pool allocated for a Participant as set forth in each Participant's Award Agreement.
 - (e) "Bonus Pool Reserve" shall mean the portion of the Bonus Pool that is unallocated as of a Vesting Date, whether because such portion was never specifically allocated by the Board or because of any forfeited Awards in accordance with Section 5.
 - (f) "Cause" shall have the same meaning as in the employment agreement by and between the Participant and the Company or, if no such agreement exists, then shall mean (i) the Participant's failure to adhere to any written Company policy if the Participant has been given a reasonable opportunity to comply with such policy or cure the Participant's failure to comply (which reasonable opportunity must be granted during the ten-day period preceding the Participant's termination of employment by the Company); (ii) the Participant's appropriation (or attempted appropriation) of a material business opportunity of the Company, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company; (iii) the Participant's misappropriation (or attempted misappropriation) of any Company fund or property; or (iv) conviction of the Participant, or the Participant entering a guilty plea or plea of no contest with respect to, a felony, the equivalent thereof, or any other crime with respect to which imprisonment is a possible punishment.
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- (g) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations issued thereunder.
- (h) “Company” shall mean Safeguard Scientifics, Inc., a Pennsylvania corporation, and its subsidiaries and affiliates.
- (i) “Continuous Service” shall mean the uninterrupted provision of services to the Company as an employee. Continuous Service shall not be considered to be interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company as an employee, or (iii) any change in status as long as the individual remains in the service of the Company, as an employee. An approved leave of absence shall include, without limitation, sick leave, military leave, vacation (pursuant to Company policy) or any other personal leave authorized by the Company.
- (j) “Effective Date” shall mean February 18, 2019.
- (k) “Good Reason” shall mean shall have the same meaning as in the employment agreement by and between the Participant and the Company or, if no such agreement exists, then shall mean (i) a material reduction of the Participant’s base salary; or (ii) the relocation of the Company’s principal executive offices to a location which is more than 30 miles away from the location of the Company’s principal executive offices on the Effective Date.
- (l) “Participant” shall mean an employee of the Company who has been granted an Award by the Board under the Plan.
- (m) “Plan” shall mean the Amended and Restated Safeguard Scientifics, Inc. Transaction Bonus Plan, as it may be amended or supplemented from time to time.
- (n) “Portfolio Sale” shall mean the occurrence, in a single transaction or in a series of related transactions, pursuant to which either (i) the Company sells, transfers or otherwise disposes of multiple partner company assets representing, in the aggregate, a material portion of the Company’s assets (as determined in good faith by the Board) or (ii) in which the Company is sold, merged or consolidated with or into another company.
- (o) “Sale Transaction(s)” shall mean any sale or other liquidation of any of the assets of the Company on or following the adoption of the Strategic Plan of the Company, including, but not limited to, a Portfolio Sale. The Board shall have the sole and absolute discretion to determine whether a Sale Transaction has occurred.

(p) “Transaction Consideration” shall mean, in connection with any Sale Transaction(s), (i) the cash consideration received directly or indirectly by the Company, minus (ii) the sum of (x) the commissions, fees and expenses payable to the Company’s investment bankers and the amount of fees and expenses payable to the Company’s professional advisors in connection with the Sale Transaction. For purposes of Transaction Consideration, cash shall not be considered paid to the Company unless and until the cash has been received by the Company and shall include any cash received by the Company upon the sale of securities or other consideration received in connection with any Sale Transaction.

(q) “Vesting Date” shall mean the date a Vesting Threshold is achieved or the date a Portfolio Sale is consummated.

(r) “Vesting Threshold” shall mean an amount of Transaction Consideration or a Portfolio Sale that triggers vesting of the right to receive an Award in accordance with Section 4.

Section 3. Plan Administration

The Plan shall be administered by the Board. Subject in all respects to Section 8(j), the Board shall have such powers and authority as may be necessary or appropriate for the Board to carry out its functions as described herein, including, but not limited to, (a) complete authority to interpret and administer the Plan, any Awards granted under the Plan and any Award Agreements evidencing Awards granted under the Plan, (b) exercise all of the powers granted to it under the Plan, (c) construe, interpret and implement the Plan and any Award Agreements, (d) prescribe, amend and rescind rules and regulations relating to the Plan and any Award Agreements, including rules governing its own operations, (e) make all determinations necessary or advisable in administering the Plan and any Award Agreements, (f) correct any defect, supply any omission and reconcile any inconsistency in the Plan or in any Award Agreements, (g) amend the Plan and any Award Agreements to reflect changes in applicable law, (h) delegate such powers and authority to such person as it deems appropriate with respect to the Plan and any Award Agreements, and (i) waive any conditions under any Awards (including any such conditions contained in any Award Agreements). The determination of the Board on all matters relating to the Plan or any Award Agreement shall be final, binding and conclusive. No member of the Board or Board shall be liable for any action or determination made by the Board with respect to the Plan, any Award Agreement or any Award.

Section 4. Grant of Awards and Bonus Pool

(a) **Eligibility and Award Amounts**. Each employee of the Company designated by the Board who executes an Award Agreement is eligible for Awards under the Plan, provided that he or she (i) does not voluntarily resign from the Company without Good Reason, or (ii) is not terminated from employment by the Company for Cause, in each case prior to the payment of the applicable Award.

(b) **Bonus Pool.**

(i) In connection with Sale Transaction(s) hereunder, the Company shall provide a cash bonus pool (a “Bonus Pool”) in an aggregate amount as set forth in the following schedule following the achievement of the corresponding Vesting Threshold(s):

| Bonus Pool | Vesting Threshold |
|--|-----------------------------------|
| \$ [**] million | \$ [**] million |
| \$ [**] million | \$ [**] million |
| \$ [**] million | \$ [**] million |
| \$ [**] million | \$ [**] million |
| .01333 multiplied by Transaction Consideration | Any amounts above \$ [**] million |

The achievement of the Vesting Threshold, and corresponding Bonus Pool, shall be determined on an aggregate basis after each Sale Transaction; provided, however, that no Bonus Pool shall be created if the total Transaction Consideration from all Sale Transactions which have occurred as of such date is less than \$ [**] million. From time to time, but no less often than quarterly, the Board shall review and confirm a report from the Chief Executive Officer concerning the aggregate value of any Transaction Consideration from all Sale Transactions relative to the Vesting Threshold(s), including any incremental increase from the previous quarter. The Board shall retain the sole discretion to increase the Bonus Pool in the event that the Transaction Consideration, determined on an aggregate basis after each Sale Transaction, satisfies one Vesting Threshold but not the subsequent Vesting Threshold.

(ii) On a Vesting Date, the Bonus Pool shall be allocated and paid to Participants based on a product of (x) the Participant’s Bonus Pool Percentage and (y) the Bonus Pool calculated as of the Vesting Date, minus any previously paid portion of the Bonus Pool. In addition to the foregoing, at each Vesting Date, the Bonus Pool Reserve shall be allocated among the Participants, as determined by the Board in its sole discretion, such that the entire Bonus Pool as of any given Vesting Date shall be allocated and payable to Participants.

For the avoidance of doubt, allocations from the Bonus Pool shall be cumulative.

*For example, if multiple initial Sale Transactions (“Multiple Initial Sales Transactions”) occur, with aggregate Transaction Consideration of \$ [**] million and the next Sales Transaction (the “Next Sales Transaction”) occurs with Transaction Consideration of \$ [**] million (amounting to \$ [**] million in aggregate Transaction Consideration), then a Participant with a 2% Bonus Pool Percentage will first be entitled to a payment of \$ [**] (i.e., 2% of \$ [**]) following the Multiple Initial Sales Transactions and then, following the Next Sales Transaction, another payment of \$ [**] (i.e., 2% of \$ [**] million, less the bonus paid with respect to the Multiple Initial Sales Transactions), for a total Award of \$ [**].*

(iii) Notwithstanding anything contained herein to the contrary, the occurrence of a Portfolio Sale shall automatically constitute a Vesting Threshold equal to at least \$ [**] million and a minimum aggregate Bonus Pool equal to \$ [**] million which shall be allocated pursuant to Section 4(b)(ii). If a Portfolio Sale occurs and the Company retains assets that are later sold in a Sale Transaction, a Bonus Pool may become payable pursuant to Section 4(b)(i) if a Vesting Threshold of \$ [**] million or more is achieved.

(c) **Payment and Form of Payment**. Subject to Section 8(i), payments in connection with Awards (subject to applicable tax withholding) shall be paid in cash, as determined by the Board, not later than March 15th of the calendar year following the calendar year in which the Vesting Date is achieved.

(d) **Additional Payment Conditions**. A Participant shall not be eligible to receive payments pursuant to his or her Award, if any, unless the Participant has signed and returned to the Company the Award Agreement (or related acknowledgement) in the time period specified in such Award Agreement. In connection with the final payment to a Participant under this Plan, the Company may require a written release of any and all claims against the Company or its affiliates, with respect to all matters arising out of the Participant's employment with the Company, in such form as provided by the Company in its sole discretion (the "Release").

Section 5. Forfeiture

Except as otherwise provided in any Award Agreement, if a Participant's Continuous Service is terminated due to (a) a voluntarily resignation from the Company without Good Reason, or (b) by the Company for Cause, the Participant shall forfeit any and all interest in any Awards held by the Participant to the extent the Participant's Awards have not already been paid to the Participant. Any forfeited Awards shall be returned to and included in the Bonus Pool Reserve for allocation pursuant to the terms herein.

Section 6. Unfunded Status

All amounts that become payable pursuant to this Plan shall remain general obligations of the Company. All payments made pursuant to this Plan shall come from the general assets of the Company. The payment of any amount is not secured by any specific assets of the Company. No Participant shall be entitled to or have any rights of a stockholder of the Company with respect to any Award granted under this Plan.

Section 7. General Rules Applicable to Awards

All Awards shall be subject to the following:

(a) All payments with respect to an Award shall be subject to all applicable laws, rules and regulations and to such approvals by government agencies as may be required.

(b) The Company shall have the right to withhold from payment made under any Awards any federal, state or local taxes as required by law to be withheld with respect to such Awards. Any such taxes are the sole responsibility of the Participant and the Participant shall have no right to indemnification for any or all taxes owed in connection with payment under such Awards.

(c) No Award, or any rights thereunder or thereto, may be assigned, transferred or in any other way alienated (or be subject to garnishment, attachment, execution or levy of any kind) by a Participant other than by will or by the laws of descent and distribution.

(d) Where the day on or by which anything is to be done is not a business day, it shall be done on or by the first business day thereafter.

Section 8. General Provisions

(a) **No Right to Continuous Service**. Nothing contained in this Plan shall confer upon any Participant the right to continue in Continuous Service, or affect any rights which the Company may have to terminate the Participant's Continuous Service for any reason at any time.

(b) **Non-Uniform Determinations**. The Board's determinations of Awards under the Plan need not be uniform and may be made by it selectively among persons who receive or are eligible to receive Awards (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Board shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Awards, as to the person to receive Awards under the Plan.

(c) **Section Headings; Construction**. The section headings contained herein are for the purpose of convenience only and are not intended to define or limit the contents of the sections. All words used in this Plan shall be construed to be of such gender or number, as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

(d) **Governing Law**. This Plan, any Award hereunder, any Award Agreement and any conflicts arising hereunder or thereunder or related hereto or thereto shall be governed by, and construed under, the laws of the Commonwealth of Pennsylvania, all rights and remedies being governed by said laws, regardless of the laws that might otherwise govern under applicable principles, to the fullest extent permitted by law, of conflicts of laws.

(e) **Confidentiality**. Each Participant agrees to maintain in confidence and not disclose the terms of this Plan, any Award Agreement or any Award granted hereunder (except to such Participant's immediate family and his or her professional advisors).

(f) **Severability; Entire Agreement**. In the event any provision of this Plan or any Award Agreement shall be held illegal, invalid or unenforceable for any reason, the illegality, invalidity or unenforceability shall not affect the remaining provisions of this Plan or any Award Agreement (as applicable) and such illegal, invalid or unenforceable provision shall be deemed modified as if the illegal, invalid or unenforceable provisions had not been included. The Plan and any Award Agreement contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral, with respect to the subject matter thereof.

(g) **No Third-Party Beneficiaries.** Except as expressly provided therein, none of the Plan, any Award or any Award Agreement shall confer on any person other than the Company and the applicable Participant any rights or remedies thereunder.

(h) **Freedom of Action.** Nothing contained in the Plan or any Award Agreement shall be construed to prevent the Company from taking any corporate or other action, including, but not limited to, any recapitalization, reorganization, merger, consolidation, dissolution or sale, that is deemed by the Company whether or not such action would have an adverse effect on the Plan or any Awards thereunder. Any solicitation, negotiation or closing of a Sale Transaction shall be subject to the sole and absolute discretion of the Company and there shall be no liability on the part of the Company if a Sale Transaction is not consummated for any reason. The Company shall determine in its sole discretion whether to effect or consummate a Sale Transaction and no Participant shall have any rights to (i) require the Company to enter into a Sale Transaction, (ii) question the price, timing or form of consideration in connection with a Sale Transaction or otherwise object to any Sale Transaction or (iii) object to any third party to a Sale Transaction.

(i) **Section 409A.** It is the intention of the Board that all payments and benefits under this Plan shall be made and provided in a manner that is either exempt from or intended to avoid taxation under Section 409A of the Code, to the extent applicable. Any ambiguity in this Plan shall be interpreted to comply with the foregoing. Each amount payable pursuant to this Plan shall be deemed to be a separate payment for purposes of Section 409A of the Code. For all purposes under the Plan, if and to the extent required to avoid any violation of Section 409A of the Code, any iteration of the word “termination” (e.g., “terminated”) with respect to a Participant’s employment or service, shall mean a separation from service within the meaning of Section 409A of the Code. Notwithstanding the foregoing, neither the Company nor any of its affiliates shall be liable to, and each Participant shall be solely liable and responsible for, any taxes (or penalties) that may be imposed on the Participant under Section 409A of the Code with respect to the Participant’s receipt of any Award and payment thereunder. In no event shall the timing of a Participant’s execution of the Release, directly or indirectly, result in the Participant designating the calendar year of payment, and if a payment that is subject to execution of the Release could be made in more than one taxable year, payment shall be made in the later taxable year. All payments under the Plan shall be paid no later than March 15 of the calendar year following the Vesting Date, subject to the Company’s right to delay any such payments that would jeopardize the Company’s ability to continue as a going concern.

(j) **Termination and Amendment of the Plan.** The Plan shall terminate on the seventh anniversary of the Effective Date or, if earlier, the date that the Company is liquidated, unless the Plan is terminated earlier by the Board in accordance with this Section; provided, however, that the termination of the Plan shall not affect any Sale Transaction which occurs prior to the termination, including any Transaction Consideration that may be received from such Sale Transaction and trigger a Vesting Threshold following such termination. The Board may from time to time suspend, discontinue, terminate, revise or amend (i) the Plan or (ii) any Award Agreement; provided, however, that any such suspension, discontinuance, termination, revision, or amendment which adversely affect the rights of a Participant (y) must be consented to by each such Participant in writing or (z) be necessary to bring the Plan or Award Agreement into compliance with any law or valid and mandatory government regulation.

(k) **Successors and Assigns**. The terms of this Plan shall be binding upon and inure to the benefit of the Company, its subsidiaries and their successors and assigns.

(l) **Effectiveness of the Plan**. This Plan shall be deemed effective as of the Effective Date.

Transaction Bonus Plan Form Award Letter

[DATE]

Mr./Ms. _____
INSERT ADDRESS

Re: Transaction Bonus Plan

Dear _____:

It is my pleasure to inform you that you are eligible to participate in the Safeguard Scientifics, Inc. Transaction Bonus Plan, as amended and restated (the "Plan"). The purpose of the Plan is to provide you with an incentive to enhance stockholder value in connection with the Board's strategic plan regarding asset sales (the "Strategic Plan"). As a valued member of the team, we want you to stay with the Company and support us as we implement the Strategic Plan and any transactions thereunder to benefit the Company and its shareholders. A copy of the Plan is enclosed for your reference. [This award letter supersedes in its entirety your prior award letter dated [__, 2018] (your "Prior Agreement")].

The Plan details are set forth below. (All capitalized terms utilized but not otherwise defined herein shall be deemed to be defined as contained in the Plan.):

General

You may be eligible to receive a payment under the Plan (the "Award"), as set forth below. Since the opportunity to participate in the Plan is being offered to a limited number of employees of the Company, you should treat your participation in the Plan, and any Award under it, with appropriate sensitivity and confidentiality. The Plan does not form any part of your contractual terms and conditions of employment and does not guarantee employment for any particular time or alter the nature of your employment with the Company.

Award Payments

You may receive a portion of the Bonus Pool under the Plan, subject to normal tax and payroll deductions. Your portion of the Bonus Pool will be calculated based on your Bonus Pool Percentage, which is ____%. The Board may, in its sole discretion, increase the amount of your Bonus Pool Percentage to reflect the allocation of the Bonus Pool Reserve, as set forth in the Plan but cannot decrease your Bonus Pool Percentage without your written consent.

Unless the Board provides otherwise, if, prior to a Vesting Date, you cease to remain in Continuous Service to the Company due to your voluntarily resignation from the Company without Good Reason (i.e. you quit), or termination from employment by the Company for Cause, you will no longer participate in the Plan, and no Award, partial or otherwise, will be made to you under the Plan. However, a period of approved absence or a change in role will not affect your eligibility for the Award and if your employment is terminated for any other reason, including without Cause, for Good Reason, due to death and disability, you will remain eligible to receive an Award, subject to the terms of the Plan.



The Plan anticipates that there could be one or more Vesting Dates, depending on whether there are multiple Sales Transactions. In the event that there are multiple Sales Transactions, your payments under your Award will be cumulative. As a condition of your final payment, you may be required to execute a written release of all claims against the Company and its affiliates in connection with your employment in a form provided by the Company.

To the extent that an Award becomes due under the Plan, it will be paid to you in accordance with the terms of the Plan. Please note the Company reserves the right to delay payment in accordance with Section (8)(i) of the Plan.

Miscellaneous

The Plan and this letter agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements between the parties with respect to the subject matter hereof, including, without limitation, your Prior Agreement, and neither the Plan nor this letter agreement may be modified adversely to your interest except by means of a writing signed by you and the Company except to the extent necessary to comply with law. The Award is subject to all terms of the Plan. Neither party is relying upon any representation, understanding, undertaking, promise, commitment, communication or agreement, whether written or oral, not set forth in this letter agreement, and each party expressly disclaims any reliance on any of the foregoing.

Please note that any Award will not be considered part of your earnings for purposes of calculating any other current or future benefits under any compensation or benefit programs maintained or sponsored by the Company, including the 401(k) plan.

Award(s) hereunder shall be subject to applicable federal, state and local tax reporting and withholding requirements. This letter agreement shall be interpreted such that Award(s) made under the Plan comply(ies) with, or is exempt from, Section 409A of the Internal Revenue Code. To the extent that the Company determines that an Award constitutes deferred compensation (within the meaning of Section 409A), such payment or benefit shall be made at such times and in such forms as the Company determines are required to comply with Section 409A. However, nothing in this letter agreement shall be interpreted or construed to transfer any liability for any tax (including a tax or penalty due as a result of a failure to comply with Section 409A) from you to the Company or to any other individual or entity, and the Company shall not pay any additional payment or benefit in the event that the Company changes the time or form of your payments or benefits in accordance with this section.

Applicable Law

All questions concerning the construction, validity and interpretation of this letter agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to any conflicts or choice of law rules or principles.

Please sign and return one copy of this letter agreement. By doing so, you acknowledge that you have received sufficient information regarding the Plan. If you have any questions, please contact us at 610-293-0600.

Sincerely,

Chairman of the Compensation Committee of the Board

ACCEPTED:

Date: [_____]

Enclosure



**SAFEGUARD SCIENTIFICS HIRES EVERCORE
AS ITS FINANCIAL ADVISOR IN FURTHERANCE OF ITS STRATEGIC PLAN**

The Company also announced its intentions regarding return of capital matters

Radnor, PA, February 19, 2019 — Safeguard Scientifics, Inc. (NYSE:SFE) (Safeguard or the Company) today announced that it has hired Evercore as its financial advisor as it continues to pursue its previously announced strategy to monetize its portfolio of partner company interests in a fashion which maximizes the return of capital and shareholder value. Evercore will assist the Company’s Board of Directors and management in the evaluation and exploration of potential strategic opportunities and alternatives as well as the return of capital alternatives available to the Company as it monetizes its portfolio of partner companies, including exploration of various initiatives such as the sale of individual partner companies, the sale of Safeguard’s partner company interests in secondary market transactions, the sale of groups of partner company interests, a combination thereof, or the sale of the entire company. The engagement of Evercore to assist the Board at this time is consistent with the Company’s previously announced strategy of maximizing and monetizing the overall value of its partner company holdings and returning the proceeds to shareholders as soon as possible.

Robert J. Rosenthal Ph.D., Chairman of the Safeguard Board, said, “The Board and management team believes this is an opportune time to formally engage a financial advisor to assist us as we continue to explore and evaluate alternatives for maximizing value for Safeguard’s shareholders. We are fully committed to this process and will take actions that are in the best interest of the Company and its shareholders.”

Safeguard also announced its intentions regarding the return of capital to shareholders as it executes against its strategy. The Company intends to satisfy its remaining debt obligations as soon as it has sufficient available liquidity to do so. Once its debt obligations are satisfied, the Company will be in a position to begin returning capital utilizing a combination of alternative methods of share repurchases, as practicable, and direct distributions, as proceeds from monetizations are available to do so. The Company emphasized that, as it makes specific decisions in this regard as its partner company assets are monetized, it will take into account the potential tax implications to its shareholders.

In January 2018, Safeguard began to implement its new business strategy designed to increase shareholder value. Under the new strategy, Safeguard ceased deploying capital into new partner companies while remaining focused on managing and financially supporting its existing partner companies, with the goal of pursuing monetization opportunities and maximizing the value returned to its shareholders.

“Since the implementation of this strategy, we have generated over \$120 million in cash proceeds from monetization of certain of our partner company interests; we have significantly reduced our cost structure; we have significantly reduced our debt balances; and we have continued to grow and mature our remaining partner companies,” said Brian J. Sisko, Safeguard President and CEO. “The Safeguard team remains committed to supporting our maturing portfolio, maximizing the overall value of our partner company holdings and monetizing such holdings to return the value to our shareholders as soon as possible,” Mr. Sisko reiterated.

There can be no assurance the Company will complete any specific action or transaction. The Company does not intend to disclose ongoing developments or comment further regarding its pursuit of strategic alternatives or the return of capital to shareholders until such time as its Board of Directors has determined further disclosure is appropriate or required.



About Safeguard Scientifics

Historically, Safeguard Scientifics (NYSE:SFE) has provided capital and relevant expertise to fuel the growth of technology-driven businesses. Safeguard has a distinguished track record of fostering innovation and building market leaders that spans more than six decades. For more information, please visit www.safeguard.com.

Forward-looking Statements

Except for the historical information and discussions contained herein, statements contained in this release may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements are subject to risks and uncertainties. Forward-looking statements include, but are not limited to, statements regarding Safeguard’s efforts to execute on and implement its strategy of maximizing and monetizing the overall value of its partner company holdings and returning the proceeds to shareholders as soon as possible. Such forward-looking statements are not guarantees of future operational or financial performance and are based on current expectations that involve a number of uncertainties, risks and assumptions that are difficult to predict. Therefore, actual outcomes and/or results may differ materially from those expressed or implied by such forward-looking statements. The risks and uncertainties that could cause actual results to differ materially include, among others, our ability to make good decisions about the monetization of our partner companies for maximum value or at all and to return capital to our shareholders, the fact that our partner companies may vary from period to period, challenges to achieving liquidity from our partner company holdings, fluctuations in the market prices of our publicly traded partner company holdings, competition, our inability to obtain maximum value for our partner company holdings, our ability to attract and retain qualified employees, market valuations in sectors in which our partner companies operate, our inability to control our partner companies, our need to manage our assets to avoid registration under the Investment Company Act of 1940, risks, disruption, costs and uncertainty caused by or related to the actions of activist shareholders, including that if individuals are elected to our Board with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create value for our shareholders and perceived uncertainties as to our future direction as a result of potential changes to the composition of our Board may lead to the perception of a change in the direction of our business, instability or a lack of continuity that may adversely affect our business, and risks associated with our partner companies, including the fact that most of our partner companies have a limited operating history and a history of operating losses, face intense competition and may never be profitable, the effect of economic conditions in the business sectors in which Safeguard’s partner companies operate, and other uncertainties described in our filings with the Securities and Exchange Commission. Many of these factors are beyond the Company’s ability to predict or control. As a result of these and other factors, the Company’s past operational and financial performance should not be relied on as an indication of future performance. The Company does not assume any obligation to update any forward-looking statements or other information contained in this press release.

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