

SAFEGUARD SCIENTIFICS INC ET AL

Form DEF 14A

April 30, 2003

Table of Contents

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

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"/> 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):

- 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):
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- (1) Amount previously paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

Table of Contents

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

**Phone: (610) 293-0600
Fax: (610) 293-0601
Toll-Free: (877) 506-7371**

Automated Investor Relations Line: (888) 733-1200

Internet: www.safeguard.com

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

Dear Safeguard Stockholder:

You are invited to attend the Safeguard Scientifics, Inc. 2003 Annual Meeting of Stockholders.

DATE: June 18, 2003
TIME: 9:00 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

Only stockholders who owned stock at the close of business on April 2, 2003, can vote at this meeting or any adjournments that may take place.

At the meeting, we will elect 10 directors, ratify the appointment of KPMG LLP as Safeguard's independent auditors for the fiscal year ending December 31, 2003, and attend to any other business properly presented at the meeting.

We also will report on Safeguard's 2002 business results and other matters of interest to our stockholders. You will have an opportunity at the meeting to ask questions, make comments, and meet our management team.

Table of Contents

No matter how many shares you hold, we consider your vote important and encourage you to vote as soon as possible. Whether or not you plan to attend the annual meeting, please complete, sign and date the accompanying proxy card and return it in the enclosed prepaid envelope. If you attend the annual meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. Your prompt cooperation will be greatly appreciated.

The proxy statement, accompanying proxy card, and 2002 annual report are being mailed to stockholders beginning April 30, 2003, in connection with the solicitation of proxies by the board of directors.

Please contact Kris Block, Shareholder Coordinator, with any questions or concerns.

Sincerely,

Anthony L. Craig
President and Chief Executive Officer

Deirdre Blackburn
Secretary

April 30, 2003

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE MEETING AND THE PROPOSALS

ELECTION OF DIRECTORS

CORPORATE GOVERNANCE

BOARD COMMITTEE MEMBERSHIP ROSTER

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

AUDIT COMMITTEE REPORT

STOCK OWNERSHIP OF DIRECTORS AND OFFICERS

STOCK PERFORMANCE GRAPH

REPORT OF THE COMPENSATION COMMITTEE

EXECUTIVE COMPENSATION & OTHER ARRANGEMENTS

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MEETING AND THE PROPOSALS

Q: Who is entitled to vote?

A: Stockholders of record as of the close of business on April 2, 2003, may vote at the annual meeting.

Q: How many shares can vote?

A: On April 2, 2003, there were 119,314,272 shares issued and outstanding. Every stockholder may cast one vote for each share owned. In the election of directors, stockholders have the right of cumulative voting (described below).

Q: What may I vote on?

A: You may vote on the election of 10 directors who have been nominated to serve on our board of directors, the ratification of the appointment of KPMG LLP as Safeguard's independent auditors, and any other business that is properly presented at the meeting.

Q: How does the Board recommend I vote?

A: The Board recommends a vote **FOR** each Board nominee and **FOR** ratification of the appointment of KPMG LLP as Safeguard's independent auditors. The Board requests discretionary authority to cumulate votes.

Q: How do I vote?

A: Sign and date each proxy card you receive, mark the boxes indicating how you wish to vote, and return the proxy card in the prepaid envelope provided. In the election of directors, if you wish to vote cumulatively, please follow the directions in the next question.

If you sign your proxy card but do not mark any boxes showing how you wish to vote, Christopher J. Davis and N. Jeffrey Klauder will vote your shares and will cumulate your votes as recommended by the board of directors.

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 10 directors are standing for election at this year's annual meeting, if you hold 100 shares of Safeguard stock, you may cast 1,000 votes in the election of directors. You may distribute those votes among the nominees as you wish. In other words, in the example provided, you may cast all 1,000 votes for one nominee or allocate them among two or more nominees in any amount you like, as long as the total equals 1,000 votes.

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 10. If the number of votes does not add up correctly, our proxy tabulator will return the proxy card to you for clarification and will not vote your shares until a properly completed proxy card has been returned to them.

Table of Contents

Q: What if my Safeguard shares are not registered in my name?

A: If you hold your Safeguard shares through a broker, bank or other nominee, you will receive a voting instruction form directly from them describing how to vote your shares. This form will, in most cases, offer you three ways to vote:

1. by telephone,
2. via the Internet, or
3. by returning the form.

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.

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 known as householding. 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. Each stockholder 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 stockholder 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 or by mail to ADP, Attention: Householding Department, 51 Mercedes Way, Edgewood, NY 11717. Be sure to indicate your name, the name of your brokerage firm or bank, and your account number. The revocation of your consent to householding will 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.

Q: What if I want to change my vote?

A: You may change your vote at any time before the meeting in any of the following ways:

1. notify our corporate secretary, Deirdre Blackburn, in writing,
2. vote in person at the meeting,
3. submit another proxy card with a later date, or
4. if you have instructed a broker to vote your shares, follow the directions received from your broker to change those instructions.

If you own shares of Safeguard stock in street name and wish to vote at the meeting, you must obtain a legal proxy from your broker, bank or other nominee authorizing you to vote at the meeting. We will be unable to accept a vote from you at the meeting without that form. If you are a registered stockholder and wish to vote at the meeting, no additional forms will be required.

Q: How will directors be elected?

A: The 10 nominees who receive the highest number of affirmative votes at a meeting at which a quorum is present will be elected as directors.

Table of Contents

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 does it mean if I get more than one proxy card?

A: It means that you have multiple accounts at the transfer agent and/or with stockbrokers or other nominees. Please complete and provide voting instructions for all proxy cards and voting instruction forms that you receive. We encourage you to have all accounts registered in the exact same name and address (whenever possible). If you are a registered stockholder, you may obtain information about how to do this by contacting our transfer agent:

Safeguard Scientifics, Inc.
c/o Mellon Investor Services
P. O. Box 3315
South Hackensack, NJ 07606

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 will be easier to accomplish this.

You also can find information on transferring shares and other useful stockholder information on their web site at www.melloninvestor.com.

Q: What is a quorum?

A: A quorum is a majority of the outstanding shares. The shares may be represented at the meeting either in person or by proxy. To hold the meeting, there must be a quorum present.

Q: What is the effect if I abstain or fail to give instructions to my broker?

A: If you submit a properly executed proxy, your shares will be counted as part of the quorum even if you abstain from voting or withhold your vote for a particular director.

Broker non-votes also are counted as part of the quorum. When nominees such as banks and brokers holding shares on behalf of beneficial owners do not receive voting instructions from the beneficial owners by a specified date before the meeting, the nominees may vote those shares on matters deemed routine by the New York Stock Exchange. Both matters described in this proxy statement are routine matters. On non-routine matters, nominees cannot vote and there is a so-called broker non-vote on that matter. Broker non-votes and abstentions are not counted in the tally of votes FOR or AGAINST a proposal. A WITHHELD vote is treated the same as an abstention.

Q: Who can attend the meeting?

A: We encourage all stockholders to attend the meeting. Admission tickets are not required.

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

A: We will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and other materials to our stockholders. We do not anticipate hiring an agency to solicit votes at this time.

Table of Contents

Q: What is a stockholder proposal?

A: A stockholder proposal is your recommendation or requirement that Safeguard or our board of directors take action on a matter that you intend to present at a meeting of stockholders. 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 stockholder 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 stockholder proposal for the annual meeting in 2004, what action must I take?

A: If you wish us to consider including a stockholder proposal in the proxy statement for the annual meeting in 2004, you must submit the proposal, in writing, so that we receive it no later than January 1, 2004. The proposal must meet the requirements established by the Securities and Exchange Commission. Send your proposal to:

N. Jeffrey Klauder, Managing Director and General Counsel
Safeguard Scientifics, Inc.
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: Can a stockholder nominate someone to be a director of Safeguard?

A: The Corporate Governance Committee will consider qualified candidates recommended by stockholders. You should submit your recommendation, including a detailed statement of the individual's qualifications, to:

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

Q: Who are Safeguard's largest stockholders?

A: At December 31, 2002, no stockholder owned more than 5% of our stock. In the aggregate, our current directors and executive officers beneficially own a total of approximately 3.5% of our stock.

Table of Contents

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

Directors are elected annually and serve a one-year term. There are 10 nominees for election this year. Each nominee is currently serving as a director. Each nominee 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 10 nominees who receive the highest number of affirmative votes will be elected as directors.

ROBERT E. KEITH, JR.
Age 61

Director since 1996

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 since 1991, and as chief executive officer since February 1996, 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
Age 57

Director since 2001

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 CompuCom Systems, Inc.

Table of Contents

JULIE A. DOBSON

Director since 2003

Age 46

Ms. Dobson served as chief operating officer, from 1998 until February 2002, of TeleCorp PCS, a wireless/mobile phone company which 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 Corp.

ANDREW E. LIETZ

Director since 2003

Age 64

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 and Omtool Corporation and is a member of the Board of Trustees of the University System of New Hampshire.

GEORGE MACKENZIE

Director since 2003

Age 54

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 63

Mr. Messman is chairman of the board, president and chief executive officer of Novell, Inc., a leading provider of Net business solutions. 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.

Table of Contents

RUSSELL E. PALMER

Director since 1989

Age 68

Mr. Palmer is chairman and chief executive officer of The Palmer Group, a corporate investment firm he organized in 1990. From 1983 to June 1990, Mr. Palmer was dean of The Wharton School of the University of Pennsylvania. From 1972 to 1983, he was managing partner and chief executive officer of Touche Ross & Co. (now Deloitte & Touche). Mr. Palmer is a director of Verizon Communications, Honeywell International, Inc. and The May Department Stores Company.

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

Director since 1987

Age 65

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 61

Mr. Ripp has served as chairman of the board of LightPath Technologies, Inc., a manufacturer and integrator of optical products for the telecommunications industry, since 1999. Prior to joining LightPath Technologies, from 1994 to 1999 Mr. Ripp held several executive positions, the most recent being chairman and chief executive officer, at AMP, Inc., a manufacturer of electrical, fiber-optic and wireless interconnection devices and systems which was acquired by Tyco International in 1999. Prior to joining AMP, Mr. Ripp served for 29 years with IBM Corporation in all aspects of operations, culminating in his position as vice president and treasurer. Mr. Ripp is a director of ACE Limited and PPG Industries, Inc.

JOHN J. ROBERTS

Director since 2003

Age 58

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 SICOR, Inc. and a Trustee of Drexel University.

Table of Contents

CORPORATE GOVERNANCE

General: We have long believed that good corporate governance is important to ensure that Safeguard is managed for the long-term benefit of our stockholders. During the past year, we have been reviewing our corporate governance policies and practices and comparing them to those suggested by various authorities in corporate governance and the practices of other public companies. We have also been reviewing the provisions of the Sarbanes-Oxley Act of 2002, the new and proposed rules of the Securities and Exchange Commission, and the proposed new listing standards of the New York Stock Exchange.

Based on our review, we have taken steps to implement voluntarily many of the proposed new rules and listing standards. In particular, we have:

adopted Corporate Governance Guidelines,

nominated for election five new directors, each of whom qualifies as an independent director under our Corporate Governance Guidelines and at least two of whom also qualify as an audit committee financial expert under the new rules of the Securities and Exchange Commission,

amended our Code of Business Conduct and Ethics, which applies to all officers, directors and employees, and

begun the process of updating the charters for our Audit Committee, Corporate Governance Committee and Compensation Committee. The remainder of this Corporate Governance section covers all the Board and compensation matters required to be disclosed in a proxy statement.

Board Meetings: The Board held five meetings in 2002. Each director attended at least 75% of the total number of meetings of the Board and committees of which he was a member.

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 of directors. As of May 2002, non-employee directors receive 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.

Additionally, each director who is not an employee of Safeguard receives an option 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.

Table of Contents

In August 2002, each non-employee director received an option to purchase 12,000 shares in connection with the directors' activities in the reorganization of the Board and the consideration and oversight of Safeguard's shift in strategic focus. At the same time, each non-employee director received the annual service grant to purchase 15,000 shares. These options have a per share exercise price of \$1.31, an eight-year term, and vest 100% on the first anniversary of the grant date.

Deferred Compensation: Before 1989, we offered certain directors and officers a deferred compensation plan (which included deferrals of directors' fees). All contributions to the plan were completed by the end of 1988. Upon retirement (or an earlier date in certain cases) or upon termination of service as a director, each participant is entitled to receive, as a level payment over 15 years or as a lump sum, an amount equal to the total credits to his account plus an investment growth factor. Mr. Bell began receiving a quarterly payment in February 1992 of \$3,100, which was reduced to \$3,000 in February 1994. In February 2003, the Compensation Committee of the Board terminated the deferred compensation plan effective January 1, 2003 to eliminate the costs associated with continuing the plan and will distribute the account balances in the plan to the five remaining participants in the plan. These distributions will include a distribution of approximately \$287,000 to Mr. Fox and approximately \$44,000 to Mr. Bell.

Table of Contents**BOARD COMMITTEE MEMBERSHIP ROSTER**

The board of directors has four standing committees. The following table describes the current membership of these committees and the number of meetings held by each of these committees during 2002.

	<u>Audit⁽¹⁾</u>	<u>Compensation</u>	<u>Acquisition</u>	<u>Corporate Governance</u>
Meetings held in 2002	5	6	4	5
Vincent G. Bell, Jr.				ü (3)
Walter W. Buckley, III		ü (3)		
Anthony L. Craig			ü	ü (2)
Julie A. Dobson		ü (4)		ü (4)
Robert A. Fox	ü (3)	ü (3)	ü (3)	ü (3)
Robert E. Keith, Jr.			ü *	ü (2)
George MacKenzie	ü (4)	ü (4)		
Jack L. Messman	ü			ü *
Russell E. Palmer	ü *			
John W. Poduska, Sr.	ü	ü *	ü	
John J. Roberts	ü (4)			ü (4)

* Chairperson

- (1) Each member of the Audit Committee qualifies as independent under the rules of the New York Stock Exchange. Messrs. Palmer, MacKenzie and Roberts qualify as audit committee financial experts under the rules of the Securities and Exchange Commission.
- (2) Messrs. Craig and Keith served as members of this committee until May 2002 and November 2002, respectively.
- (3) Messrs. Bell, Buckley and Fox, who are not standing for re-election, will serve as members of these committees until the annual meeting.
- (4) Ms. Dobson and Messrs. MacKenzie and Roberts became members of these committees in February 2003. The principal purposes of the committees as described in their respective charters are as follows:

Audit Committee

assists the Board in its oversight of (i) the integrity of Safeguard's financial statements; (ii) Safeguard's compliance with legal and regulatory requirements; and (iii) Safeguard's internal controls,

interacts directly with and evaluates the performance of the independent auditors, including determining whether to engage or dismiss the independent auditors and to monitor the independent auditors' qualifications and independence,

prepares the report required by the rules of the Securities and Exchange Commission to be included in Safeguard's proxy statement, and

discharges such duties and responsibilities as may be required of the committee by the provisions of applicable law or rule or regulation of the New York Stock Exchange.

Table of Contents

Corporate Governance Committee

establishes criteria for the selection of directors, considers qualified Board candidates recommended by stockholders, and recommends to the Board the nominees for director including nominees of the Board for Safeguard's annual meeting of stockholders,

takes a leadership role in shaping Safeguard's corporate governance policies and develops and recommends to the Board Safeguard's Statement on Corporate Governance and Safeguard's Code of Business Conduct and Ethics,

conducts annual evaluations of the Board, its committees and its members, and

discharges such duties and responsibilities as may be required of the committee by the provisions of applicable law or rule or regulation of the New York Stock Exchange.

Compensation Committee

reviews, considers, suggests and approves compensatory plans and pay levels for the chief executive officer and Safeguard's other executive officers,

recommends to the Corporate Governance Committee the annual retainer, equity grants and meeting attendance fees for all non-employee directors of Safeguard for service on the Board and its committees,

reviews and administers (in conjunction with management) the employee long- and short-term compensation plans, employee performance-based incentive plans (which are cash and equity based), employment agreements, perquisites and other employee benefit plans in alignment with Safeguard's business strategy and in a manner that reflects, in general, programs and practices within the high technology industry,

issues annually a report on executive compensation in accordance with the applicable rules and regulations of the Securities and Exchange Commission for inclusion in Safeguard's proxy statement, and

discharges such duties and responsibilities as may be required of the committee by the provisions of applicable law or rule or regulation of the New York Stock Exchange.

Acquisition Committee

acts upon all acquisitions or divestitures of companies involving an amount of more than \$5 million but less than \$50 million; acquisitions and divestitures involving amounts in excess of \$50 million require the approval of the Board.

Table of Contents

**RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS
Item 2 on Proxy Card**

The Audit Committee, composed entirely of independent, non-employee members of the Board, approved the appointment of KPMG LLP as independent auditors for 2003 and is asking the stockholders for ratification of the appointment. If this appointment is not ratified by the stockholders, the Audit Committee may reconsider its recommendation. One or more representatives of KPMG LLP are expected to attend the annual meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The Board recommends a vote FOR ratification of the appointment of KPMG LLP as Safeguard's independent auditors. Ratification requires the affirmative vote of a majority of the votes cast at the annual meeting.

AUDIT COMMITTEE REPORT

The Audit Committee of the board of directors (the Audit Committee) has reviewed and discussed Safeguard's audited consolidated financial statements for fiscal 2002 with management. The Audit Committee has discussed with KPMG LLP (KPMG), Safeguard's independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61. The Audit Committee has received the written disclosures and the letter from KPMG required by Independence Standards Board Standard No. 1 and has discussed with KPMG its independence. Based on the review and discussions described above, among other things, the Audit Committee recommended to the board of directors that the audited consolidated financial statements be included in Safeguard's Annual Report on Form 10-K for fiscal year 2002.

Each member of the Audit Committee qualifies as independent under the rules of the New York Stock Exchange. The Audit Committee has adopted a charter which was attached to the 2001 proxy statement and meets all currently applicable requirements of the New York Stock Exchange and the Securities and Exchange Commission.

Audit Fees. The aggregate fees billed by Safeguard's independent auditors for professional services rendered in connection with the audit of its consolidated financial statements included in Safeguard's Annual Report on Form 10-K for fiscal year 2002, as well as for the review of its consolidated financial statements included in Safeguard's Quarterly Reports on Form 10-Q during 2002, totaled \$1,014,500 (excluding expenses reimbursed by Safeguard).

Financial Information Systems Design and Implementation Fees. No fees other than those described above under the caption Audit Fees and those described below under the caption All Other Fees were billed to Safeguard by its independent auditors for professional services in 2002.

Table of Contents

All Other Fees. The only fees billed to Safeguard by its principal auditors during 2002 other than those described above related to services provided with regard to tax compliance, 401(k) plan audits and various miscellaneous matters, and such fees totaled \$463,035. The Audit Committee believes that the foregoing expenditures are compatible with maintaining the independence of Safeguard's principal auditors.

February 25, 2003

Russell E. Palmer, Chairman

Robert A. Fox

Jack L. Messman

John W. Poduska, Sr.

The foregoing Audit Committee Report shall not be deemed to be incorporated by reference into any of Safeguard's previous or future filings with the Securities and Exchange Commission, except as otherwise explicitly specified by Safeguard in any such filing.

Table of Contents

**STOCK OWNERSHIP OF DIRECTORS AND OFFICERS
AS OF APRIL 2, 2003**

Name	Outstanding Shares Beneficially Owned	Options Exercisable Within 60 Days	Shares Beneficially Owned Assuming Exercise of Options	Percent of Shares
Robert E. Keith, Jr.	43,366	271,752	315,118	*
Anthony L. Craig	0	395,833	395,833	*
Vincent G. Bell, Jr.	1,437,704	148,000	1,585,704	1.3%
Walter W. Buckley, III	3,000	93,752	96,752	*
Julie A. Dobson	0	0	0	*
Robert A. Fox	235,875	33,625	269,500	*
Andrew E. Lietz	0	0	0	*
George MacKenzie	0	0	0	*
Jack L. Messman	36,000	48,000	84,000	*
Russell E. Palmer	34,235	50,502	84,737	*
John W. Poduska, Sr.	12,500	38,625	51,125	*
Robert Ripp	0	0	0	*
John J. Roberts	0	0	0	*
Michael F. Cola	159,182	48,750	207,932	*
Christopher J. Davis	297,852	55,000	352,382	*
Anthony A. Ibarguen	200,000	100,000	300,000	*
N. Jeffrey Klauder	320,125	162,500	482,625	*