

SAFEGUARD SCIENTIFICS INC

FORM 8-K (Current report filing)

Filed 10/22/10 for the Period Ending 10/22/10

Address	435 DEVON PARK DR BLDG 800 WAYNE, PA 19087
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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): **October 22, 2010**

Safeguard Scientifics, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other Jurisdiction of
Incorporation)

1-5620

(Commission File Number)

23-1609753

(IRS Employer Identification No.)

**435 Devon Park Drive,
Building 800, Wayne, 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:

- 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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Item 1.01 Entry Into A Material Definitive Agreement .

On October 22, 2010, Clariant, Inc. (“Clariant”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) with General Electric Company, a New York corporation (“Parent”), and Crane Merger Sub, Inc., a Delaware corporation and an indirect wholly owned subsidiary of Parent (“Merger Sub”). Pursuant to the Merger Agreement, and upon the terms and subject to the conditions thereof, Merger Sub has agreed to commence a cash tender offer to acquire all of the issued and outstanding shares of Clariant’s common stock (the “Offer”) for a purchase price of \$5 per share in cash (the “Offer Price”). Safeguard Scientifics, Inc., through its wholly owned subsidiary, Safeguard Delaware, Inc. (hereinafter collectively referred to as “Safeguard”), owns 30,158,127 issued and outstanding shares of Clariant common stock and also holds warrants to purchase an additional 729,167 shares at various prices. Such equity ownership constitutes approximately 26% of Clariant on a fully diluted basis.

The Merger Agreement provides that, following the consummation of the Offer, Merger Sub will merge with and into Clariant (the “Merger”), with Clariant surviving the Merger as a wholly owned indirect subsidiary of Parent. In the Merger, each outstanding share of Clariant’s common stock (other than treasury shares, shares held by Parent, Merger Sub or any of their wholly owned subsidiaries, or as to which dissenters’ rights have been properly exercised) will be converted into the right to receive the Offer Price. The consummation of the Merger is subject to certain closing conditions, including approval by Clariant’s stockholders, if required.

The foregoing description of the Merger Agreement is qualified in its entirety by reference to the full text of the Merger Agreement, which is attached as Exhibit 2.1 to Clariant’s Current Report on Form 8-K, filed on October 22, 2010 (the “Form 8-K”), and is incorporated herein by reference. The Merger Agreement has been incorporated herein by reference to provide information regarding the terms of the Merger Agreement and is not intended to modify or supplement any factual disclosures about Clariant, Parent or Merger Sub in Clariant’s public reports filed with the Securities and Exchange Commission. In particular, the assertions embodied in the representations and warranties contained in the Merger Agreement are qualified by information in confidential disclosure schedules provided by Clariant in connection with the signing of the Merger Agreement. These disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Merger Agreement. Moreover, certain representations and warranties in the Merger Agreement were used for the purpose of allocating risk between Clariant, Parent and Merger Sub, rather than establishing matters of fact. Accordingly, the representations and warranties in the Merger Agreement may not constitute the actual state of facts about Clariant, Parent or Merger Sub.

Concurrently with the execution of the Merger Agreement, Safeguard entered into a Tender and Support Agreement with Parent and Merger Sub (the “Support Agreement”). Pursuant to, and subject to the terms of, the Support Agreement, Safeguard agreed with respect to all shares of common stock of Clariant beneficially owned by Safeguard (collectively, the “Shares”), among other things, (i) to tender the Shares, or cause the Shares to be irrevocably tendered, in the Offer, (ii) not to withdraw any of the Shares after such tender unless and until (a) the Offer shall have been terminated or shall have expired in accordance with the terms of the Merger Agreement or (b) the Support Agreement shall have been terminated in accordance with its terms, and (iii) to waive any rights of appraisal or rights to dissent from the Merger and not to assert any such rights of appraisal or dissent.

Pursuant to the Support Agreement, Safeguard also agreed not to (i) transfer (which term shall include any sale, assignment, gift, pledge, hypothecation or other disposition), or consent to or permit any such transfer of, any or all of the Subject Shares or any interest therein (except where the transferee or third party agrees in writing to be bound by the terms thereof), or create or permit to exist any Lien (as defined) that would prevent Safeguard from tendering or voting the Subject Shares in accordance with the Support Agreement or from complying with its other obligations under the Support Agreement, other than any restrictions imposed by applicable law on any such Subject Shares, (ii) enter into any contracts inconsistent with the terms of the Support Agreement with respect to any transfer of Subject Shares or any interest therein, (iii) grant or permit the grant of any proxy, power of attorney or other authorization in or with respect to the Subject Shares relating to the subject matter hereof, (iv) deposit or permit the deposit of the Subject Shares into a voting trust or enter into a voting agreement or arrangement with respect to the Subject Shares, or (v) take or permit any other action that would in any way restrict, limit or interfere with the performance of its obligations under the Support Agreement or the transactions contemplated thereby.

In addition, pursuant to the Support Agreement, to the extent that the Subject Shares are not purchased in the Offer, Safeguard has agreed to vote or provide a written consent in respect of (or cause the holder of record on any applicable record date to vote or provide a written consent in respect of) all of the Subject Shares in connection with any meeting of the stockholders of Clariant duly called and sought for such purpose, including any class of stockholders (and at every adjournment or postponement thereof), or any action by written consent in lieu of a meeting of stockholders of Clariant duly requested in respect of such purpose, including any class of stockholders, (i) in favor of the approval and adoption of the Merger Agreement, the approval of the Merger and the other transactions contemplated by the Merger Agreement and the approval of any other matter that is required to be approved by the stockholders of Clariant in order to effect the transactions contemplated by the Merger Agreement and (ii) against (A) any agreement or arrangement constituting or related to any third party offer which constitutes an Acquisition Proposal, as defined in the Merger Agreement, (B) any liquidation, dissolution, recapitalization, extraordinary dividend or other significant corporate reorganization of Clariant or any of its subsidiaries and (C) any other action, proposal or agreement that would (1) reasonably be expected to interfere with or delay the consummation of the Merger and the other transactions contemplated by the Merger Agreement or (2) result in any of the conditions to the Offer not being fulfilled or satisfied, and in connection therewith, Safeguard shall execute any documents which are necessary or appropriate in order to effectuate the foregoing. In the event that any meeting of the stockholders of Clariant is held and any of the Subject Shares are not purchased in the Offer, Safeguard shall (or shall cause the holder of record on any applicable record date to) appear at such meeting or otherwise cause the outstanding Subject Shares to be counted as present thereat for purposes of establishing a quorum. In furtherance of the foregoing, Safeguard irrevocably granted to, and appointed, until the termination of the Support Agreement, Parent and any person or persons designated in writing by Parent, and each of them individually, as Safeguard's proxy and attorney-in-fact (with full power of substitution), for and in the name, place and stead of Safeguard, to vote all of the outstanding Subject Shares, or grant a written consent in respect of the Subject Shares, or execute and deliver a proxy to vote or grant a written consent in respect of the outstanding Subject Shares, on the matters and in the manner specified in the Support Agreement.

The Support Agreement further provides that, in the event the Merger Agreement is terminated under circumstances in which a Termination Fee (as defined in the Merger Agreement) would be payable by Clariant to Parent pursuant to the terms of the Merger Agreement, Safeguard would be required to pay to Parent an amount equal to 25% of Safeguard's Profit (as defined in the Support Agreement) from the transfer of the Shares pursuant to an Acquisition Proposal (as defined in the Merger Agreement) so long as the agreement with respect to such Acquisition Proposal is entered into or consummated within six months of the termination of the Merger Agreement. Any such required payment would be promptly paid to Parent upon receipt by Safeguard of the proceeds from such transfer of the Shares.

The Support Agreement shall terminate upon the earliest to occur of (i) the termination of the Merger Agreement in accordance with its terms, (ii) the effective date of the Merger, or (iii) any reduction of the Offer Price or the Merger Consideration; provided, however, Safeguard's obligation to pay to Parent an amount equal to 25% of Safeguard's Profit from the transfer of the Shares pursuant to an Acquisition Proposal shall survive the termination of the Support Agreement.

The foregoing description of the Support Agreement is qualified in its entirety by reference to the Support Agreement, which is attached as Exhibit 10.1 to Clariant's Form 8-K, and is incorporated herein by reference.

Of even date herewith, Safeguard issued a press release concerning the Merger Agreement and related matters. A copy of Safeguard's press release is filed as an exhibit to this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

- 2.1 Agreement and Plan of Merger among General Electric Company, Crane Merger Sub, Inc. and Clariant, Inc., dated as of October 22, 2010 (incorporated by reference to Exhibit 2.1 to Clariant, Inc.'s Current Report on Form 8-K, filed October 22, 2010).
 - 10.1 Tender and Support Agreement, dated as of October 22, 2010, by and among General Electric Company, Crane Merger Sub, Inc. and Safeguard Delaware, Inc. (incorporated by reference to Exhibit 10.1 to Clariant, Inc.'s Current Report on Form 8-K, filed October 22, 2010).
 - 99.1 Press Release dated October 22, 2010
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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 22, 2010

By: BRIAN J. SSKO
Brian J. Sisko
Senior Vice President and General Counsel

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- 99.1 Press Release dated October 22, 2010



**EXHIBIT 99.1
FOR IMMEDIATE RELEASE**

CONTACT:

John E. Shave
Vice President, Business Development and Corporate Communications
610.975.4952

**SAFEGUARD SCIENTIFICS PARTNER COMPANY CLARIANT TO BE ACQUIRED
BY GE HEALTHCARE FOR \$587 MILLION OR \$5 PER COMMON SHARE**

*Sale of Diagnostic Services Provider Expected to Generate Net Proceeds
to Safeguard of Approximately \$145 Million*

Wayne, PA, October 22, 2010 – Safeguard Scientifics, Inc. (NYSE: SFE), a holding company that builds value in growth-stage life sciences and technology companies, today announced that partner company Clariant, Inc. (Nasdaq: CLRT) has agreed to be acquired by GE Healthcare, a unit of General Electric Company (NYSE: GE) via a public tender offer for all outstanding common and preferred shares of Clariant at a price of \$5.00 per common share and \$20.00 per preferred share, payable in cash. Clariant's stock price was \$3.77 per share at close of business yesterday. The transaction values Clariant at \$587 million. The completion of the transaction is subject to certain conditions, and is expected to close in late 2010 or early 2011.

Safeguard is expected to receive net sale proceeds of approximately \$145 million. The taxable gain to Safeguard on the transaction will be offset by a portion of our available tax loss carryforwards. Safeguard owns approximately 26% of Clariant outstanding shares on a fully-diluted as-converted basis, including 30.2 million shares of Clariant common stock plus 0.7 million warrants at various strike prices.

“We are proud of Clariant’s execution in building a premier anatomic pathology and molecular testing services company,” said Peter J. Boni, President and CEO of Safeguard Scientifics and member of the board at Clariant. “The gain on the sale of our position in Clariant underscores our ability to identify and build value in companies with high-growth potential, and drive shareholder value. Over the past five years, we have enhanced Clariant’s financial strength and developed alliances and syndication partnerships with top-tier partners that have set the stage to realize value through this well-timed exit with GE Healthcare.”

Clariant was originally founded in 1996 as MicroVision Medical Systems, later known as ChromaVision, which developed and manufactured digital microscopes that would help diagnose various diseases and medical conditions by analyzing tissue and blood samples. Under the leadership of CEO Ron Andrews and with direction from Safeguard’s current management team, the company was repositioned and rebranded as Clariant. Refocusing the business on cancer diagnostic services, Clariant sold its ACIS® and Trestle® Instrument Systems business assets and related intellectual property to Carl Zeiss MicroImaging, completing its evolution from an equipment sales model to a diagnostic services model. As a result of its repositioning, Clariant has grown its revenues tenfold, turned profitable and grew its market cap by more than \$430 million, based upon the acquisition price.

Throughout Clariant’s transformation, Safeguard worked as an active partner to support Clariant’s growth. Safeguard’s support has taken many forms, including: initial and follow-on rounds of equity capital, mezzanine debt facilities, lines of credit guarantees, executive management recruitment, sales and marketing expansion, facilities project management, strategic communications and partnerships.

In addition to the above, Safeguard facilitated a private placement of \$40 million in Clariant convertible preferred stock by Oak Investment Partners during the first quarter 2009. The transaction allowed Clariant to retire all of its outstanding debt except for receivable financing, reduce annual interest expense and fees, add working capital to drive growth, and propel the company toward net income. The effect of the private placement, combined with a subsequent public sale of a portion of Safeguard's holdings in Clariant for net proceeds of \$61.3 million, reduced Safeguard's stake in Clariant to approximately 28% outstanding shares on an as-converted basis, down from 60% at year-end 2008.

"Clariant's growth over the past five years and the value inherent in GE Healthcare's acquisition proposal illustrates the power of Safeguard's platform to provide capital as well as strategic and operational support to its partner companies," said James A. Datin, EVP and Managing Director of the Life Sciences Group at Safeguard, and Chairman of the Board at Clariant. "But ultimately the credit goes to Ron Andrews and his team for building an incredible company, expanding its cancer diagnostic services and supplementing that business with novel markers to provide greater scope and higher intellectual content for its customers. The complementary diagnostic capabilities at Clariant and GE Healthcare will continue to deliver targeted cancer diagnostics to patients, ultimately improving patient care and reducing healthcare costs."

About Safeguard Scientifics

Founded in 1953 and based in Wayne, PA, Safeguard Scientifics, Inc. (NYSE: SFE) provides growth capital for entrepreneurial and innovative life sciences and technology companies. Safeguard targets life sciences companies in Molecular and Point-of-Care Diagnostics, Medical Devices, Regenerative Medicine and Specialty Pharmaceuticals, and technology companies in Internet / New Media, Financial Services IT and Healthcare IT with capital requirements of up to \$25 million. Safeguard participates in expansion financings, corporate spin-outs, management buyouts, recapitalizations, industry consolidations and early-stage financings. For more information, please visit our website at www.safeguard.com, our blog at blog.safeguard.com or you can follow us on Twitter @ [Safeguard_SFE](#).

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. The risks and uncertainties that could cause actual results to differ materially, include, among others, managing rapidly changing technologies, limited access to capital, competition, the ability to attract and retain qualified employees, the ability to execute our strategy, the uncertainty of the future performance of our companies, acquisitions and dispositions of companies, the inability to manage growth, compliance with government regulations and legal liabilities, additional financing requirements, the effect of economic conditions in the business sectors in which our companies operate, and other uncertainties described in the Company's filings with the Securities and Exchange Commission. Many of these factors are beyond our ability to predict or control. In addition, as a result of these and other factors, our past 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 news release.

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