

SAFEGUARD SCIENTIFICS INC

FORM 8-K (Current report filing)

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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)

September 30, 2004

Safeguard Scientifics, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania

(State or Other Jurisdiction of Incorporation)

1-5620

23-1609753

(Commission File Number)

(IRS Employer Identification No.)

800 The Safeguard Building
435 Devon Park Drive
Wayne, PA

19087

(Address of Principal Executive Offices)

(Zip Code)

610-293-0600

(Registrant's Telephone Number, Including Area Code)

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))

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GUARANTY DATED SEPTEMBER 30, 2004

AFFIRMATION OF GUARANTY DATED SEPTEMBER 30, 2004

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ITEM 1.01 . Entry into a Material Definitive Agreement.

The disclosure set forth under Item 2.04 of this Current Report on Form 8-K is incorporated by reference herein.

ITEM 2.04 . Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement.

On September 30, 2004, Safeguard Delaware, Inc. (“SDI”) and Safeguard Scientifics (Delaware), Inc. (“SSDI”), both subsidiaries of Safeguard Scientifics, Inc. (“Safeguard”), entered into the Fourth Amendment to Loan Agreement dated as of May 10, 2002, as amended (as so amended, the “Agreement”), by and among Comerica Bank, successor by merger to Comerica Bank - California (“Bank”), SDI and SSDI. The Agreement, which increases Safeguard’s credit capacity from \$25,000,000 to \$55,000,000, provides Safeguard with a \$45 million revolving line and a \$10 million letter of credit facility. The Agreement also reduces the amount of cash and cash equivalents that SDI and SSDI are required to maintain on deposit with the Bank from two times to one times all outstanding obligations under the Agreement. The Agreement has a maturity date of May 9, 2005. Safeguard is the guarantor of SDI’s and SSDI’s obligations under the Agreement.

The information set forth above is qualified in its entirety by reference to the Agreement attached hereto as Exhibit 10.1 and the Affirmation and Amendment of Guaranty attached hereto as Exhibit 10.2, which exhibits are incorporated herein by reference.

On September 30, 2004, Alliance Consulting Group Associates, Inc. (“Consulting”) and Alliance Holdings, Inc. (“Holdings” and collectively with Consulting, “Alliance”), entered into the Fourth Amendment to Loan Documents dated as of September 25, 2003, as amended, (as so amended, the “Alliance Agreement”) by and among Comerica Bank (“Bank”), Consulting and Holdings. The Alliance Agreement increases Alliance’s revolving line of credit from \$10,000,000 to \$20,000,000. The maturity date of the revolving line of credit is February 28, 2006. SDI and SSDI are guarantors of Alliance’s obligations under the Alliance Agreement.

The information set forth above is qualified in its entirety by reference to the Alliance Agreement attached hereto as Exhibit 10.3, the Guaranty attached hereto as Exhibit 10.4, and the Affirmation of Guaranty attached hereto as Exhibit 10.5, which exhibits are incorporated herein by reference.

ITEM 9.01. Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired.

Not applicable.

(b) Pro Forma Financial Information.

Not applicable.

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(c) Exhibits

10.1 Fourth Amendment to Loan Agreement dated September 30, 2004, by and among Comerica Bank, successor by merger to Comerica Bank – California, Safeguard Delaware, Inc. and Safeguard Scientifics (Delaware), Inc.

10.2 Affirmation and Amendment of Guaranty dated September 30, 2004, by and between Safeguard Scientifics, Inc. and Comerica Bank, successor by merger to Comerica Bank – California

10.3 Fourth Amendment to Loan Agreement dated September 30, 2004, by and among Comerica Bank, Alliance Consulting Group Associates, Inc. and Alliance Holdings, Inc.

10.4 Guaranty dated September 30, 2004 by Safeguard Delaware, Inc. and Safeguard Scientifics (Delaware), Inc.

10.5 Affirmation of Guaranty dated September 30, 2004 by Safeguard Scientifics, Inc.

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.

Dated: October 4, 2004

By: CHRISTOPHER J. DAVIS
Christopher J. Davis
Executive Vice President and
Chief Administrative & Financial Officer

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- 10.1 Fourth Amendment to Loan Agreement dated September 30, 2004, by and among Comerica Bank, successor by merger to Comerica Bank – California, Safeguard Delaware, Inc. and Safeguard Scientifics (Delaware), Inc.
- 10.2 Affirmation and Amendment of Guaranty dated September 30, 2004, by and between Safeguard Scientifics, Inc. and Comerica Bank, successor by merger to Comerica Bank – California
- 10.3 Fourth Amendment to Loan Agreement dated September 30, 2004, by and among Comerica Bank, Alliance Consulting Group Associates, Inc. and Alliance Holdings, Inc.
- 10.4 Guaranty dated September 30, 2004 by Safeguard Delaware, Inc. and Safeguard Scientifics (Delaware), Inc.
- 10.5 Affirmation of Guaranty dated September 30, 2004 by Safeguard Scientifics, Inc.

FOURTH AMENDMENT
TO
LOAN AGREEMENT

This Fourth Amendment to Loan Agreement is entered into as of September 30, 2004 (the "Amendment"), by and among COMERICA BANK, successor by merger to Comerica Bank – California ("Bank"), SAFEGUARD DELAWARE, INC. ("Safeguard Delaware") and SAFEGUARD SCIENTIFICS (DELAWARE), INC. ("Safeguard Scientifics"; Safeguard Scientifics and Safeguard Delaware are sometimes referred to, individually, as a "Borrower" and collectively, the "Borrowers").

RECITALS

Borrowers and Bank are parties to that certain Loan Agreement dated as of May 10, 2002, as amended, including without limitation by a First Amendment to Loan Agreement dated as of May 9, 2003, a Second Amendment to Loan Agreement dated as of February 12, 2004, and a Third Amendment to Loan Agreement dated as of May 8, 2004 (as so amended, the "Agreement"). The parties desire to further amend the Agreement in accordance with the terms of this Amendment.

NOW, THEREFORE, the parties agree as follows:

1. The following definitions are hereby added to or amended in Section 1.1 of the Agreement to read as follows:

"Credit Extension" means each Advance, Letter of Credit, Private Partner Guaranty, Facility 2 Letter of Credit, or any other extension of credit by Bank for the benefit of Borrowers hereunder.

"Facility 2 Letter of Credit Line" means aggregate Credit Extensions of up to Ten Million Dollars (\$10,000,000).

"Facility 2 Letter of Credit Maturity Date" means May 9, 2005.

"Revolving Line" means aggregate Credit Extensions of up to Forty Five Million Dollars (\$45,000,000).

"Revolving Maturity Date" means May 9, 2005.

2. A new Section 2.1(c) is hereby added to the Agreement to read as follows:

(c) Facility 2 Letters of Credit.

(i) Subject to the terms and conditions of this Agreement, at any time prior to the Facility 2 Letter of Credit Maturity Date, Bank agrees to issue or cause to be issued letters of credit for the account of a Borrower (each, a "Facility 2 Letter of Credit" and collectively, the "Facility 2 Letters of Credit") in an aggregate outstanding face amount (including any drawn but unreimbursed amounts) not to exceed the Facility 2 Letter of Credit Line. All Facility 2 Letters of Credit shall be, in form and substance, acceptable to Bank in its sole discretion and shall be subject to the terms and conditions of Bank's form of standard application and letter of credit agreement, as amended (the "Application"), which Borrowers hereby agree to

execute, including Bank's standard fee equal to 0.50% per annum of the face amount of each Facility 2 Letter of Credit. To the extent there is a conflict between this Agreement and the Application, the terms of this Agreement shall govern. Any drawn but unreimbursed amounts under a Facility 2 Letter of Credit will accrue interest at the Prime Rate, which interest shall be payable monthly on the first (1st) day of each month. Payment of interest shall not relieve Borrower of its obligation to reimburse Bank immediately for any drawing made under a Facility 2 Letter of Credit. Prior to the Facility 2 Letter of Credit Maturity Date, Borrowers shall secure in cash all obligations under any outstanding Facility 2 Letters of Credit on terms acceptable to Bank. At such time after the Facility 2 Letter of Credit Maturity Date as all remaining Facility 2 Letters of Credit have been secured by cash collateral as set forth in the preceding sentence, and so long as all other Obligations have been repaid in full, Bank's security interest in all of Borrowers' assets other than such cash collateral shall immediately terminate, and Bank shall take all actions reasonably necessary to effect such termination. Borrowers may not request cash advances under the Facility 2 Letter of Credit Line.

(ii) The obligation of Borrowers to reimburse Bank for drawings made under Facility 2 Letters of Credit shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, the Application, and such Facility 2 Letters of Credit, under all circumstances whatsoever. Borrowers shall indemnify, defend, protect, and hold Bank harmless from any loss, cost, expense or liability, including, without limitation, reasonable attorneys' fees, arising out of or in connection with any Facility 2 Letters of Credit, except for expenses caused by the gross negligence or willful misconduct of Bank, its employees, agents and representatives.

3. Section 2.4(a) of the Agreement is hereby amended in its entirety to read as follows:

(a) Commitment Fee. Borrowers shall pay to Bank a Commitment Fee equal to 0.0125% per annum of the average unused portion of the Revolving Line and the Facility 2 Letter of Credit Line. Such fee shall be payable in quarterly installments on the last day of each quarter or, in the case of the quarter in which the final maturity of the Obligations falls, on such final maturity date. Each quarterly installment shall be calculated on the average unused portion of the Revolving Line plus the average unused portion of the Facility 2 Letter of Credit Line during such quarter (provided that such fee shall be waived in any quarter in which the average daily balance of Borrowers' deposits with Bank in such quarter exceeds \$20,000,000); and

4. A new Section 3.3 is hereby added to the Agreement to read as follows:

3.3 Additional Condition Precedent to all Credit Extensions. The obligation of Bank to make each Credit Extension is subject to the condition precedent that the balance of Borrower's cash and Cash Equivalents be such that Borrowers will be in compliance with Section 5.8 both before and after the making of the requested Credit Extension.

5. Sections 5.7 and 5.8 of the Agreement are hereby amended to read as follows:

5.7 [Intentionally Omitted .]

5.8 Depository Balances. At all times during the term of this Agreement, Borrowers, collectively, shall maintain in unrestricted deposit accounts maintained by Bank, or in certificates of deposit issued by Bank, a balance of cash and Cash Equivalents that is at least equal to the outstanding balance of the Credit Extensions (including without limitation any contingent obligations such as letters of credit and private partner guaranties). Borrowers shall maintain their principal depository accounts with Bank. Each Borrower authorizes Bank to decline to honor any checks, drafts or other items of payment or directions to wire or otherwise

transfer funds from Bank if and to the extent that, after giving effect to the payment of any such item or transfer of such funds, Borrowers would not be in compliance with this Section.

6. Exhibit B to the Agreement is hereby amended to read as Exhibit B attached hereto.

7. As set forth in Section 8.6 of the Agreement, Borrowers have granted and continue to grant to Bank a security interest in all deposit accounts, money market accounts, certificates of deposit, and any other accounts held by a Borrower or Borrowers at Bank, together with all property now or in the future held therein and all substitutions thereof, all interest paid thereon, and all other cash and noncash proceeds of the foregoing, as security for the prompt performance of the Obligations, including without limitation the additional Obligations under the Facility 2 Letter of Credit Line.

8. Unless otherwise defined, all initially capitalized terms in this Amendment shall be as defined in the Agreement. The Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Each Borrower ratifies and reaffirms the continuing effectiveness of the Agreement and all instruments, documents and agreements entered into in connection with the Agreement.

9. Each Borrower represents and warrants that the Representations and Warranties contained in the Agreement (other than those that relate to a specific date, which representations and warranties are true and correct as of such date) are true and correct as of the date of this Amendment, and that no Event of Default has occurred and is continuing.

10. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

11. As a condition to the effectiveness of this Amendment, Bank shall have received, in form and substance satisfactory to Bank, the following:

- (a) this Amendment, duly executed by Borrowers;
- (b) Resolutions to Borrow from each Borrower;
- (c) Disbursement Instructions and Auto-Debit Authorization;
- (d) an Affirmation and Amendment of Guaranty;
- (e) an opinion of counsel to Borrowers and Guarantor;
- (f) an amount equal to all Bank Expenses incurred through the date of this Amendment; and
- (g) such other documents, and completion of such other matters, as Bank may reasonably deem necessary or

appropriate.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the first date above written.

SAFEGUARD DELAWARE, INC.

By: /s/ Steve Grenfell

Title: Vice President

SAFEGUARD SCIENTIFICS
(DELAWARE), INC.

By: /s/ Steve Grenfell

Title: Vice President

COMERICA BANK

By: /s/ Talene Salmastlian

Title: Corporate Banking Officer

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: COMERICA BANK

FROM: SAFEGUARD DELAWARE, INC. & SAFEGUARD SCIENTIFICS (DELAWARE), INC.

The undersigned authorized officer of SAFEGUARD DELAWARE, INC. and SAFEGUARD SCIENTIFICS (DELAWARE), INC. hereby certifies that in accordance with the terms and conditions of the Loan Agreement between Borrowers and Bank (the "Agreement"), (i) each Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below and (ii) all representations and warranties of each Borrower stated in the Agreement are true and correct in all material respects as of the date hereof. Attached herewith are the required documents supporting the above certification. The Officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes.

Please indicate compliance status by circling Yes/No under "Complies" column.

<u>Reporting Covenant</u>	<u>Required</u>	<u>Complies</u>		
Guarantor:				
10(Q)	Quarterly within 45 days (excluding fye)	Yes	No	
10(K)	FYE within 90 days	Yes	No	
Borrowers:				
Quarterly consolidating financials	Quarterly within 45 days (excluding fye)	Yes	No	
FYE consolidating financials	FYE within 90 days	Yes	No	
<u>Financial Covenant</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>	
Minimum Unrestricted Cash at Bank (continuous)	1x Outstanding Credit Extensions (inc. Private Partner Guaranties and letters of credit)	\$ _____	Yes	No
Maximum private company impairment charges, excluding mandatory FASB 142 charges	\$50,000,000 over term of Agreement	\$ _____	Yes	No

Comments Regarding Exceptions: See Attached.

Sincerely,

SIGNATURE

TITLE

DATE

BANK USE ONLY		
Received by:	_____	
	AUTHORIZED SIGNER	
Date:	_____	
Verified:	_____	
	AUTHORIZED SIGNER	
Date:	_____	
Compliance Status	Yes	No

AFFIRMATION AND AMENDMENT OF GUARANTY

This AFFIRMATION AND AMENDMENT OF GUARANTY is entered into as of September 30, 2004, by and between SAFEGUARD SCIENTIFICS, INC. ("Guarantor") and COMERICA BANK, successor by merger to Comerica Bank – California ("Bank").

RECITALS

Bank, SAFEGUARD DELAWARE, INC. and SAFEGUARD SCIENTIFICS (DELAWARE), INC. (collectively, the "Borrowers") are parties to that certain Loan Agreement dated as of May 10, 2002, as amended by a First Amendment to Loan Agreement dated as of May 9, 2003, a Second Amendment to Loan Agreement dated as of February 12, 2004, and a Third Amendment to Loan Agreement dated as of May 8, 2004 (as so amended, the "Loan Agreement"). Guarantor executed for the benefit of Bank an Unconditional Guaranty (the "Guaranty"), guarantying amounts owing by Borrowers to Bank. Borrowers and Bank propose to enter into a Fourth Amendment to Loan Agreement of even date herewith (the "Amendment"), which amends the Loan Agreement by, among other things, extending additional credit and increasing its maturity. Bank has agreed to enter into the Amendment provided, among other things, that Guarantor consents to the Amendment and agrees that the Guaranty will remain effective. In addition, the parties desire to amend the Guaranty in accordance with the terms of this Amendment and Affirmation.

AGREEMENT

NOW, THEREFORE, the parties agrees as follows:

1. The last sentence of the introductory paragraph of the Guaranty is hereby amended to read as follows: "The liability of Guarantor hereunder shall not exceed a principal amount of \$55,000,000 plus interest and the fees and expenses incurred by Bank in enforcing the Loan Documents."
 2. Guarantor consents to the execution, delivery and performance by Borrowers of the Amendment and the documents and instruments executed in connection therewith. The Guaranty is and shall remain in full force and effect with respect to each Borrower's Obligations (as defined in the Loan Agreement), as modified by the Amendment. Guarantor confirms that, as of the date hereof, Guarantor has no defenses against its obligations under the Guaranty.
 3. The Guaranty, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment and Affirmation and shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Bank under the Guaranty, as in effect prior to the date hereof. Guarantor ratifies and reaffirms the continuing effectiveness of all instruments, documents and agreements entered into in connection with the Guaranty.
 4. Guarantor represents and warrants that the Representations and Warranties contained in the Guaranty are true and correct as of the date of this Amendment and Affirmation (other than those made as of a specific date, as to which such representations and warranties are true and correct as of such date). Unless otherwise defined, all capitalized terms in this Amendment and Affirmation shall be as defined in the Guaranty. This Amendment and Affirmation may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.
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IN WITNESS WHEREOF, the undersigned have executed this Affirmation and Amendment of Guaranty as of the first date above written.

SAFEGUARD SCIENTIFICS, INC.

By: /s/ Steve Grenfell

Title: Vice President

COMERICA BANK

By: /s/ Talene Salmastlian

Title: Corporate Banking Officer

FOURTH AMENDMENT
TO
LOAN DOCUMENTS

This Fourth Amendment to Loan Documents is entered into as of September 30, 2004 (the "Amendment"), by and between COMERICA BANK ("Bank"), ALLIANCE CONSULTING GROUP ASSOCIATES, INC. ("Consulting") and ALLIANCE HOLDINGS, INC., ("Holdings"; Consulting and Holdings are referred to herein individually as a "Borrower" and collectively, the "Borrowers").

RECITALS

Borrowers and Bank are parties to that certain Loan and Security Agreement dated as of September 25, 2003, as amended, including without limitation by that certain First Amendment to Loan and Security Agreement dated as of December 12, 2003, that certain Second Amendment to Loan and Security Agreement dated as of May 27, 2004 and that certain Third Amendment to Loan Documents dated as of August 9, 2004 (collectively, the "Agreement") and that certain LIBOR Addendum to Loan and Security Agreement dated as of September 25, 2003 (the "LIBOR Addendum"). The parties desire to amend the Agreement in accordance with the terms of this Amendment.

NOW, THEREFORE, the parties agree as follows:

1. The following defined terms in Section 1.1 of the Agreement are hereby amended to read as follows:

"Revolving Line" means a credit extension of up to Twenty Million Dollars (\$20,000,000).

"Revolving Maturity Date" means February 28, 2006.

2. Section 2.5(a) of the Agreement is hereby amended in its entirety to read as follows:

(a) Facility Fee. Borrower shall pay to Bank (i) on or before September 30, 2004, a Commitment Fee equal to \$50,000 and (ii) on October 1, 2005, an additional Commitment Fee equal to \$20,833;

3. Exhibit C to the Agreement is hereby amended and replaced in its entirety by Exhibit C attached hereto.

4. Unless otherwise defined, all initially capitalized terms in this Amendment shall be as defined in the Agreement. The Agreement, as amended hereby, shall be and remains in full force and effect in accordance with its terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Bank under the Agreement, as in effect prior to the date hereof. Each Borrower ratifies and reaffirms the continuing effectiveness of all promissory notes, guaranties, security agreements, mortgages, deeds of trust, environmental agreements, and all other instruments, documents and agreements entered into in connection with the Agreement.

5. Except as set forth in the Schedule of Exceptions originally provided by Borrower to Bank in connection with the Agreement and the updated Schedule of Exceptions provided by Borrower to Bank in connection with this Amendment, each Borrower represents and warrants that the representations and warranties contained in the Agreement are true and correct as of the date of this Amendment, and that no Event of Default has occurred and is continuing.

6. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

7. As a condition to the effectiveness of this Amendment, Bank shall have received, in form and substance satisfactory to Bank, the following:

- (a) this Amendment, duly executed by Borrowers;
- (b) Affirmation of Subordination;
- (c) Unconditional Guaranty and Corporate Resolutions to Guaranty from each guarantor;
- (d) a certificate of the Secretary of each Borrower with respect to incumbency and resolutions authorizing the execution and delivery of this Amendment;
- (e) disbursement instructions, agreement to provide insurance, and automatic debit authorization; and
- (f) such other documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the first date above written.

ALLIANCE HOLDINGS, INC.

By: /s/ Steve Grenfell

Title: Vice President

ALLIANCE CONSULTING GROUP ASSOCIATES, INC.

By: /s/ Steve Grenfell

Title: Assistant Treasurer

COMERICA BANK

By: /s/ Talene Salmastlian

Title: Corporate Banking Officer

EXHIBIT C

BORROWING BASE CERTIFICATE

Borrower: ALLIANCE CONSULTING GROUP ASSOCIATES, INC. & ALLIANCE HOLDINGS, INC. Lender: Comerica Bank

Commitment Amount: \$20,000,000

ACCOUNTS RECEIVABLE

1.	Accounts Receivable Book Value as of ____		\$	<u> </u>
2.	Additions (please explain on reverse)		\$	<u> </u>
3.	TOTAL ACCOUNTS RECEIVABLE		\$	<u> </u>

ACCOUNTS RECEIVABLE DEDUCTIONS (without duplication)

4.	Amounts over 90 days due*	\$	<u> </u>	
5.	Balance of 35% over 90 day accounts	\$	<u> </u>	
	Balance of 50% over 90 day accounts (for account debtors listed on Appendix 1)	\$	<u> </u>	
6.	Concentration Limits			
7.	Foreign Accounts	\$	<u> </u>	
8.	Governmental Accounts	\$	<u> </u>	
9.	Contra Accounts	\$	<u> </u>	
10.	Demo Accounts	\$	<u> </u>	
11.	Intercompany/Employee Accounts	\$	<u> </u>	
12.	Other (please explain on reverse)	\$	<u> </u>	
13.	TOTAL ACCOUNTS RECEIVABLE DEDUCTIONS		\$	<u> </u>
14.	Eligible Accounts (#3 minus #13)		\$	<u> </u>
15.	LOAN VALUE OF ACCOUNTS (85% of #14)		\$	<u> </u>

*or, in the case of Accounts for which an invoice has not been sent, within forty five (45) days after the date on which an obligation owing to a Borrower arises with respect to such Account

BALANCES

16.	Maximum Loan Amount		\$20,000,000
17.	Total Funds Available [Lesser of #16 or #15]		\$
18.	Present balance owing on Line of Credit		\$
19.	Outstanding under Sublimits (ACH)		\$
20.	RESERVE POSITION (#17 minus #18 and #19)		\$

The undersigned each represents and warrants that the foregoing is true, complete and correct, and that the information reflected in this Borrowing Base Certificate complies with the representations and warranties set forth in the Loan and Security Agreement between the undersigned and Comerica Bank.

ALLIANCE CONSULTING GROUP ASSOCIATES, INC.

By:

Authorized Signer

ALLIANCE HOLDINGS, INC.

By:

Authorized Signer

GUARANTY

For and in consideration of the loan by COMERICA BANK (“Bank”) to ALLIANCE CONSULTING GROUP ASSOCIATES, INC. and ALLIANCE HOLDINGS, INC. (collectively, “Borrower”), which loan is made pursuant to a Loan and Security Agreement dated as of September 25, 2003, as amended from time to time, including without limitation by that certain First Amendment to Loan and Security Agreement dated as of December 12, 2003, that certain Second Amendment to Loan and Security Agreement dated as of May 27, 2004, that certain Third Amendment to Loan Documents dated as of August 9, 2004, and that certain Fourth Amendment to Loan Documents dated as of the date hereof (collectively, the “Agreement”), and acknowledging that Bank would not enter into the Agreement without the benefit of this Guaranty, each of the undersigned guarantors (each a “Guarantor”; collectively, the “Guarantors”) hereby unconditionally and irrevocably guarantees the prompt and complete payment of all amounts that Borrower owes to Bank and performance by Borrower of the Agreement and any other agreements between Borrower and Bank, executed and/or delivered in connection with the Agreement as amended from time to time (collectively referred to as the “Agreements”), in strict accordance with their respective terms. All terms used without definition in this Guaranty shall have the meaning assigned to them in the Agreement.

1. Each Guarantor guarantees to Bank payment of all amounts due under the Agreements (collectively, the “Obligations”) provided that no demand shall be made by Bank against Guarantors under this Guaranty until such time as Bank has accelerated all of the Obligations pursuant to the terms of the Agreements, provided that acceleration shall not be necessary where it is delayed or restricted by any law or judicial order, including a stay under the United States Bankruptcy Code or other insolvency law.
2. Subject to Section 1, the obligations hereunder are joint and several and are independent of the obligations of Borrower and any other person or entity, and a separate action or actions may be brought and prosecuted against a Guarantor whether action is brought against Borrower or whether Borrower be joined in any such action or actions. Each Guarantor waives the benefit of any statute of limitations affecting its liability hereunder or the enforcement thereof, to the extent permitted by law. Guarantors’ liability under this Guaranty is not conditioned or contingent upon the genuineness, validity, regularity or enforceability of the Agreements.
3. Each Guarantor authorizes Bank, without notice or demand and without affecting its liability hereunder, from time to time to (a) agree with Borrower to renew, extend, or otherwise change the terms of the Agreements or any part thereof; (b) take and hold security for the payment of this Guaranty or the Agreements, and exchange, enforce, waive and release any such security; and (c) apply such security and direct the order or manner of sale thereof as Bank in its sole discretion may determine.
4. Subject to Section 1, above, each Guarantor waives any right to require Bank to (a) proceed against Borrower, any guarantor or any other person; (b) proceed against or exhaust any security held from Borrower; or (c) pursue any other remedy in Bank’s power whatsoever. Bank may, at its election, exercise or decline or fail to exercise any right or remedy it may have against Borrower or any security held by Bank, including without limitation the right to foreclose upon any such security by judicial or nonjudicial sale, without affecting or impairing in any way the liability of Guarantors hereunder. Each Guarantor waives any defense arising by reason of any disability or other defense of Borrower or by reason of the cessation from any cause whatsoever of the liability of Borrower. Each Guarantor waives any setoff, defense or counterclaim that Borrower may have against Bank. Each Guarantor waives any defense arising out of the absence, impairment or loss of any right of reimbursement or subrogation or any other rights against Borrower. Until all of the amounts that Borrower owes to Bank have been paid in full, Guarantors shall have no right of subrogation or reimbursement, contribution or other rights against Borrower, and each Guarantor waives any right to enforce any remedy that Bank now has or may hereafter have against Borrower. Each Guarantor waives all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Guaranty and of the existence, creation, or incurring of new or additional indebtedness. Guarantors assume the responsibility for being and keeping themselves informed of the financial condition of Borrower and of all other circumstances bearing upon the risk of nonpayment of any indebtedness or nonperformance of any obligation of Borrower, warrant to Bank that they will keep so informed, and agree that absent a request for particular information by Guarantors, Bank shall not have any duty to advise Guarantors of information known to Bank regarding such condition or any such circumstances. Each Guarantor waives the benefits of California Civil Code sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433.

5. Each Guarantor acknowledges that, to the extent such Guarantor has or may have certain rights of subrogation or reimbursement against Borrower for claims arising out of this Guaranty, those rights may be impaired or destroyed if Bank elects to proceed against any real property security of Borrower by non-judicial foreclosure. That impairment or destruction could, under certain judicial cases and based on equitable principles of estoppel, give rise to a defense by Guarantors against its obligations under this Guaranty. Each Guarantor waives that defense and any others arising from Bank's election to pursue non-judicial foreclosure. Without limiting the generality of the foregoing, each Guarantor waives any and all benefits and defenses under California Code of Civil Procedure Sections 580a, 580b, 580d and 726, to the extent they are applicable.

6. If Borrower becomes insolvent or is adjudicated bankrupt or files a petition for reorganization, arrangement, composition or similar relief under any present or future provision of the United States Bankruptcy Code, or if such a petition is filed against Borrower, and in any such proceeding some or all of any indebtedness or obligations under the Agreements are terminated or rejected or any obligation of Borrower is modified or abrogated, or if Borrower's obligations are otherwise avoided for any reason, Guarantors agree that their liability hereunder shall not thereby be affected or modified and such liability shall continue in full force and effect as if no such action or proceeding had occurred. This Guaranty shall continue to be effective or be reinstated, as the case may be, if any payment must be returned by Bank upon the insolvency, bankruptcy or reorganization of Borrower, a Guarantor, any other guarantor, or otherwise, as though such payment had not been made.

7. Guarantors agree to pay reasonable attorneys' fees and all other costs and expenses which may be incurred by Bank in the enforcement of this Guaranty. No terms or provisions of this Guaranty may be changed, waived, revoked or amended without Bank's prior written consent. Should any provision of this Guaranty be determined by a court of competent jurisdiction to be unenforceable, all of the other provisions shall remain effective. This Guaranty, together with any agreements (including without limitation any security agreements or any pledge agreements) executed in connection with this Guaranty, embodies the entire agreement among the parties hereto with respect to the matters set forth herein, and supersedes all prior agreements among the parties with respect to the matters set forth herein. No course of prior dealing among the parties, no usage of trade, and no parol or extrinsic evidence of any nature shall be used to supplement, modify or vary any of the terms hereof. There are no conditions to the full effectiveness of this Guaranty. Bank may assign this Guaranty without in any way affecting Guarantors' liability under it. This Guaranty shall inure to the benefit of Bank and its successors and assigns. This Guaranty is in addition to the guaranties of any other guarantors and any and all other guaranties of Borrower's indebtedness or liabilities to Bank.

8. Each Guarantor represents and warrants to Bank that (i) Guarantor has taken all necessary and appropriate action to authorize the execution, delivery and performance of this Guaranty, (ii) execution, delivery and performance of this Guaranty do not conflict with or result in a breach of or constitute a default under Guarantor's Certificate of Incorporation or Bylaws or other organizational documents or agreements to which it is party or by which it is bound, and (iii) this Guaranty constitutes a valid and binding obligation, enforceable against Guarantor in accordance with its terms.

9. Each Guarantor covenants and agrees that Guarantor shall do all of the following:

9.1. Guarantor shall maintain its corporate existence, remain in good standing in the state of its organization, and continue to qualify in each jurisdiction in which the failure to so qualify could have a material adverse effect on the financial condition, operations or business of Guarantor. Guarantor shall maintain in force all licenses, approvals and agreements, the loss of which could have a material adverse effect on its financial condition, operations or business.

9.2. Guarantor shall comply with all statutes, laws, ordinances, directives, orders, and government rules and regulations to which it is subject if non-compliance with such laws could adversely affect the financial condition, operations or business of Guarantor.

9.3. At any time and from time to time Guarantor shall execute and deliver such further instruments and take such further action as may reasonably be requested by Bank to effect the purposes of this Guaranty.

9.4. Guarantor shall not transfer, assign, encumber or otherwise dispose of any shares of capital stock or other equity interest Guarantor may now have or hereafter acquire in Borrower, other than stock options issued in the normal course of business to its employees.

10. This Guaranty shall be governed by the laws of the State of California, without regard to conflicts of laws principles. EACH GUARANTOR WAIVES ANY RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTY OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. Each Guarantor submits to the exclusive jurisdiction of the state and federal courts located in Santa Clara County, California for purposes of this Guaranty and the Agreements.

11. REFERENCE PROVISION.

If and only if the jury trial waiver set forth in Section 10 of this Agreement is invalidated for any reason by a court of law, statute or otherwise, the reference provisions set forth below shall be substituted in place of the jury trial waiver. So long as the jury trial waiver remains valid, the reference provisions set forth in this Section shall be inapplicable.

11.1. Each controversy, dispute or claim (each, a "Claim") between the parties arising out of or relating to this Agreement, any security agreement executed by a Guarantor in favor of Bank, or any other document, instrument or agreement executed by a Guarantor with or in favor of Bank (collectively in this Section, the "Loan Documents"), other than (i) all matters in connection with nonjudicial foreclosure of security interests in real or personal property; or (ii) the appointment of a receiver or the exercise of other provisional remedies (any of which may be initiated pursuant to applicable law) that are not settled in writing within fifteen (15) days after the date on which a party subject to the Loan Documents gives written notice to all other parties that a Claim exists (the "Claim Date") shall be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure, or their successor sections ("CCP"), which shall constitute the exclusive remedy for the resolution of any Claim concerning the Loan Documents, including whether such Claim is subject to the reference proceeding. Except as set forth in this section, the parties waive the right to initiate legal proceedings against each other concerning each such Claim. Venue for these proceedings shall be in the Superior Court in the County where the real property, if any, is located or in a County where venue is otherwise appropriate under state law (the "Court"). By mutual agreement, the parties shall select a retired Judge of the Court to serve as referee, and if they cannot so agree within fifteen (15) days after the Claim Date, the Presiding Judge of the Court (or his or her representative) shall promptly select the referee. A request for appointment of a referee may be heard on an ex parte or expedited basis. The referee shall be appointed to sit as a temporary judge, with all the powers for a temporary judge, as authorized by law, and upon selection should take and subscribe to the oath of office as provided for in Rule 244 of the California Rules of Court (or any subsequently enacted Rule). Each party shall have one peremptory challenge pursuant to CCP §170.6. Upon being selected, the referee shall (a) be requested to set the matter for a status and trial-setting conference within fifteen (15) days after the date of selection and (b) if practicable, try any and all issues of law or fact and report a statement of decision upon them within ninety (90) days of the date of selection. The referee will have power to expand or limit the amount of discovery a party may employ. Any decision rendered by the referee will be final, binding and conclusive, and judgment shall be entered pursuant to CCP §644 in any court in the State of California having jurisdiction. The parties shall complete all discovery no later than fifteen (15) days before the first trial date established by the referee. The referee may extend such period in the event of a party's refusal to provide requested discovery for any reason whatsoever, including, without limitation, legal objections raised to such discovery or unavailability of a witness due to absence or illness. No party shall be entitled to "priority" in conducting discovery. Either party may take depositions upon seven (7) days written notice, and shall respond to requests for production or inspection of documents within ten (10) days after service. All disputes relating to discovery which cannot be resolved by the parties shall be submitted to the referee whose decision shall be final and binding upon the parties. Pending appointment of the referee as provided herein, the Superior Court is empowered to issue temporary and/or provisional remedies, as appropriate.

11.2. Except as expressly set forth herein, the referee shall determine the manner in which the reference proceeding is conducted including the time and place of all hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the reference proceeding. Except for trial, all proceedings and hearings conducted before the referee shall be conducted without a court reporter unless a party requests a court reporter. The party making such a request shall have the obligation to arrange for and pay for the court reporter. Subject to the referee's power to award costs to the prevailing party, the parties shall equally bear the costs of the court reporter at the trial and the referee's expenses

11.3. The referee shall determine all issues in accordance with existing California case and statutory law. California rules of evidence applicable to proceedings at law will apply to the reference proceeding.

The referee shall be empowered to enter equitable as well as legal relief, to provide all temporary and/or provisional remedies and to enter equitable orders that shall be binding upon the parties. At the close of the reference proceeding, the referee shall issue a single judgment at disposing of all the claims of the parties that are the subject of the reference. The parties reserve the right (i) to contest or appeal from the final judgment or any appealable order or appealable judgment entered by the referee and (ii) to obtain findings of fact, conclusions of laws, a written statement of decision, and (iii) to move for a new trial or a different judgment, which new trial, if granted, shall be a reference proceeding under this provision.

If the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by the reference procedure herein described will be resolved and determined by arbitration conducted by a retired judge of the Court, in accordance with the California Arbitration Act §1280 through §1294.2 of the CCP as amended from time to time. The limitations with respect to discovery as set forth in this Section shall apply to any such arbitration proceeding.

IN WITNESS WHEREOF, the undersigned Guarantors have executed this Guaranty as of this 30th day of September, 2004.

SAFEGUARD DELAWARE, INC.

By: /s/ Steve Grenfell

Title: Vice President

SAFEGUARD DELAWARE, INC.

Attn: CFO
800 The Safeguard Building
435 Devon Park Drive
Wayne, PA 19087

SAFEGUARD SCIENTIFICS (DELAWARE), INC.

By: /s/ Steve Grenfell

Title: Vice President

SAFEGUARD SCIENTIFICS (DELAWARE), INC.

Attn: CFO
800 The Safeguard Building
435 Devon Park Drive
Wayne, PA 19087

AFFIRMATION OF GUARANTY

This AFFIRMATION OF GUARANTY is made as of September 30, 2004, by the undersigned (“Guarantor”) for the benefit of Comerica Bank (“Bank”).

RECITALS

Bank, ALLIANCE CONSULTING GROUP ASSOCIATES, INC. (“Consulting”) and ALLIANCE HOLDINGS, INC. (“Holdings”; Consulting and Holdings are referred to herein individually as a “Borrower” and collectively, the “Borrowers”) are parties to that certain Loan and Security Agreement dated as of September 25, 2003, as amended from time to time, including without limitation by that certain First Amendment to Loan and Security Agreement dated as of December 12, 2003, that certain Second Amendment to Loan and Security Agreement dated as of May 27, 2004, and that certain Third Amendment to Loan Documents dated as of August 9, 2004 (collectively, the “Loan Agreement”). Guarantor executed for the benefit of Bank an Unconditional Guaranty dated as of September 25, 2003 (the “Guaranty”), guarantying all amounts owing by Borrowers to Bank. Borrowers and Bank propose to enter into a Fourth Amendment to Loan Documents of even date herewith (the “Amendment”), which amends the Loan Agreement by, among other things, extending additional credit. Bank has agreed to enter into the Amendment provided, among other things, that Guarantor consents to the entry by Borrowers into the Amendment and related documents and agrees that the Guaranty will remain effective.

AGREEMENT

NOW, THEREFORE, Guarantor agrees as follows:

1. Guarantor consents to the execution, delivery and performance by Borrowers of the Amendment and the documents and instruments executed in connection therewith, as well as all other amendments and modifications to the Loan Agreement.
2. The Guaranty is and shall remain in full force and effect with respect to all of Borrowers’ Obligations (as defined in the Loan Agreement) as modified by the Amendment and otherwise. Guarantor confirms that Guarantor has no defenses against its obligations under the Guaranty.
3. Guarantor represents and warrants that the Representations and Warranties contained in the Guaranty are true and correct as of the date of this Affirmation. Unless otherwise defined, all capitalized terms in this Affirmation shall be as defined in the Guaranty.

IN WITNESS WHEREOF, the undersigned Guarantor has executed this Affirmation of Guaranty as of the first date above written.

SAFEGUARD SCIENTIFICS, INC.

By: /s/ Steve Grenfell

Title: Vice President, Operations