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Safeguard Scientifics, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Bob Labick - CJS Securities.

Bob Labick - CJS Securities

In regards to the sale to Saints, obviously, it's going to take a couple of months to close, is there anything that you're expecting to be a problem or is it more formalities. And can you discuss, do you have any break-up fees, has there been a go-shop provision, or are you trying to sell these stakes to anybody else at this given time and if there is a go-shop, when does that end?

Peter J. Boni

It's a formality to close and we are following that formality and we are anticipating the close in the second quarter, Bob. There was a break-up fee as a part of the definitive agreement.

Bob Labick - CJS Securities

Could you remind us what it is?

Peter J. Boni

I'm not sure if we've disclosed that, Bob.

Bob Labick - CJS Securities

Then use of proceeds, Ray obviously outlined a bunch of opportunities. Could you tell us are there any restrictions for share repurchase or any requirements you would have to pass through in order to be able to repurchase shares?

Peter J. Boni

There is no legal restriction that I'm aware of. We'll outline our cash utilization when the deal closes.

Bob Labick - CJS Securities

In regards to Clariant, obviously you pointed us to a couple of places in the Ks of each. But, could you just speak operationally and just give us a bigger sense, what happened at Clariant operationally that was a problem, how has it been addressed, and has it been resolved?

Raymond J. Land

As you can see in their 10-K, press release and also on our discussion, Clariant is a rapidly growing company and had rapid growth in 2007. They had a deterioration in their collection of accounts receivable that during their analysis of the problem with the credit refunds they discovered they had to make an addition of \$1.8 million to their bad debt expense for the year.

They also discovered during the closing process that there was a backlog of credit adjustments at their third-party billing service provider that had not been processed on a timely basis during 2007 and some actually related to 2006. So, this delayed the financial closing and resulted in material weaknesses being identified at both Clariant and Safeguard with regard to the financial reporting.

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