SAFEGUARD SCIENTIFICS INC
Form 10-K/A
August 28, 2014

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A

AMENDMENT NO.1
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2013
Commission File Number 1-5620

Safeguard Scientifics, Inc.
(Exact name of Registrant as specified in its charter)

Pennsylvania	23-1609753
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer ID No.)
435 Devon Park Drive Building 800 Wayne, PA	19087
(Address of principal executive offices)	(Zip Code)

(610) 293-0600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock ($.10 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No ý
Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No ý
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	ý
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

As of June 30, 2013, the aggregate market value of the Registrant’s common stock held by non-affiliates of the Registrant was $334,376,985 based on the closing sale price as reported on the New York Stock Exchange.

The number of shares outstanding of the Registrant’s common stock, as of March 6, 2014 was 21,556,610.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement (the “Definitive Proxy Statement”) filed with the Securities and Exchange Commission for the Company’s 2014 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

EXPLANATORY NOTE REGARDING THIS FORM 10-K/A

This Amendment No. 1 to the Annual Report on Form 10-K (“Form 10-K/A”) of Safeguard Scientifics, Inc. (the “Company”) amends the Company's Annual Report on Form 10-K for the year ended December 31, 2013, which was originally filed on March 7, 2014 (“Original Form 10-K”). This Form 10-K/A is being filed to (1) amend Item 8 of Part II of the Original Form 10-K to include summarized financial information of NuPathe, Inc. (“NuPathe”) in an expanded Note 2, pursuant to Rule 4-08(g) of Regulation S-X, and (2) amend Item 15 of Part IV of the Original Form 10-K to eliminate the incorporation by reference of NuPathe’s financial statements.

On February 21, 2014, NuPathe was acquired by Teva Pharmaceuticals Ltd. (“Teva”). As a result of the merger of NuPathe into a wholly owned subsidiary of Teva, the Company is no longer able to obtain and file the consent of NuPathe’s former auditor when the Company files new registration statements. Accordingly, with the consent of the staff of the SEC, the Company is amending its Original Form 10-K to eliminate the incorporation by reference of NuPathe’s financial statements in the Form 10-K, and instead to include in the notes to the Company’s financial statements summarized financial data of NuPathe.

Except as expressly noted herein, this Form 10-K/A does not modify or update in any way disclosures made in the Original Form 10-K and does not reflect events occurring after the filing of the Original Form 10-K.

Part II

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements, and the related Notes thereto, of Safeguard Scientifics, Inc. and the Reports of Independent Registered Public Accounting Firm are filed as a part of this Form 10-K.

Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Safeguard Scientifics, Inc.:

We have audited Safeguard Scientifics, Inc.'s (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Safeguard Scientifics, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting (Item 9A.(b)). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Safeguard Scientifics, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Safeguard Scientifics, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated March 7, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
Philadelphia, Pennsylvania
March 7, 2014

Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Safeguard Scientifics, Inc.:

We have audited the accompanying consolidated balance sheets of Safeguard Scientifics, Inc. (the Company) and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Safeguard Scientifics, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Safeguard Scientifics, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 7, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP
Philadelphia, Pennsylvania
March 7, 2014

SAFEGUARD SCIENTIFICS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	As of December 31, 2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$139,318	$66,029
Cash held in escrow	—	6,434
Marketable securities	38,250	110,957
Restricted marketable securities	5	10
Prepaid expenses and other current assets	1,557	2,408
Total current assets	179,130	185,838
Property and equipment, net	138	193
Ownership interests in and advances to partner companies and funds (of which $20,057 and $20,972 are measured at fair value at December 31, 2013 and 2012, respectively)	148,579	148,639
Loan participations receivable	8,135	7,085
Available-for-sale securities	15	58
Long-term marketable securities	6,088	29,059
Other assets	3,911	3,272
Total Assets	$345,996	$374,144
LIABILITIES AND EQUITY		
Current Liabilities:		
Convertible senior debentures—current	$470	$—
Accounts payable	245	610
Accrued compensation and benefits	5,028	4,050
Accrued expenses and other current liabilities	2,431	2,601
Total current liabilities	8,174	7,261
Other long-term liabilities	3,683	3,921
Convertible senior debentures—non-current	49,478	48,991
Total Liabilities	61,335	60,173
Commitments and contingencies		
Equity:		
Preferred stock, $0.10 par value; 1,000 shares authorized	—	—
Common stock, $0.10 par value; 83,333 shares authorized; 21,553 and 20,968 shares issued and outstanding at December 31, 2013 and 2012, respectively	2,155	2,097
Additional paid-in capital	822,103	815,946
Accumulated deficit	(539,597)	(504,072)
Total Equity	284,661	313,971
Total Liabilities and Equity	$345,996	$374,144

See Notes to Consolidated Financial Statements.

6

SAFEGUARD SCIENTIFICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2013	2012	2011
General and administrative expense	$21,644	$19,473	$21,168
Operating loss	(21,644)	(19,473)	(21,168)
Other income (loss), net	383	9,338	(6,145)
Interest income	2,646	2,926	1,424
Interest expense	(4,303)	(5,636)	(5,971)
Equity income (loss)	(12,607)	(26,517)	142,457
Net income (loss) before income taxes	(35,525)	(39,362)	110,597
Income tax benefit (expense)	—	—	—
Net income (loss)	$(35,525)	$(39,362)	$110,597
Net income (loss) per share:			
Basic	$(1.66)	$(1.88)	$5.33
Diluted	$(1.66)	$(1.88)	$4.74
Average shares used in computing net income (loss) per share:			
Basic	21,362	20,974	20,764
Diluted	21,362	20,974	24,522

See Notes to Consolidated Financial Statements.

7

SAFEGUARD SCIENTIFICS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended December 31, 2013	2012	2011
Net income (loss)	$(35,525)	$(39,362)	$110,597
Other comprehensive income (loss), before taxes:			
Unrealized net gain (loss) on available-for-sale securities	(43)	4,388	(20,308)
Reclassification adjustment for gain from available-for-sale securities changed to fair value	—	(4,607)	—
Reclassification adjustment for other than temporary impairment of available-for-sale securities included in net income (loss)	43	260	7,451
Total comprehensive income (loss)	$(35,525)	$(39,321)	$97,740

See Notes to Consolidated Financial Statements.

8

SAFEGUARD SCIENTIFICS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands)

	Total	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Shares	Treasury Stock Amount
Balance — December 31, 2010	246,431	(575,307)	12,816	20,630	2,063	806,859	—	—
Net income	110,597	110,597	—	—	—	—	—	—
Stock options exercised, net	918	—	—	95	10	908	5	—
Issuance of restricted stock, net	139	—	—	27	2	137	(5)	—
Stock-based compensation expense	3,052	—	—	—	—	3,052	—	—
Other comprehensive loss	(12,857)	—	(12,857)	—	—	—	—	—
Balance — December 31, 2011	348,280	(464,710)	(41)	20,752	2,075	810,956	—	—
Net loss	(39,362)	(39,362)	—	—	—	—	—	—
Stock options exercised, net	1,741	—	—	181	19	1,722	—	—
Issuance of restricted stock, net	94	—	—	35	3	91	—	—
Stock-based compensation expense	2,014	—	—	—	—	2,014	—	—
Repurchase of equity component of convertible senior debentures	(5,283)	—	—	—	—	(5,283)	—	—
Equity component of convertible senior debentures issued, net of issuance costs	6,446	—	—	—	—	6,446	—	—
Other comprehensive income	41	—	41	—	—	—	—	—
Balance — December 31, 2012	313,971	(504,072)	—	20,968	2,097	815,946	—	—
Net loss	(35,525)	(35,525)	—	—	—	—	—	—
Stock options exercised, net	4,417	—	—	559	55	4,261	(7)	101
Issuance of restricted stock, net	99	—	—	26	3	75	3	21
Stock-based compensation expense	1,821	—	—	—	—	1,821	—	—
Repurchase of common stock	(122)	—	—	—	—	—	8	(122)
Balance — December 31, 2013	$284,661	$ (539,597)	$ —	21,553	$2,155	$822,103	4	$—

See Notes to Consolidated Financial Statements.

SAFEGUARD SCIENTIFICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2013	2012	2011
Cash Flows from Operating Activities:			
Net income (loss)	$(35,525)	$(39,362)	$110,597
Adjustments to reconcile to net cash used in operating activities:			
Depreciation	92	108	124
Amortization of debt discount	995	726	623
Equity (income) loss	12,607	26,517	(142,457)
Other (income) loss, net	(383)	(9,338)	6,145
Stock-based compensation expense	1,821	2,014	3,052
Changes in assets and liabilities, net of effect of acquisitions and dispositions:			
Accounts receivable, net	(1,194)	(418)	(429)
Accounts payable, accrued expenses, and other	366	3,228	4,618
Net cash used in operating activities	(21,221)	(16,525)	(17,727)
Cash Flows from Investing Activities:			
Acquisitions of ownership interests in companies and funds	(41,838)	(46,100)	(85,329)
Proceeds from sales of and distributions from companies and funds	38,974	17,596	171,268
Advances and loans to companies	(10,464)	(13,665)	(12,127)
Repayment of advances to companies	1,651	3,214	5,000
Origination fees on mezzanine loans	42	74	537
Increase in marketable securities	(69,883)	(242,023)	(240,367)
Decrease in marketable securities	165,379	276,392	108,393
Release of restricted cash equivalents for interest on convertible senior debentures	—	7,701	—
Capital expenditures	(37)	(73)	(58)
Proceeds from sale of discontinued operations, net	6,434	—	1
Other, net	—	—	107
Net cash provided by (used in) investing activities	90,258	3,116	(52,575)
Cash Flows from Financing Activities:			
Proceeds from issuance of convertible senior debentures	—	55,000	—
Repurchase of convertible senior debentures	(43)	(58,703)	(30,848)
Costs of issuance of convertible senior debentures	—	(1,790)	—
Issuance of Company common stock, net	4,417	1,744	918
Repurchase of Company common stock	(122)	—	—
Net cash provided by (used in) financing activities	4,252	(3,749)	(29,930)
Net Increase (Decrease) in Cash and Cash Equivalents	73,289	(17,158)	(100,232)
Cash and Cash Equivalents at beginning of period	66,029	83,187	183,419
Cash and Cash Equivalents at end of period	$139,318	$66,029	$83,187

See Notes to Consolidated Financial Statements.

SAFEGUARD SCIENTIFICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Description of the Company

Safeguard Scientifics, Inc. ("Safeguard" or the "Company") seeks to build value in growth-stage businesses by providing capital and strategic, operational and management resources. Safeguard participates principally in growth and expansion financings and at times, early-stage financings. The Company's vision is to be the preferred source of capital for entrepreneurs and management teams in targeted sectors.

The Company strives to create long-term value for its shareholders by helping its partner companies increase their market penetration, grow revenue and improve cash flow. The Company focuses principally on companies with initial capital requirements of between $5 million and $15 million, and follow-on financing needs of between $5 million and $10 million, with a total anticipated deployment of up to $25 million from Safeguard. The Company principally targets companies that operate in two sectors:

Healthcare — companies focused on medical technology ("MedTech"), including diagnostics and devices; and healthcare technology ("HealthTech"); and specialty pharmaceuticals. Within these areas, Safeguard targets companies that have lesser regulatory risk and have achieved or are near commercialization.

Technology — companies focused on digital media; financial technology ("FinTech") and Enterprise 3.0, which includes mobile technology, cloud, the "Internet of Things" and big data. Within these areas, Safeguard targets companies that have transaction-enabling applications with a recurring revenue stream.

Principles of Consolidation

The consolidated financial statements include the accounts of Safeguard and all of its subsidiaries in which a controlling financial interest is maintained. All intercompany accounts and transactions are eliminated in consolidation.

Principles of Accounting for Ownership Interests in Companies

The Company's ownership interests in its partner companies and private equity funds are accounted for using one of the following methods: consolidation, equity, cost, fair value and available-for-sale. The accounting method applied is generally determined by the degree of the Company's influence over the entity, primarily determined by its voting interest in the entity.

In addition to holding voting and non-voting equity and debt securities, the Company also periodically makes advances to its partner companies in the form of promissory notes which are included in the Ownership interests in and advances to partner companies and funds line item in the Consolidated Balance Sheets.

Consolidation Method. The Company generally accounts for partner companies in which it directly or indirectly owns more than 50% of the outstanding voting securities under the consolidation method of accounting. Under this method, the Company includes the partner companies' financial statements within the Company's Consolidated Financial Statements, and all significant intercompany accounts and transactions are eliminated. The Company reflects participation of other stockholders in the net assets and in the income or losses of these consolidated partner companies in Equity in the Consolidated Balance Sheets and in Net (income) loss attributable to non-controlling interest in the Statements of Operations. Net (income) loss attributable to non-controlling interest adjusts the Company's consolidated operating results to reflect only the Company's share of the earnings or losses of the consolidated partner company. The Company accounts for results of operations and cash flows of a consolidated partner company through the latest date in which it holds a controlling interest. If the Company subsequently relinquishes control but retains an interest in the partner company, the accounting method is adjusted to the equity, cost or fair value method of accounting, as appropriate. As of December 31, 2013 and for each of the three years in the period then ended, the Company did not hold a controlling interest in any of its partner companies.

Fair Value Method. The Company accounts for its holdings in NuPathe, a publicly traded partner company, under the fair value method of accounting beginning in October 2012. Unrealized gains and losses on the mark-to-market of the Company's holdings in fair value method companies and realized gains and losses on the sale of any holdings in fair

value method companies are recognized in Other income (loss), net in the Consolidated Statements of Operations.
Equity Method. The Company accounts for partner companies whose results are not consolidated, but over which it exercises significant influence, under the equity method of accounting. Whether or not the Company exercises significant influence with respect to a partner company depends on an evaluation of several factors including, among others, representation of the Company on the partner company's board of directors and the Company's ownership level, which is generally a 20% to

11

SAFEGUARD SCIENTIFICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

50% interest in the voting securities of a partner company, including voting rights associated with the Company's holdings in common, preferred and other convertible instruments in the company. The Company also accounts for its interests in some private equity funds under the equity method of accounting based on its non-controlling general and limited partner interests in such funds. Under the equity method of accounting, the Company does not reflect a partner company's financial statements within the Company's Consolidated Financial Statements; however, the Company's share of the income or loss of such partner company is reflected in Equity income (loss) in the Consolidated Statements of Operations. The Company includes the carrying value of equity method partner companies in Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets. Any excess of the Company's cost over its underlying interest in the net assets of equity method partner companies allocated to intangible assets is amortized over the estimated useful lives of the related intangible assets. The Company reflects its share of the income or loss of the equity method partner companies on a one quarter lag. This reporting lag could result in a delay in recognition of the impact of changes in the business or operations of these partner companies. When the Company's carrying value in an equity method partner company is reduced to zero, the Company records no further losses in its Consolidated Statements of Operations unless the Company has an outstanding guarantee obligation or has committed additional funding to such equity method partner company. When such equity method partner company subsequently reports income, the Company will not record its share of such income until it exceeds the amount of the Company's share of losses not previously recognized.

Cost Method. The Company accounts for partner companies not consolidated or accounted for under the equity method or fair value method under the cost method of accounting. Under the cost method, the Company does not include its share of the income or losses of partner companies in the Company's Consolidated Statements of Operations. The Company includes the carrying value of cost method partner companies in Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets.

Available-for-Sale Securities. The Company accounts for its ownership interest in former partner company Tengion, Inc. as available-for-sale securities. In addition, for the period from its initial public offering in August 2010 through October 2012, the Company's ownership interest in NuPathe was accounted for as available-for-sale securities. Available-for-sale securities are carried at fair value, based on quoted market prices, with the unrealized gains and losses, net of tax, reported as a separate component of equity. Unrealized losses are charged against net income (loss) when a decline in the fair value is determined to be other than temporary.

Accounting Estimates

The preparation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates. These estimates include the evaluation of the recoverability of the Company's ownership interests in and advances to partner companies and funds and investments in marketable securities, income taxes, stock-based compensation and commitments and contingencies. Management evaluates its estimates on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances.

Certain amounts recorded to reflect the Company's share of income or losses of partner companies accounted for under the equity method are based on unaudited results of operations of those companies and may require adjustments in the future when audits of these entities' financial statements are completed.

It is reasonably possible that the Company's accounting estimates with respect to the ultimate recoverability of the carrying value of the Company's ownership interests in and advances to partner companies and funds could change in the near term and that the effect of such changes on the financial statements could be material. At December 31, 2013, the Company believes the carrying value of the Company's ownership interests in and advances to partner companies and funds is not impaired, although there can be no assurance that the Company's future results will confirm this assessment, that a significant write-down or write-off will not be required in the future, or that a significant loss will not be recorded in the future upon the sale of a company.

Cash and Cash Equivalents and Marketable Securities

The Company considers all highly liquid instruments with an original maturity of 90 days or less at the time of purchase to be cash equivalents. Cash and cash equivalents consist of deposits that are readily convertible into cash. The Company determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation as of each balance sheet date. Held-to-maturity securities are carried at amortized cost, which approximates fair value. Marketable

SAFEGUARD SCIENTIFICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

securities consist of held-to-maturity securities, primarily consisting of government agency bonds, commercial paper and certificates of deposits. Marketable securities with a maturity date greater than one year from the balance sheet date are considered long-term. The Company has not experienced any significant losses on cash equivalents and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Restricted Marketable Securities

Restricted marketable securities consist of certificates of deposit with various maturity dates.

Financial Instruments

The Company's financial instruments (principally cash and cash equivalents, marketable securities, restricted cash equivalents, accounts receivable, notes receivable, accounts payable and accrued expenses) are carried at cost, which approximates fair value due to the short-term maturity of these instruments. The Company's warrant participations are carried at fair value. The Company's long-term debt is carried at cost. At December 31, 2013, the market value of the Company's outstanding debentures was approximately $69.9 million based on the midpoint of bid and ask prices as of that date.

Accounting for Participating Interests in Mezzanine Loans Receivable and Related Equity Interests

In 2011, the Company acquired a 36% ownership interest in the management company and general partner of Penn Mezzanine L.P. Penn Mezzanine is a mezzanine lender focused on lower middle-market, Mid-Atlantic companies. From such acquisition through December 31, 2013, through its relationship with Penn Mezzanine, the Company acquired participating interests in mezzanine loans and related equity interests of the borrowers. In certain instances, these interests also included warrants to purchase common stock of the borrowers. The Company's accounting policies for these participating interests are as follows:

Loan Participations Receivable

The Company's participating interests in Penn Mezzanine loans are included in Loan participations receivable on the Consolidated Balance Sheets. On a periodic basis, but no less frequently than at the end of each quarter, the Company evaluates the carrying value of each loan participation receivable for impairment. A loan participation receivable is considered impaired when it is probable that the Company will be unable to collect all amounts (principal and interest) due according to the contractual terms of the participation agreement and related agreements with the borrowers. The Company maintains an allowance to provide for estimated loan losses based on evaluating known and inherent risks in the loans. The allowance is provided based upon management's analysis of the pertinent factors underlying the quality of the loans. These factors include an analysis of the financial condition of the individual borrowers, delinquency levels, actual loan loss experience, current economic conditions and other relevant factors. The Company's analysis includes methods to estimate the fair value of loan collateral and the existence of potential alternative sources of repayment. The Company does not accrue interest when a loan is considered impaired. All cash receipts from an impaired loan are applied to reduce the original principal amount of such loan until the principal has been fully recovered and would be recognized as interest income thereafter. The allowance for loan losses at December 31, 2013 and 2012 was $2.3 million and $2.0 million, respectively.

Penn Mezzanine charges fees to borrowers for originating loans. The Company's participating interest in these fees, net of any loan origination costs, is deferred and amortized to income using the effective interest method, over the term of the loan. If the loan is repaid prior to maturity, the remaining unamortized deferred loan origination fee is recognized in income at the time of repayment. Unamortized deferred loan origination fees are recorded as a contra asset against Loan participations receivable on the Consolidated Balance Sheets.

Equity Participations

The Company's participation in equity interests acquired by Penn Mezzanine is accounted for under the cost method of accounting. On a periodic basis, but no less frequently than at the end of each quarter, the Company evaluates the carrying value of its participation in these equity interests for possible impairment based on achievement of business plan objectives and milestones, the fair value of the equity interest relative to its carrying value, the financial condition and prospects of the underlying company and other relevant factors. The Company's participating interests in equity interests acquired by Penn Mezzanine are included in Other assets on the Consolidated Balance Sheets.

SAFEGUARD SCIENTIFICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Warrant Participations

The Company recognizes its participation in warrants acquired by Penn Mezzanine based on the fair value of the warrants at the balance sheet date. The fair values of warrant participations are bifurcated from the related loan participations receivable based on the relative fair value of the respective instruments at the acquisition date. The resulting discount is amortized to interest income over the term of the loan using the effective interest method. Any gain or loss associated with changes in the fair value of the warrants at the balance sheet date is recorded in Other income (loss), net in the Consolidated Statements of Operations. The fair value of the warrants is determined based on Level 3 inputs and is included in Other assets on the Consolidated Balance Sheets.

Property and Equipment

Property and equipment are stated at cost. Provision for depreciation and amortization is based on the lesser of the estimated useful lives of the assets or the remaining lease term (buildings and leasehold improvements, 5 to 15 years; office equipment, 3 to 15 years) and is computed using the straight-line method.

Impairment of Ownership Interests In and Advances to Partner Companies and Funds

On a periodic basis, but no less frequently than quarterly, the Company evaluates the carrying value of its equity and cost method partner companies and available-for-sale securities for possible impairment based on achievement of business plan objectives and milestones, the fair value of each partner company relative to its carrying value, the financial condition and prospects of the partner company and other relevant factors. The business plan objectives and milestones the Company considers include, among others, those related to financial performance, such as achievement of planned financial results or completion of capital raising activities, and those that are not primarily financial in nature, such as hiring of key employees or the establishment of strategic relationships. Management then determines whether there has been an other than temporary decline in the value of its ownership interest in the company or value of available-for-sale securities. Impairment is measured as the amount by which the carrying value of an asset exceeds its fair value.

The fair value of privately held companies is generally determined based on the value at which independent third parties have invested or have committed to invest in these companies or based on other valuation methods, including discounted cash flows, valuation of comparable public companies and the valuation of acquisitions of similar companies. The fair value of the Company’s ownership interests in private equity funds generally is determined based on the fair value of its pro rata portion of the funds’ net assets.

Impairment charges related to equity method partner companies and funds are included in Equity income (loss) in the Consolidated Statements of Operations. Impairment charges related to cost method partner companies and funds and available-for-sale securities are included in Other income (loss), net in the Consolidated Statements of Operations. The reduced cost basis of a previously impaired partner company is not written-up if circumstances suggest the value of the company has subsequently recovered.

Defined Contribution Plans

Defined contribution plans are contributory and cover eligible employees of the Company. The Company’s defined contribution plan allows eligible employees, as defined in the plan, to contribute to the plan up to 75% of their pre-tax compensation, subject to the maximum contributions allowed by the Internal Revenue Code. The Company makes matching contributions under the plan. Expense relating to defined contribution plans was $0.4 million for the year ended December 31, 2013 and $0.3 million in each of the years ended December 31, 2012 and 2011.

Income Taxes

The Company accounts for income taxes under the asset and liability method whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company measures deferred tax assets and liabilities using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. The Company recognizes the effect on deferred tax assets and liabilities of a change in tax rates in income in the period of the enactment date. The Company provides valuation allowances against the net deferred tax asset for amounts which are not considered more likely than not to be realized.

SAFEGUARD SCIENTIFICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Net Income (Loss) Per Share
The Company computes net income (loss) per share using the weighted average number of common shares outstanding during each year. The Company includes in diluted net income (loss) per share common stock equivalents (unless anti-dilutive) which would arise from the exercise of stock options and conversion of other convertible securities and adjusted, if applicable, for the effect on net income (loss) of such transactions. Diluted net income (loss) per share calculations adjust net income (loss) for the dilutive effect of common stock equivalents and convertible securities issued by the Company's consolidated or equity method partner companies.
Comprehensive Income (Loss)
Comprehensive income (loss) is the change in equity of a business enterprise during a period from non-owner sources. Excluding net income (loss), the Company's sources of other comprehensive income (loss) are from net unrealized appreciation (depreciation) on available-for-sale securities. Reclassification adjustments result from the recognition in net income (loss) of unrealized gains or losses that were included in comprehensive income (loss) in prior periods.
Segment Information
The Company reports segment data based on the management approach which designates the internal reporting used by management for making operating decisions and assessing performance as the source of the Company's reportable operating segments.
2. Ownership Interests in and Advances to Partner Companies and Funds
The following summarizes the carrying value of the Company's ownership interests in and advances to partner companies and private equity funds.

	December 31, 2013	December 31, 2012
	(In thousands)	
Fair value	$20,057	$20,972
Equity Method:		
Partner companies	108,872	102,931
Private equity funds	1,766	3,810
	110,638	106,741
Cost Method:		
Partner companies	13,480	10,000
Private equity funds	2,418	2,634
	15,898	12,634
Advances to partner companies	1,986	8,292
	$148,579	$148,639
Loan participations receivable	$8,135	$7,085
Available-for-sale securities	$15	$58

Impairment charges related to equity method partner companies were $11.2 million, $5.0 million and $7.1 million for the years ended December 31, 2013, 2012 and 2011, respectively. The impairment charge in 2013 was related to PixelOptics, Inc. and is reflected in Equity loss in the Consolidated Statements of Operations. The impairment was based on PixelOptics' inability to raise additional capital to continue its operations. The impairment charge in 2012 also related to PixelOptics. The adjusted carrying value of PixelOptics at December 31, 2013 was $0 and the Company believes it will not recover any of its capital. On November 4, 2013, PixelOptics filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The impairment charges in 2011 included $5.7 million related to Swap.com and $1.4 million related to SafeCentral, Inc., both former partner companies.

The Company recognized an impairment charge of $1.8 million for the year ended December 31, 2013 related to its interest in the management company of Penn Mezzanine which is reflected in Equity loss in the Consolidated

Statements of Operations. During the quarter ended December 31, 2013, the Company decided that it will not acquire participating interests in any new Penn Mezzanine lending activities.

The Company recognized impairment charges of $0.3 million and $2.5 million related to its Penn Mezzanine debt and equity participations in the years ended December 31, 2013 and 2012, respectively, which is reflected in Other income (loss), net in the Consolidated Statements of Operations. The charge in 2013 included $0.2 million related to loan participations and $0.1 million representing an adjustment to the fair value of the Company's participation in warrants. The charge in 2012 included $2.0 million related to loan participations, $0.4 million related to equity participations and $0.1 million related to warrant participations.

The Company recognized impairment charges of $0.3 million and $0.4 million related to its cost method interest in a legacy private equity fund in 2013 and 2012, respectively, which are reflected in Other income (loss), net in the Consolidated Statement of Operations.

The Company recognized impairment charges of $0.3 million and $7.5 million for the years ended December 31, 2012 and 2011, respectively, related to available-for-sale securities. The impairment charges are reflected in Other income (loss), net, in the Consolidated Statements of Operations and represent the unrealized loss on the mark-to-market of its ownership interests in Tengion and NuPathe which were previously recorded as a separate component of equity. During the years ended December 2012 and 2011, the Company determined that the decline in the value of its public holdings in Tengion and NuPathe were other than temporary.

On October 23, 2012, the Company purchased preferred stock and warrants from NuPathe for $5.0 million. Each of the 2,500 shares of preferred stock was convertible into 1,000 shares of NuPathe’s common stock at a price of $2.00 per share, subject to antidilution protection. The preferred stock was converted in February 2013. The warrants were exercisable to purchase 2.5 million shares of NuPathe common stock at a price of $2.00 per share. Following the transaction, the Company’s interests in NuPathe’s common stock, preferred stock, warrants and options are accounted for under the fair value option. The Company recognized an unrealized gain of $4.6 million related to the mark-to-market of the Company’s ownership interests in NuPathe’s common stock, previously classified as a separate component of equity. In the period from October 23, 2012 through December 31, 2012, the Company recognized an unrealized gain of $6.4 million on the mark-to-market of its holdings in NuPathe. These gains were included in Other income (loss), net in the Consolidated Statements of Operations. For the year ended December 31, 2013, the Company recognized an unrealized loss of $0.9 million on the mark-to-market of its holdings in NuPathe, which is included in Other income (loss), net in the Consolidated Statements of Operations

In December 2013, ThingWorx, Inc., formerly an equity method partner company, was acquired by PTC, Inc. The Company received cash proceeds of $36.4 million, excluding $4.1 million which will be held in escrow until December 30, 2015. Depending on the achievement of certain milestones, the Company may receive up to an additional $6.5 million in connection with the transaction. The Company recognized a gain of $32.7 million on the transaction which is recorded in Equity income (loss) in the Consolidated Statement of Operations for the year ended December 31, 2013.

In July 2011, Portico Systems, Inc. was acquired by McKesson resulting in cash proceeds of approximately $32.8 million in exchange for the Company’s equity interests. In June 2012, the Company received an additional $1.9 million as a result of the achievement of milestones associated with the transaction. In August 2012, the Company received $3.4 million upon the expiration of the escrow period. These amounts were recorded in Equity income (loss) in the Consolidated Statement of Operations.

The following summarized balance sheets for PixelOptics at June 30, 2013 and December 31, 2012 and the results of operations for the six months ended June 30, 2013 and 2012, have been compiled from the financial statements of PixelOptics. The results of PixelOptics are reported on a one quarter lag.

SAFEGUARD SCIENTIFICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	As of June 30, 2013	As of December 31, 2012
	(In thousands)	
Balance Sheets:		
Current assets	$285	$323
Non-current assets	4,588	5,259
Total assets	$4,873	$5,582
Current liabilities	$56,721	$34,184
Non-current liabilities	1,818	10,228
Shareholders' equity	(53,666)	(38,830)
Total liabilities and shareholders' equity	$4,873	$5,582

	Six Months Ended June 30, 2013	June 30, 2012
	(In thousands)	
Results of Operations:		
Revenue	$800	$569
Operating loss	$(12,219)	$(16,172)
Net loss	$(14,838)	$(16,923)

The following summarized balance sheets for NuPathe at September 30, 2013 and December 31, 2012 and the results of operations for the nine months ended September 30, 2013 and the years ended December 31, 2012 and 2011, have been compiled from the financial statements of NuPathe.

	As of September 30, 2013	As of December 31, 2012
	(In thousands)	
Balance Sheets:		
Current assets	$11,281	$23,020
Non-current assets	10,140	7,587
Total assets	$21,421	$30,607
Current liabilities	$8,411	$3,173
Non-current liabilities	5,802	24,421
Shareholders' equity	7,208	3,013
Total liabilities and shareholders' equity	$21,421	$30,607

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012	2011
	(In thousands)		
Results of Operations:			
Revenue	$—	$—	$—
Operating loss	$(17,238)	$(21,033)	$(21,823)
Net loss	$(30,417)	$(37,784)	$(23,187)

The following summarized financial information for partner companies and funds accounted for under the equity method at December 31, 2013 and 2012 and for each of the three years ended December 31, 2013, 2012 and 2011 has been compiled from the financial statements of our respective partner companies and funds and reflects certain historical adjustments. Results of operations of the partner companies and funds are excluded for periods prior to their acquisition and subsequent to their disposition. The financial information below does not include information pertaining to PixelOptics or NuPathe.

SAFEGUARD SCIENTIFICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	As of December 31, 2013	2012
	(In thousands)	
Balance Sheets:		
Current assets	$221,001	$168,246
Non-current assets	90,042	74,555
Total assets	$311,043	$242,801
Current liabilities	$153,398	$125,491
Non-current liabilities	75,324	37,384
Shareholders' equity	82,321	79,926
Total liabilities and shareholders' equity	$311,043	$242,801

As of December 31, 2013, the Company's carrying value in equity method partner companies, in the aggregate, exceeded the Company's share of the net assets of such companies by approximately $72.2 million. Of this excess, $53.7 million was allocated to goodwill and $18.5 million was allocated to intangible assets.

	Year Ended December 31, 2013	2012	2011
	(In thousands)		
Results of Operations:			
Revenue	$273,754	$191,928	$117,057
Gross profit	$125,766	$90,876	$63,160
Net loss	$(52,489)	$(79,662)	$(38,468)

3. Acquisitions of Ownership Interests in Partner Companies and Funds

In November 2013, the Company acquired a 22.0% interest in Apprenda, Inc. for $12.1 million. Apprenda makes mobile phone application development software. The Company accounts for its ownership interest in Apprenda under the equity method. The difference between the Company's cost and its interest in the underlying net assets of Apprenda was preliminarily allocated to intangible assets and goodwill as reflected in the carrying value of Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets.

In November 2013, the Company acquired a 8.0% interest in Dabo Health, Inc. ("Dabo") for $0.8 million. Dabo provides the healthcare community with a healthcare information platform that brings clarity to quality metrics, makes them actionable to hospitals and care providers, and facilitates collaboration for quality improvement. The Company accounts for its ownership interest in Dabo under the cost method.

In October and May 2013, the Company funded an aggregate of $0.5 million of a convertible bridge loan to Hoopla Software, Inc. ("Hoopla"). The Company had previously acquired an interest in Hoopla in December 2011 for $1.3 million. Hoopla helps organizations create high performance sales cultures through software-as-a-service solutions that integrate with customer relationship management systems. The Company accounts for its interest in Hoopla under the equity method. The difference between the Company's cost and its interest in the underlying net assets of Hoopla was allocated to intangible assets and goodwill and is reflected in the carrying value in Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets.

In September and June 2013, the Company funded an aggregate of $0.6 million of convertible bridge loans to Alverix, Inc. The Company had previously deployed an aggregate of $8.8 million in Alverix. The Company accounts for its ownership interest in Alverix under the equity method. Subsequent to year end, the Company sold its interest in Alverix. For further details, see Note 18 to the Consolidated Financial Statements.

In August 2013, the Company acquired a 35.1% primary ownership interest in Quantia, Inc. for $7.5 million. Quantia provides a mobile and web-based physician relationship management platform, QuantiaMD, which enables principal participants throughout the healthcare spectrum, including health systems, payers, pharmaceutical companies and medical device companies, to engage and interact with their physicians. The Company accounts for its interest in Quantia under the equity method. The difference between the Company's cost and its interest in the underlying net assets of Quantia was

SAFEGUARD SCIENTIFICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

preliminarily allocated to intangible assets and goodwill and is reflected in the carrying value in Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets.

In August 2013, the Company deployed an additional $1.1 million in DriveFactor, Inc. The Company previously deployed an aggregate of $3.5 million in DriveFactor in 2011 and 2012. DriveFactor is a provider of telematics technology and statistical analysis of driving data. The Company accounts for its interest in DriveFactor under the equity method. The difference between the Company’s cost and its interest in the underlying net assets of DriveFactor was allocated to goodwill and is reflected in the carrying value in Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets.

In August 2013, the Company deployed $5.0 million in Clutch Holdings, Inc. (“Clutch”). Clutch is a provider of loyalty and gift card programs to retailers through its proprietary platform, and offers a mobile wallet application to consumers to track and store gift and loyalty cards, coupons and other retail shopping tools. The Company previously had acquired an interest in Clutch in February 2013 for $0.5 million. In conjunction with the most recent funding, the Company’s primary ownership interest in Clutch increased from 6.5% to 24.0%, above the threshold at which the Company believes it exercises significant influence. Accordingly, the Company adopted the equity method of accounting for its holdings in Clutch. The difference between the Company's cost and its interest in the underlying net assets of Clutch was preliminarily allocated to intangible assets and goodwill and is reflected in the carrying value in Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets. The change in accounting treatment for the Company’s holdings in Clutch from the cost method to the equity method had no effect on the Consolidated Financial Statements of any prior period.

In July 2013, the Company funded $1.0 million of a convertible bridge loan to Crescendo Bioscience, Inc. The Company previously had acquired an interest in Crescendo Bioscience in December 2012 for $10.0 million. The Company accounts for its ownership interest in Crescendo Bioscience under the cost method. Subsequent to year end, the Company sold its interest in Crescendo Bioscience. For further details, see Note 18 to the Consolidated Financial Statements.

During the year ended December 31, 2013, the Company funded $2.3 million for participations in loan and equity interests initiated by Penn Mezzanine. Included in this funding were $2.2 million for participations in loans and $0.1 million for participations in equity of the borrower acquired by Penn Mezzanine. During the year ended December 31, 2012, the Company funded $4.2 million for participations in loan and equity interests initiated by Penn Mezzanine. Included in this funding was $3.8 million for participations in loans, $0.3 million for participations in equity of the borrowers, and $0.1 million for participations in warrants to acquire common stock of the borrowers. During the year ended December 31, 2011, the Company funded an aggregate of $9.7 million for participations in certain loans and equity interests. Included in this funding was $8.1 million for participations in loans, $1.3 million for participations in equity and $0.3 million for participations in warrants to acquire common stock of the borrowers. In August 2011, the Company acquired a 36% ownership interest in the management company and general partner of Penn Mezzanine for $3.9 million. Penn Mezzanine is a mezzanine lender focused on lower middle-market, Mid-Atlantic companies. The Company accounts for its interest in Penn Mezzanine under the equity method of accounting.

During the year ended December 31, 2013, the Company funded an aggregate of $5.3 million of a convertible bridge loan to PixelOptics. The Company previously deployed an aggregate of $31.6 million in PixelOptics. The adjusted carrying value of PixelOptics at December 31, 2013 was $0. The Company accounted for its interest in PixelOptics under the equity method.

In June 2013, the Company deployed an additional $5.3 million in Medivo, Inc. The Company had previously acquired an interest in Medivo in November 2011 for $6.3 million. Medivo is a cloud-based health monitoring platform that connects doctors, consumers and clinical labs. The Company accounts for its interest in Medivo under the equity method. The difference between the Company’s cost and its interest in the underlying net assets of Medivo was allocated to intangible assets and goodwill and is reflected in the carrying value in Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets.

In March 2013, the Company deployed an additional $1.7 million in Lumesis, Inc. The Company had previously acquired an interest in Lumesis in February 2012 for $2.2 million. Lumesis is a financial technology company that is dedicated to delivering software solutions and comprehensive, timely data to the municipal bond marketplace. The Company accounts for its interest in Lumesis under the equity method. The difference between the Company’s cost and its interest in the underlying net assets of Lumesis was allocated to intangible assets and goodwill and is reflected in the carrying value in Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets.

In February 2013, the Company acquired a 27.6% primary ownership interest in Pneuron Corporation for $5.0 million. Pneuron helps enterprise companies reduce the time and cost of application development by building solutions across heterogeneous databases and applications. The Company accounts for its ownership interest in Pneuron under the equity method. The difference between the Company’s cost and its interest in the underlying net assets of Pneuron was allocated to

SAFEGUARD SCIENTIFICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

intangible assets and goodwill and is reflected in the carrying value in Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets.

In January 2013, the Company acquired a 7.7% primary interest in Sotera Wireless, Inc. The Company deployed $1.3 million into Sotera Wireless and acquired additional shares from a previous investor for $1.2 million. Sotera Wireless is a medical device company that has developed a wireless patient monitoring platform that is designed to keep clinicians connected to their patients. The Company accounts for its interest in Sotera Wireless under the cost method.

In December 2012, the Company acquired a 35% interest in AppFirst, Inc. for $6.5 million. AppFirst delivers application monitoring systems for development operations professionals and technology executives with visibility into systems, applications and business metrics. The Company accounts for its ownership interest in AppFirst under the equity method. The difference between the Company’s cost and its interest in the underlying net assets of AppFirst was allocated to intangible assets and goodwill and is reflected in the carrying value in Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets.

In October and March 2012, the Company deployed an additional $5.2 million in Good Start Genetics, Inc. (“Good Start”). The Company had previously acquired an interest in Good Start in 2010 for $6.8 million. Good Start performs pre-pregnancy genetic tests, which utilize an advanced DNA sequencing technology to screen for a panel of genetic disorders, including those recommended by the American Congress of Obstetricians and Gynecologists and the American College of Medical Genetics. The Company accounts for its interest in Good Start under the equity method. The difference between the Company’s cost and its ownership interest in the underlying net assets of Good Start was allocated to intangible assets and goodwill and is reflected in the carrying value in Ownership interests in and advances to partner companies and funds on the Consolidated Balance Sheets.

In October 2012, the Company purchased 2,500 preferred stock units and warrants to purchase 2.5 million shares of common stock from NuPathe for $5.0 million. The preferred stock was converted into 2.5 million shares of common stock of NuPathe in February 2013. The Company pre