

September 29, 2010

Russell G. Golden, Technical Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, Connecticut 06856-5116

Re: File Reference No. 1810-100

Dear Mr. Golden:

Safeguard Scientifics, Inc. ("Safeguard" or the "Company") appreciates the opportunity to comment on the FASB's Proposed Accounting Standards Update, Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities (the "proposed ASU" or the "proposal"). We support the Board's efforts to revise the accounting and reporting for financial instruments and the effort to achieve further convergence with the IASB. For the reasons summarized below however, we do not support the finalization of the proposal as currently drafted. We have concerns with respect to both the impact on Safeguard and the broader accounting and reporting inconsistencies we believe the proposed ASU will create. Our comments in this letter are focused primarily on Question 4 for respondents within the proposed ASU concerning revisions to the use of equity method accounting and the elimination of cost method accounting since these portions of the proposed ASU will have the most direct and significant impact on the accounting and reporting under our current business model.

The proposed ASU moves to substantially revise the instances under which equity method accounting may be applied. In addition to the existing requirement under Topic 323 that the investor exercise significant influence over the operations of the investee, the proposed ASU requires the operations of the investee be related to the consolidated operations of the investor. It also eliminates the ability to elect the fair value option for equity method investments.

Our business model is to create long term shareholder value by providing capital and a range of strategic, operational and management resources to growth stage life sciences and technology partner companies over a period of years. The operations of our partner companies are typically not related to our core operations however, we do not provide capital for the purpose of short-term changes in fair value for the benefit of our income statement. We account for our holdings in private partner companies under the consolidation method, equity method or cost method. We believe our periodic impairment analysis of our partner companies is sufficient to ensure our balance sheet is not overstated and that mark-to-market accounting, particularly when applied to growth

stage companies, is misleading and not indicative of the long term outcomes we regularly achieve with our partner companies.

We note that equity method accounting is a one line consolidation. We believe that the significant influence criteria as defined under current GAAP is a) consistent with overall consolidation principles (i.e. consolidation is required in instances where an capital provider has control regardless of whether operations are similar) and b) is the appropriate criteria by which to apply the equity method. It is inconsistent to have criterion for the application of the equity method which requires the operations of the investee be related to the consolidated operations of the investor when it is not a criterion for consolidation.

We understand that the development of fair values for equity and cost method ownership interests in private companies will require the use of Level 3 inputs as defined under ASC 820. We believe two significant challenges exist related to the use of these inputs. First, lack of timely Level 3 input information for growth stage enterprises which have lean accounting and finance functions is a significant barrier to the development of quality estimates. We note that under current GAAP an investor is permitted to record its share of earnings or losses from an equity method ownership interest on a lag using the most recent available historical financial statements. We believe this allowance acknowledges the difficulty often present in obtaining timely financial information from equity method companies in which a capital provider exercises significant influence but does not exercise control. Developing fair value estimates for such companies under the proposed ASU would require not only timely historical financial statements but also timely prospective financial information, including forecasts, projections and other estimates every reporting period. The difficulty in obtaining timely information can be even greater in instances where a capital provider does not exercise significant influence over the company and therefore the cost method is applied.

Second, the use of market comparables from transactions involving entities of a similar size and operational nature is a challenge due to the low level of activity in the private equity sector in recent years, and the lack of comparability between these transactions. Moreover, we believe Level 3 inputs are inherently subjective and therefore the use of Level 3 inputs by different companies for similar ownership interests will naturally lead to different results and therefore a lack of comparability among issuers of financial statements. We support the provision under current GAAP which permits the election of the fair value option where there is sufficient reliable evidence of fair value provided by quoted market prices in active markets. The Company has not elected the fair value option for its private partner company holdings, which are accounted for under the equity method or cost method, due to the lack of readily determinable evidence of fair value for these privately held companies and due to the potential competitive disadvantage of such disclosure.

Companies in our industry exit holdings after extensive due diligence and detailed arm's length negotiations among objective third parties, considering all micro and macro economic factors existing at the time of the negotiations, including the economic position

and operational intentions of the parties involved. Public disclosure of estimated fair values in SEC filings may be interpreted by potential buyers as a data point for negotiations. The requirement to disclose the fair value of equity-method holdings would be viewed as a disincentive for growth-stage companies to partner with SEC registrants in the future.

The equity and cost methods of accounting for our holdings in private companies are understood by the users of our financial statements and we are unaware of any dissatisfaction among analysts who follow our industry. Nor are we aware of any abuses in these areas that the proposed ASU would be correcting. We agree with the basis set forth by the FASB in paragraph 75 of Statement of Financial Accounting Standard No. 107, Disclosures about Fair Value of Financial Instruments, for concluding that the "benefits of estimating fair value for unquoted investments accounted for under the equity method do not outweigh the related cost" and believe that cost-benefit relationship remains consistent today.

In summary, we are opposed to the suggested scope modifications for equity method accounting and the elimination of cost method accounting. We believe the requirement to mark-to-market such ownership interests creates an onerous burden on companies to value holdings which are not actively traded and that such accounting will lead to inconsistencies among preparers. We also believe such disclosure puts Safeguard and other public companies like us at a competitive disadvantage versus our non-public competitors. We support the use of fair value accounting for these investments when such assets have a readily determinable market value (e.g. quoted market prices) in active markets as described above.

We appreciate the opportunity to comment on the proposed ASU. If you have any questions regarding our comments, please contact Jeffrey McGroarty at 610-975-4906.

Sincerely,

Jeffrey McGroarty

Vice President of Finance and Corporate Controller