UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ____________ to ___________

Commission File Number 1-5620
Safeguard Scientifics, Inc.
(Exact name of registrant as specified in its charter)

Pennsylvania ***(State or other jurisdiction of incorporation or organization)***	**23-1609753** ***(I.R.S. Employer Identification No.)***
150 N. Radnor Chester Road **Suite F-200** **Radnor, PA** ***(Address of principal executive offices)***	**19087** ***(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	Trading Symbol(s)	Name of each exchange on which registered
Common Stock ($.10 par value)	**SFE**	**The NASDAQ Stock Market LLC**

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 ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Smaller reporting company ☑
Non-accelerated filer ☑		Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 30, 2022, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $50,494,095 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, 2023 was 16,268,270.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement (the "Definitive Proxy Statement") to be filed with the Securities and Exchange Commission for the Company's 2023 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

SAFEGUARD SCIENTIFICS, INC.
FORM 10-K
December 31, 2022

PART I

Cautionary Note Concerning Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about Safeguard Scientifics, Inc. (“Safeguard” or “we”), the industries in which we operate and other matters, as well as management's beliefs and assumptions and other statements regarding matters that are not historical facts. These statements include, in particular, statements about our plans, strategies and prospects. For example, when we use words such as “projects,” “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “should,” “would,” “could,” “will,” “opportunity,” “potential” or “may,” variations of such words or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Our forward-looking statements are subject to risks and uncertainties. Factors that could cause actual results to differ materially include, among others, our ability to make good decisions about the deployment of capital, the fact that our ownership interests may vary from period to period, our substantial capital requirements and absence of liquidity from our ownership interests, fluctuations in the market prices of our publicly traded ownership interests, competition, our inability to obtain maximum value for our ownership interests, our ability to attract and retain qualified employees, our ability to execute our strategy, market valuations in sectors in which our companies operate, our inability to control our ownership interests, the uncertainty of the outcomes of corporate strategic transactions, if any, our need to manage our assets to avoid registration under the Investment Company Act of 1940, and risks associated with our ownership interests and their performance, including the fact that most of our ownership interests have a limited history and a history of operating losses, face intense competition and may never be profitable, the effect of economic conditions in the business sectors in which our ownership interests operate, compliance with government regulation and legal liabilities, all of which are discussed in Item 1A. “Risk Factors.” 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. All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by this cautionary statement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report might not occur.

Item 1. *Business*

Business Overview

Historically, Safeguard has provided capital and relevant expertise to fuel the growth of technology-driven businesses. In many, but not all cases, we are actively involved influencing development through board representation and management support in addition to the influence we exert through our equity ownership. We also continue to hold relatively small equity interests in other enterprises where we do not exert significant influence and do not participate in management activities. In some cases, those ownership interests relate to residual interests from prior larger interests or from companies that acquired companies in which we had ownership interests.

In January 2018, Safeguard ceased deploying capital into new opportunities in order to focus on supporting the existing ownership interests and maximizing monetization opportunities to enable returning value to shareholders. We have considered and taken action on various initiatives including the sale of individual ownership interests, the sale of certain or all ownership interests in secondary market transactions as well as other opportunities to maximize shareholder value. In December 2019, we declared and paid a $1.00 per share special dividend. In 2021, we repurchased 4.5 million shares through a combination of open market purchases and a tender offer for an aggregate of $40.7 million resulting in an average price of $8.95 per share. In 2022, we repurchased 711,481 shares for $2.9 million at an average price of $4.13 per share through subsequent open market repurchase plans. We will continue to actively work with our ownership interests to seek monetization opportunities while we also evaluate additional strategic alternatives. These strategic alternatives could include the sale of all of our ownership interests in a single transaction or a series of transactions, merger, business combinations or other strategic transactions.

We incorporated in the Commonwealth of Pennsylvania in 1953. Our corporate headquarters are located at 150 N. Radnor Chester Road, Suite F-200, Radnor, Pennsylvania 19087.

Our Strategy

Founded in 1953, Safeguard has a distinguished track record of building market leading companies through providing capital and operational support to entrepreneurs across an evolving and innovative spectrum of industries. Over the recent past, Safeguard has provided capital and relevant expertise to fuel the growth of technology-driven businesses in healthcare, financial services and digital media. Since January 2018, Safeguard ceased deploying capital into new opportunities in order to focus on supporting the existing ownership interests with the goal of pursuing monetization opportunities and maximizing the value returned to shareholders.

Helping Our Companies Build Value

We offer strategic, operational and management support to certain of our ownership interests.

Strategic Support. We play an active role in developing the strategic direction to certain of our ownership interests, which include:

- defining short and long-term strategic goals;
- identifying and planning for the critical success factors to reach these goals;
- identifying and addressing the challenges and operational improvements required to achieve the critical success factors and, ultimately, the strategic goals;
- identifying and implementing the business measurements that we and others will apply to measure a company's success; and
- identifying sources of and providing capital to drive growth.

Management and Operational Support. Our executives serve on the boards of directors of certain of our companies, working with them to develop and implement strategic and operating plans. We measure and monitor achievement of these plans through regular review of operational and financial performance measurements.

Realizing Value

The primary way we realize value from our ownership interests is when the underlying company enters into a sale or merger transaction and we receive cash consideration for our ownership stake. From time to time, we engage in discussions with other companies interested in acquiring our ownership interests, either in response to inquiries or as part of a process we initiate. To the extent we believe that a company's further growth and development can best be supported by a different ownership structure or if we otherwise believe it is in our shareholders' best interests, we will seek to sell some or all of our position in the company. These sales may take the form of privately negotiated sales of stock or assets, mergers and acquisitions, public offerings of the company's securities and, in the case of publicly traded companies, sales of their securities in the open market. In the past, we have taken companies public through rights offerings and directed share subscription programs. We will continue to consider these (or similar) programs and the sale of certain company interests in secondary market transactions to maximize value for our shareholders.

Given our strategy, the value of Safeguard is primarily dependent upon the value of our existing ownership interests. We have returned capital to our shareholders in the form of stock repurchases and a special dividends to shareholders.

Our Ownership Interests

An understanding of our ownership interests is important to understanding Safeguard. We categorize our ownership interests into stages based upon revenue generation. This includes those positions which are accounted for under the equity method as well as certain companies where we do not have significant influence but whose value is a substantial portion of our portfolio. The Company reflects revenue categories based on a one quarter lag, i.e. the categories below reflect the trailing year ended September 30, 2022.

The ownership percentages indicated below are presented as of December 31, 2022 for certain companies in which we held ownership interests and reflect the percentage of the vote we were entitled to cast at that date based on issued and outstanding voting securities (on a common stock equivalent basis), excluding the effect of options, warrants and convertible debt (primary ownership).

Revenue of $5 million to $10 million

Moxe Health Corporation ***(Safeguard Ownership: 19.3%)***

Headquartered in Madison, Wisconsin, Moxe Health provides a clinical data clearinghouse that connects health systems with their network of health plans. Moxe's key products, Substrate and Convergence, allow for bi-directional data flow between payors and providers to complete various risk adjustment, quality, and prior authorization use cases. **www.moxehealth.com**

Revenue of $10 million to $20 million

Clutch Holdings, Inc. ***(Safeguard Ownership: 41.7%)***

Headquartered in Ambler, Pennsylvania, Clutch has revolutionized how marketing teams for premier brands develop and foster relationships with their customers. Clutch’s advanced marketing platform serves as a customer hub, delivering deep intelligence derived from real-time behaviors and transactions across in-store, online, mobile and social channels. **www.clutch.com**

InfoBionic, Inc. ***(Safeguard Ownership: 25.2%)***

Headquartered in Waltham, Massachusetts, InfoBionic is an emerging digital health company focused on creating patient monitoring solutions for cardiac arrhythmias. InfoBionic’s MoMe® Kardia cloud-based, remote patient monitoring platform delivers on-demand, actionable monitoring data and analytics directly to the physicians themselves. **www.infobionic.com**

meQuilibrium ***(Safeguard Ownership: 31.3%)***

Headquartered in Boston, Massachusetts, meQuilibrium is an engagement and performance platform that leverages behavioral psychology and data science to improve workforce resilience, agility, and adaptive capacity. The Company offers solutions for managers, teams, and individual employees. **www.mequilibrium.com**

Syapse, Inc. ***(Safeguard Ownership: 11.0%)***

Headquartered in Palo Alto, California, Syapse is on a mission to deliver the best care for every cancer patient through precision medicine. Syapse’s platform, data sharing network, and industry partnerships enable healthcare providers to bring precision cancer care to every patient who needs it. **www.syapse.com**

Revenue of $20 million to $50 million

Aktana, Inc. ***(Safeguard Ownership: 13.6%)***

Headquartered in San Francisco, California, Aktana is a pioneer in decision support for global life science sales teams. Aktana helps its customers improve their commercial effectiveness by delivering data-driven insights and suggestions directly to sales reps, coordinating multi-channel actions and providing insight regarding which strategies work best for which customers under which conditions. **www.aktana.com**

Prognos Health Inc. ***(Safeguard Ownership: 28.4%)***

Headquartered in New York, New York, Prognos is a healthcare platform company transforming the ability to access, manage and analyze healthcare data in partnership with life sciences brands, payers, and clinical diagnostics organizations. Prognos’ innovations enhance the value of laboratory results and clinical diagnostic data through advanced analytics and artificial intelligence techniques. **www.prognos.ai**

Trice Medical, Inc. ***(Safeguard Ownership: 11.6%)***

Headquartered in Malvern, Pennsylvania, Trice Medical was founded to fundamentally improve orthopedic diagnostics for the patient, physician and payor by providing instant, eyes-on, answers. Trice has pioneered fully integrated camera-enabled technologies that provide a clinical solution that is optimized for the physician's office. Trice's mission is to provide more immediate and definitive patient care, eliminating the false reads associated with current indirect modalities and significantly reduce the overall cost to the healthcare system. **www.tricemedical.com**

Other ownership interests

In addition to the above companies, we also have smaller ownership interests in a variety of other companies where we do not exert significant influence and do not participate in any management activities. In some cases, these ownership interests generally are the result of previous positions that have been diluted or residual interests resulting from the acquisition of companies where we had an ownership interest.

Bright Health Group: A technology-enabled, fully aligned system of care built for healthcare's consumer retail market. Bright HealthCare offers commercial and Medicare health plan products to over 1 million consumers across the nation. **www.brighthealthgroup.com**

MedCrypt: Developer of a data security platform designed to protect medical devices. The company's platform enables functions such as authenticating users, encrypting data and cryptographically sign settings and patient prescriptions, as well as has the ability to monitor transactions between clinicians and devices for malicious behavior, enabling hospitals and health systems to prevent unauthorized access and misuse of their medical devices. **www.medcrypt.com**

WellTrackONE: Provider of wellness program services. The company's services include scheduling, screening and documentation that provide data for outcomes and clinical measurements, enabling healthcare professionals to offer wellness visits to their patients. **www.welltrackone.com**

We also have residual interests in a variety of private funds that are in the process of winding down and other companies.

FINANCIAL INFORMATION ABOUT OPERATING SEGMENTS

We operate as one operating segment based upon the similar nature of our technology-driven companies, the functional alignment of the organizational structure and the reports that are regularly reviewed by the chief operating decision maker for the purpose of assessing performance and allocating resources.

OTHER INFORMATION

The operations of Safeguard and the companies in which it has ownership interests are subject to environmental laws and regulations. Safeguard does not believe that expenditures relating to those laws and regulations will have a material adverse effect on the business, financial condition or results of operations of Safeguard.

AVAILABLE INFORMATION

Safeguard is subject to the informational requirements of the Securities Exchange Act of 1934, as amended. Therefore, we file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements and other information with, and furnish other reports to, the Securities and Exchange Commission (“SEC”). You can read and copy such documents at the SEC’s public reference facilities in Washington, D.C., New York, New York and Chicago, Illinois. You may obtain information on the operation of the SEC’s public reference facilities by calling the SEC at 1-800-SEC-0330. Such material may also be accessed electronically by means of the SEC’s home page on the Internet at www.sec.gov or through Safeguard’s website at www.safeguard.com. Such documents are available as soon as reasonably practicable after electronic filing of the material with the SEC. Copies of these reports (excluding exhibits) also may be obtained free of charge, upon written request to: Investor Relations, Safeguard Scientifics, Inc., 150 N. Radnor Chester Road, Suite F-200, Radnor, Pennsylvania 19087.

The Internet website addresses for Safeguard and its ownership interests are included in this report for identification purposes. The information contained therein or connected thereto is not intended to be incorporated into this Annual Report on Form 10-K.

The following corporate governance documents are available free of charge on Safeguard’s website: the charters of our Audit, Compensation and Nominating & Corporate Governance Committees, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics. We also will post on our website any amendments to or waivers of our Code of Business Conduct and Ethics that relate to our directors and executive officers.

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Item 1A. *Risk Factors*

You should carefully consider the information set forth below. The following risk factors describe situations in which our business, financial condition and/or results of operations could be materially harmed, and the value of our securities may be adversely affected. You should also refer to other information included or incorporated by reference in this report.

Our ability to obtain value from our companies and the return of such value to our shareholders are subject to factors beyond our control.

In January 2018, we announced that we will not deploy any capital into new companies. We will instead focus on supporting, and maximizing monetization opportunities for, our existing company interests to return value to shareholders. In that context, we have considered and continue to consider monetization initiatives including, among others: the sale of our ownership interests, the sale of certain or all ownership interests in secondary market transactions, or a combination thereof, the sale of all of our ownership interests in a single transaction or a series of transactions, business combinations and other strategic transactions as well as other opportunities to maximize shareholder value. However, this strategic plan may require providing additional capital and operational support to such existing companies and we may not be able to complete any such transaction during any specific time frame or otherwise on desirable terms, if at all, and there can be no assurance as to how long this process will take or the results that this process will yield. In addition, there can be no assurance that any exploration of a strategic transaction will result in any strategic change or outcome and disclosure of any developments related to such exploration may not be disclosed until required. Further, if one or more strategic or other transactions are completed, we may be required to retain or reinvest additional amounts of our capital as part of such transaction. There can also be no assurance as to whether we will realize the value of escrowed proceeds, holdbacks or other contingent consideration, if any, associated with any transaction. Additionally, there can be no assurance that we will be able to satisfy our liabilities during this process. The method, timing and amount of any return of value resulting from such a transaction will also be at the discretion of our Board of Directors and may depend on market and business conditions and our overall liabilities, capital structure and liquidity position.

A disposition of one or more of our company interests may occur at a time that will yield less value than if we held such interests for a longer period of time.

Our companies are at various stages in their lifecycles. The value of our interests in our companies at any point in time is highly dependent on the progress and success such companies have made at such time with respect to the development and marketing of their products and services and that value may fluctuate significantly. The resulting effects of the COVID-19 pandemic and certain other macroeconomic factors continue to impact the mergers and acquisitions market for certain companies, which in some cases has resulted in lower valuation expectations and extended exit timelines for such companies. This, in turn, could negatively affect the amount and timing of the monetization opportunities for such companies and our ability to return value to shareholders.

The effects of the COVID-19 pandemic may adversely affect the businesses, financial conditions and operating results of the companies in which we have an ownership interest, as well as our ability to monetize such interests, and it may also cause us to increase the amount of additional capital we will need to provide to such companies.

To varying degrees, the economic and market conditions caused by the COVID-19 pandemic have negatively impacted, and continue to negatively impact, the companies in which we have ownership interests, including, without limitation, their operations, supply chains, sales infrastructures and the demand for their products and services. This is negatively affecting their businesses, financial conditions and operating results. As a result, we may be required to provide additional capital to certain companies, which may cause us to face liquidity issues that will constrain our ability to execute our business strategy and limit our ability to provide financial support to all of our existing companies in the amounts that we desire. The COVID-19 pandemic is also impacting the mergers and acquisitions market for certain companies, which in some cases has resulted in lower valuation expectations and extended exit timelines for such companies. This, in turn, could negatively affect the amount and timing of the monetization opportunities for such companies and our ability to return value to shareholders.

Our principal business strategy depends upon our ability to make good decisions regarding the deployment of capital into, and subsequent disposition of, our existing company interests and, ultimately, the performance of such companies, which is uncertain.

If we make poor decisions regarding the deployment of capital into, and subsequent disposition of, our existing companies, our business strategy will not succeed. If such companies do not succeed, the value of our assets could be significantly reduced and require substantial impairments or write-offs and our results of operations and the price of our common stock would be adversely affected. The risks relating to our companies include:

- most of our companies have a history of operating losses and/or limited operating history;
- the intense competition affecting the products and services our companies offer could adversely affect their businesses, financial condition, results of operations and prospects for growth;
- the inability to adapt to changing marketplaces;
- the inability to manage growth;
- the need for additional capital to fund their operations, which we may not be able to fund or which may not be available from third parties on acceptable terms, if at all;
- the inability to protect their proprietary rights and/or infringing on the proprietary rights of others;

- that our companies could face legal liabilities from claims made against them based upon their operations, products or work;
- the impact of economic downturns on their operations, results and growth prospects;
- the inability to attract and retain qualified personnel;
- the existence of government regulations and legal uncertainties may place financial burdens on the businesses of our companies; and
- the inability to plan for and manage catastrophic events.

These and other risks are discussed in detail under the caption "Risks Related to Our Companies" below.

As we execute against our strategy, a significant amount of our deployed capital may be concentrated in fewer companies. These remaining companies may also operate in the same or similar industries. This will limit our diversification and make us more susceptible to a single negative event.

As we execute against our strategy, our capital deployments will be deployed in a decreasing number of companies. Further, our remaining companies could be concentrated in the same or similar industries. Fewer companies, as well as potential industry concentration, may cause us to be more susceptible to any single economic, regulatory or other occurrence affecting a single company or a particular industry than we would have otherwise been if we had a larger number of companies and our companies operated in more diversified industries.

Our business model does not rely upon, or plan for, the receipt of operating cash flows from our companies. Our companies do not provide us with cash flow from their operations. We rely on cash on hand, liquidity events and our ability to generate cash from capital raising activities to finance our operations.

We need capital to fund the capital needs of our existing companies. We also need cash to finance our corporate overhead and meet our existing funding commitments. As a result, we have substantial cash requirements. Our companies do not provide us with cash flow from their operations. To the extent our companies generate any cash from operations, they generally retain the funds to develop their own businesses. As a result, we must rely on cash on hand, company liquidity events and new capital raising activities to meet our cash needs. If we are unable to find ways of monetizing our holdings of company interests or raising additional capital on attractive terms, we may face liquidity issues that will require us to constrain our ability to execute our business strategy and limit our ability to provide financial support to our existing companies.

We may be unable to obtain maximum value for our holdings or to sell our holdings on a timely basis.

We hold significant positions in our companies. If we were to divest all or part of our holdings in a company, we may have to sell our interests at a relative discount to intrinsic value. For companies with publicly traded stock, we may be unable to sell our holdings at then-quoted market prices. The trading volume and public float in the common stock of a publicly traded company in which we have an interest may be small relative to our holdings. As a result, any significant open-market divestiture by us of our holdings in such a company, if possible at all, would likely have a material adverse effect on the market price of its common stock and on our proceeds from such a divestiture. Additionally, we may not be able to take our companies public as a means of monetizing our position or creating shareholder value. Registration and other requirements under applicable securities laws and contractual restrictions also may adversely affect our ability to dispose of our company holdings on a timely basis.

Our success is dependent on our senior management.

Our success is dependent on our senior management team's ability to execute our strategy. In connection with our strategy announced in 2018, we made a series of management changes intended to streamline our organizational structure and reduce our operating costs and since then we have made, and may make, further management changes from time to time. A loss of one or more of the remaining members of our senior management team without adequate replacement could have a material adverse effect on us.

Our business strategy may not be successful if valuations in the market sectors in which our companies participate decline.

Our strategy involves creating value for our shareholders by helping our companies build value and, if appropriate, access the public and private capital markets. Therefore, our success is dependent on the value of our companies as determined by the public and private capital markets. Many factors, including reduced market interest, may cause the market value of our companies to decline. If valuations in the market sectors in which our companies participate decline, their access to the public and private capital markets on terms acceptable to them may be limited.

Our companies could make business decisions that are not in our best interests or with which we do not agree, which could impair the value of our holdings.

Although we currently own a significant, influential interest in some of our companies, we do not maintain a controlling interest in any of our companies. Acquisitions of interests in companies in which we share or have no control, and the dilution of our interests in or a further reduction of our control of companies, will involve additional risks that could cause the performance of our interests and our operating results to suffer, including:

- the management teams or other equity or debt holders of our companies having economic or business interests or objectives that are different from ours; and
- the companies not taking our advice with respect to the financial or operating issues they may encounter.

Our inability to control our companies also could prevent us from assisting them, financially or otherwise, or could prevent us from liquidating our interests in them at a time or at a price that is favorable to us. Additionally, our companies may not act in ways that are consistent with our business strategy. These factors could hamper our ability to maximize returns on our interests and cause us to incur losses on our interests in these companies.

We may have to buy, sell or retain assets when we would otherwise not wish to do so in order to avoid registration under the Investment Company Act.

The Investment Company Act of 1940 regulates companies which are engaged primarily in the business of investing, reinvesting, owning, holding or trading in securities. Under the Investment Company Act, a company may be deemed to be an investment company if it owns investment securities with a value exceeding 40% of the value of its total assets (excluding government securities and cash items) on an unconsolidated basis, unless an exemption or safe harbor applies. We refer to this test as the "40% Test." Securities issued by companies other than consolidated companies are generally considered "investment securities" for purposes of the Investment Company Act, unless other circumstances exist which actively involve the company holding such interests in the management of the underlying company. We are a company that partners with growth-stage companies to build value; we are not engaged primarily in the business of investing, reinvesting or trading in securities. We are in compliance with the 40% Test. Consequently, we do not believe that we are an investment company under the Investment Company Act.

We monitor our compliance with the 40% Test and seek to conduct our business activities to comply with this test. It is not feasible for us to be regulated as an investment company because the Investment Company Act rules are inconsistent with our strategy of actively helping our companies in their efforts to build value. In order to continue to comply with the 40% Test, we may need to take various actions which we would otherwise not pursue. For example, we may be limited in the manner or timing in which we sell our interests in a company. Our ownership levels also may be affected if our companies are acquired by third parties or if our companies issue stock which dilutes our ownership interest. The actions we may need to take to address these issues while maintaining compliance with the 40% Test could adversely affect our ability to create and realize value at our companies

The COVID-19 pandemic may adversely affect parties with obligations to us, including the subtenant of our previous office space.

In March 2019, we entered into a sublease of our prior corporate headquarters office space beginning in June 2019. The term of the sublease is through April 2026, the same as our underlying lease. Fixed sublease payments to us are escalating over the term of the sublease. We remain obligated under the original lease for such office space and, in the event the subtenant of such office space fails to satisfy its obligations under the sublease, we would be required to satisfy our obligations directly to the landlord under such original lease.

Risks Related to Our Companies

Most of our companies have a history of operating losses and/or limited operating history and may never be profitable.

Most of our companies have a history of operating losses and/or limited operating history, have significant historical losses and may never be profitable. Many have incurred substantial costs to develop and market their products, have incurred net losses and cannot fund their cash needs from operations. We expect that the operating expenses of certain of our companies will increase substantially in the foreseeable future as they continue to develop products and services, increase sales and marketing efforts, and expand operations.

Our companies face intense competition, which could adversely affect their business, financial condition, results of operations and prospects for growth.

There is intense competition in the technology marketplaces, and we expect competition to intensify in the future. Our business, financial condition, and results of operations will be materially adversely affected if our companies are not able to compete successfully. Many of the present and potential competitors may have greater financial, technical, marketing and other resources than those of our companies. This may place our companies at a disadvantage in responding to the offerings of their competitors, technological changes or changes in client requirements. Also, our companies may be at a competitive disadvantage because many of their competitors have greater name recognition, more extensive client bases and a broader range of product offerings. In addition, our companies may compete against one another.

The success or failure of many of our companies is dependent upon the ultimate effectiveness of newly-created technologies, medical devices, healthcare diagnostics, etc.

Our companies' business strategies are often highly dependent upon the successful launch and commercialization of an innovative technology or device, including, without limitation, technologies or devices used in healthcare or digital media. Despite all of our efforts to understand the research and development underlying the innovation or creation of such technologies and devices before we deploy capital into a company, sometimes the performance of the technology or device does not match our expectations or those of such company. In those situations, it is likely that we will incur a partial or total loss of the capital which we deployed in such company.

Our companies may fail if they do not adapt to changing marketplaces.

If our companies fail to adapt to changes in technology and customer and supplier demands, they may not become or remain profitable. There is no assurance that the products and services of our companies will achieve or maintain market penetration or commercial success, or that the businesses of our companies will be successful.

The technology marketplaces are characterized by:

- rapidly changing technology;
- evolving industry standards;
- frequent introduction of new products and services;
- shifting distribution channels;
- evolving government regulation;
- frequently changing intellectual property landscapes; and
- changing customer demands.

Our future success will depend on our companies' ability to adapt to these evolving marketplaces. They may not be able to adequately or economically adapt their products and services, develop new products and services or establish and maintain effective distribution channels for their products and services. If our companies are unable to offer competitive products and services or maintain effective distribution channels, they will sell fewer products and services and forego potential revenue, possibly causing them to lose money. In addition, we and our companies may not be able to respond to the marketplace changes in an economically efficient manner, and our companies may become or remain unprofitable.

Our companies may grow rapidly, including through acquisitions of other businesses, and may be unable to manage their growth.

We expect some of our companies to grow rapidly, including through acquisitions of other businesses. Such growth often places considerable operational, managerial, integration and financial strain on a business. To successfully manage such growth, our companies must, among other things:

- improve, upgrade and expand their business infrastructures;
- successfully integrate and operate any newly acquired businesses;
- scale up production operations;
- develop appropriate financial reporting controls;
- attract and retain qualified personnel; and
- maintain appropriate levels of liquidity.

If our companies are unable to manage their growth successfully, their ability to respond effectively to competition and to achieve or maintain profitability will be adversely affected. Further, a material weakness in any of our companies' internal controls over their financial reporting could result in material misstatements in our Consolidated Financial Statements. These misstatements could result in a restatement of our Consolidated Financial Statements, cause us to fail to meet our reporting obligations and/or cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

Based on our business model, some or all of our companies will need to raise additional capital to fund their operations at any given time. We may not be able to, or decline to, fund some or all of such amounts and such amounts may not be available from third parties on acceptable terms, if at all. Further, if our companies do raise additional capital from third parties, either debt or equity, such capital may rank senior to, or dilute, our interests in such companies.

We cannot be certain that our companies will be able to obtain additional financing on favorable terms when needed, if at all. We may not be able to, or decline to, provide our companies with sufficient capital resources to enable them to reach a cash-flow positive position or a sale of the company. General economic disruptions and downturns may also negatively affect the ability of some of our companies to fund their operations from other stockholders and capital sources. We also may fail to accurately project the capital needs of companies. If our companies need capital, but are not able to raise capital from us or other outside sources, or our companies are unable to service their debt obligations, they may need to, or be forced to, cease or scale back operations. In such event, our interest in any such company will become less valuable. If our companies raise additional capital from third parties, either debt or equity, such capital may be dilutive, making our interests less valuable or if such capital ranks senior to the capital we have deployed, such capital may entitle its holders to receive returns of capital before we are entitled to receive any return of our deployed capital. Also, in the event of any insolvency, liquidation, dissolution, reorganization or bankruptcy of one or more our companies, holders of such company's instruments that rank senior to our deployed capital will typically be entitled to receive payment in full before we receive any return of our deployed capital. After returning such senior capital, such company may not have any remaining assets to use for returning capital to us, causing us to lose some or all of our deployed capital in such company.

Economic disruptions and downturns may negatively affect our companies' plans and their results of operations.

Many of our companies are largely dependent upon outside sources of capital to fund their operations. Disruptions in the availability of capital from such sources will negatively affect the ability of such companies to pursue their business models and will force such companies to revise their growth and development plans accordingly. Any such changes will, in turn, negatively affect our ability to realize the value of our capital deployments in such companies.

In addition, downturns in the economy as well as possible governmental responses to such downturns and/or to specific situations in the economy could affect the business prospects of certain of our companies, including, but not limited to, in the following ways: reduced business and/or consumer spending; and/or systemic changes in the ways the healthcare system operates in the United States.

Some of our companies may be unable to protect their proprietary rights and may infringe on the proprietary rights of others.

Our companies assert various forms of intellectual property protection. Intellectual property may constitute an important part of our companies' assets and competitive strengths. Federal law, most typically copyright, patent, trademark and trade secret laws, generally protects intellectual property rights. Although we expect that our companies will take reasonable efforts to protect the rights to their intellectual property, third parties may develop similar intellectual property independently. Moreover, the complexity of international trade secret, copyright, trademark and patent law, coupled with the limited resources of our companies and the demands of quick delivery of products and services to market, create a risk that our companies' efforts to prevent misappropriation of their technology will prove inadequate.

Some of our companies also license intellectual property from third parties and it is possible that they could become subject to infringement actions based upon their use of the intellectual property licensed from those third parties. Our companies generally obtain representations as to the origin and ownership of such licensed intellectual property. However, this may not adequately protect them. Any claims against our companies' proprietary rights, with or without merit, could subject the companies to costly litigation and divert their technical and management personnel from other business concerns. If our companies incur costly litigation and their personnel are not effectively deployed, the expenses and losses incurred by our companies will increase and their profits, if any, will decrease.

Third parties have and may assert infringement or other intellectual property claims against our companies based on their patents or other intellectual property claims. Even though we believe our companies' products do not infringe any third party's patents, they may have to pay substantial damages, possibly including treble damages, if it is ultimately determined that they do. They may have to obtain a license to sell their products if it is determined that their products infringe on another person's intellectual property. Our companies might be prohibited from selling their products before they obtain a license, which, if available at all, may require them to pay substantial royalties. Even if infringement claims against our companies are without merit, defending these types of lawsuits takes significant time, is expensive and may divert management attention from other business concerns.

Certain of our companies could face legal liabilities from claims made against their operations, products or work.

Because the manufacture and sale of certain company products entail an inherent risk of product liability, certain of our companies maintain product liability insurance. Although none of our current companies have experienced any material losses in this regard, there can be no assurance that they will be able to maintain or acquire adequate product liability insurance in the future and any product liability claim could have a material adverse effect on a company's financial stability, revenues and results of operations. In addition, many of the engagements of our companies involve projects that are critical to the operation of their clients' businesses. If our companies fail to meet their contractual obligations, they could be subject to legal liability, which could adversely affect their business, operating results and financial condition. Our companies' contracts typically include provisions designed to limit their exposure to legal claims relating to their services and products. However, these provisions may not protect our companies or may not be enforceable. Also, some of our companies depend on their relationships with their clients and their reputation for high-quality services and integrity to retain and attract clients. As a result, claims made against our companies' work may damage their reputation, which in turn could impact their ability to compete for new work and negatively impact their revenue and profitability.

Our companies' success depends on their ability to attract and retain qualified personnel.

Our companies depend upon their ability to attract and retain senior management and key personnel, including trained technical and marketing personnel. Our companies also will need to continue to hire additional personnel as they expand. Although our current companies have not been the subject of a work stoppage, any future work stoppage could have a material adverse effect on their respective operations. A shortage in the availability of the requisite qualified personnel or work stoppage would limit the ability of our companies to grow, to increase sales of their existing products and services, and to launch new products and services.

Government regulations and legal uncertainties may place financial burdens on the businesses of our companies.

Manufacturers of medical diagnostic devices and operators of laboratory facilities are subject to strict federal and state regulation regarding validation and the quality of manufacturing and laboratory facilities. Failure to comply with these quality regulation systems requirements could result in civil or criminal penalties or enforcement proceedings, including the recall of a product or a "cease distribution" order. The enactment of any additional laws or regulations that affect healthcare insurance policy and reimbursement (including Medicare reimbursement) could negatively affect some of our companies. If Medicare or private payers change the rates at which our companies or their customers are reimbursed by insurance providers for their products, such changes could adversely impact our companies.

Some of our companies may be subject to significant environmental, health, data security and safety regulation.

Some of our companies may be subject to licensing and regulation under federal, state and local laws and regulations relating to the protection of the environment and human health and safety, including laws and regulations relating to the handling, transportation and disposal of medical specimens, infectious and hazardous waste and radioactive materials, as well as to the safety and health of manufacturing and laboratory employees. In addition, some of our companies are subject to federal, state and local financial securities and data security regulations, including, without limitation, the Health Insurance Portability and Accountability Act of 1996, as amended, the California Consumer Privacy Act and the European General Data Protection Regulation, which impose varying degrees of additional obligations, costs and risks upon such companies, including the imposition of significant penalties in the event of any non-compliance. Further, the federal Occupational Safety and Health Administration has established extensive requirements relating to workplace safety. Compliance with such regulations could increase operating costs at certain of our companies, and the failure to comply could negatively affect the operations and results of some of our companies.

Catastrophic events may disrupt our companies' businesses.

Some of our companies are highly automated businesses and rely on their network infrastructure, various software applications and many internal technology systems and data networks for their customer support, development, sales and marketing and accounting and finance functions. Further, some of our companies provide services to their customers from data center facilities in multiple locations. Some of these data centers are operated by third parties, and the companies have limited control over those facilities. A disruption or failure of these systems or data centers in the event of a natural disaster, telecommunications failure, power outage, cyber-attack, war, terrorist attack or other catastrophic event could cause system interruptions, reputational harm, delays in product development, breaches of data security and loss of critical data. Such an event could also prevent the companies from fulfilling customer orders or maintaining certain service level requirements, particularly in respect of their SaaS offerings. While certain of our companies have developed certain disaster recovery plans and maintain backup systems to reduce the potentially adverse effect of such events, a catastrophic event that resulted in the destruction or disruption of any of their data centers or their critical business or information technology systems could severely affect their ability to conduct normal business operations and, as a result, their business, operating results and financial condition could be adversely affected.

We cannot provide assurance that our companies' disaster recovery plans will address all of the issues they may encounter in the event of a disaster or other unanticipated issue, and their business interruption insurance may not adequately compensate them for losses that may occur from any of the foregoing. In the event that a natural disaster, terrorist attack or other catastrophic event were to destroy any part of their facilities or interrupt their operations for any extended period of time, or if harsh weather or health conditions prevent them from delivering products in a timely manner, their business, financial condition and operating results could be adversely affected.

Risks Related to an Investment in our Securities

Fluctuations in the price of the common stock of our publicly traded holdings may affect the price of our common stock.

From time to time, we may hold equity interests in companies that are publicly traded. Fluctuations in the market prices of the common stock of publicly traded holdings may affect the price of our common stock. Historically, the market prices of our publicly traded holdings have been highly volatile and subject to fluctuations unrelated or disproportionate to operating performance.

The continuing costs and burdens associated with being a public company will constitute a much larger percentage of our expenses and we may in the future delist our common stock with the NASDAQ exchange and seek to deregister our common stock with the SEC.

We will remain a public company and will continue to be subject to the listing standards of the NASDAQ exchange and SEC rules and regulations, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Sarbanes-Oxley Act of 2002. The costs and burdens of being a public company will be a significant and continually increasing portion of our expenses if we are able to monetize our company interests. We may in the future delist our common stock from the NASDAQ exchange and seek to deregister our common stock with the SEC. However, there can be no assurance as to the timing of such transactions, or whether such transactions will be undertaken at all, and we will continue to face the costs and burdens of being a public company until such time as our common stock is delisted with the NASDAQ exchange and deregistered with the SEC.

Economic disruptions and downturns may have negative repercussions for us.

Events in the United States and international capital markets, debt markets and economies may negatively impact our stock price and our ability to pursue certain tactical and strategic initiatives, such as accessing additional public or private equity or debt financing for us or for our companies and selling our interests in companies on terms acceptable to us and in time frames consistent with our expectations.

We cannot provide assurance that material weaknesses in our internal control over financial reporting will not be identified in the future.

We cannot assure you that material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in a material weakness, or could result in material misstatements in our Consolidated Financial Statements. These misstatements could result in a restatement of our Consolidated Financial Statements, cause us to fail to meet our reporting obligations and/or cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our current corporate headquarters and administrative offices in Radnor, Pennsylvania is approximately 100 square feet of office space in one building. The lease term expires in November 2023.

Additionally, we have additional administrative offices located in Radnor, Pennsylvania comprising approximately 15,600 square feet, that have been sublet to an unaffiliated party through April, 2026, the remainder of the lease term.

Item 3. *Legal Proceedings*

We, as well as our companies in which we hold ownership interests, are from time to time involved in various claims and legal actions arising in the ordinary course of business. While in the current opinion of management, the ultimate disposition of any of these matters which are currently pending will not have a material adverse effect on our consolidated financial position or results of operations, no assurance can be given as to the outcome of these situations, and one or more adverse dispositions could have a material adverse effect on our consolidated financial position and results of operations, or that of our companies. See Note 11 to the Consolidated Financial Statements for a discussion of ongoing claims and legal actions.

Item 4. *Mine Safety Disclosures*

Not applicable.

ANNEX TO PART I — EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Position	Executive Officer Since
Eric C. Salzman	55	Chief Executive Officer	2020
Mark A. Herndon	53	Senior Vice President and Chief Financial Officer	2018

Mr. Salzman joined Safeguard as Chief Restructuring Officer in April 2020. Mr. Salzman began serving as the Chief Executive Officer in December 2020. Mr. Salzman has a 25-year track record partnering with growth companies as an investor, board member and strategic advisor. He has worked in M&A, restructuring, growth and special situations investing at a number of investment banks and private equity funds, including Credit Suisse and Lehman Brothers. Mr. Salzman helped oversee the monetization of a $2 billion portfolio of illiquid assets in the Lehman Brothers Bankruptcy Estate and subsequently advised several investment funds on value-maximization strategies for their respective portfolios. He currently serves as a director on a number of Safeguard portfolio companies as well as an independent director at publicly traded Leonardo DRS, Inc., Movella Holdings Inc. and 8x8, Inc. Mr. Salzman earned a B.A. Honors from the University of Michigan and an MBA from Harvard University.

Mr. Herndon joined Safeguard as Senior Vice President and Chief Financial Officer in September 2018. Prior to joining Safeguard, Mr. Herndon served in a variety of client service and national office roles at PricewaterhouseCoopers from 1991 to 2018, including his position as Assurance Partner from 2006 until 2018. Mr. Herndon earned a B.B.A in Accounting from Georgia Southern University and an MBA from Emory University’s Goizueta Business School.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common stock is listed on the NASDAQ Exchange (Symbol: SFE). The high and low sale prices reported within each quarter of 2022 and 2021 were as follows:

	High	Low
Fiscal year 2022:		
First quarter	$ 7.53	$ 4.81
Second quarter	5.48	3.32
Third quarter	4.54	3.60
Fourth quarter	3.89	2.95
Fiscal year 2021:		
First quarter	$ 8.59	$ 6.35
Second quarter	7.90	5.95
Third quarter	8.93	7.38
Fourth quarter	8.98	6.23

The high and low sale prices reported in the first quarter of 2023 through March 6, 2023 were $3.25 and $2.85 respectively, and the last sale price reported on March 6, 2023, was $3.03. As of March 6, 2023, there were approximately 7,774 beneficial holders of our common stock.

Special Dividend

On November 7, 2019, the Board of Directors declared a special cash dividend of $1.00 per share, payable on December 30, 2019 to shareholders of record as of the close of business on December 23, 2019.

Issuer Purchases of Equity Securities

The following table provides information about our purchases of equity securities during the quarter ended December 31, 2022 registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"):

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (b)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan (b)
October 1, 2022 - October 31, 2022	38,934	$ 3.61	36,392	$ 15,454,297
November 1, 2022 - November 30, 2022	177,526	$ 3.45	174,984	$ 14,854,705
December 1, 2022 - December 31, 2022	49,112	$ 3.09	46,570	$ 14,711,067
Total	265,572	$ 3.41	257,946	

(a) During the fourth quarter of 2022, we repurchased an aggregate of approximately 8 thousand shares of our common stock initially issued as restricted stock awards to employees and subsequently withheld from employees to satisfy the statutory withholding tax liability upon the vesting of such restricted stock awards.

(b) In 2015, the Company's Board of Directors authorized us, from time to time and depending on market conditions, to repurchase up to $25.0 million of the Company's outstanding common stock. During the years ended December 31, 2022 and 2021, we did not repurchase any shares under this authorization. In May 2021, the Company's Board of Directors authorized a $6.0 million share repurchase program (the "2021 Plan") using existing funds in accordance with the requirements of Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended. During the year ended December 31, 2021, the Company purchased 236,159 shares under the 2021 Plan at an aggregate cost of $1.6 million, or $6.94 per share. During October 2021, the Company suspended the 2021 Plan and completed a modified Dutch auction self-tender that resulted in the repurchase of 4.3 million common shares for an aggregate price of $38.7 million, or $9.00 per share. In March 2022, the Company's Board of Directors replaced the 2021 Plan and authorized a separate $3.0 million share repurchase program (the "2022 Plan") using existing funds in accordance with the requirements of Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended. During the year ended December 31, 2022, the Company purchased 711,481 shares under the 2022 Plan at an aggregate cost of $2.9 million, or $4.13 per share. The Company completed the 2022 Plan in January 2023 by purchasing an additional 25,096 shares, resulting in an average price of $4.09 for the 2022 Program.

Item 6. ***Selected Consolidated Financial Data***

Not applicable for a smaller reporting company.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Cautionary Note Concerning Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about Safeguard Scientifics, Inc. ("Safeguard" or "we"), the industries in which we operate and other matters, as well as management's beliefs and assumptions and other statements regarding matters that are not historical facts. These statements include, in particular, statements about our plans, strategies and prospects. For example, when we use words such as "projects," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "should," "would," "could," "will," "opportunity," "potential" or "may," variations of such words or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Our forward-looking statements are subject to risks and uncertainties. Factors that could cause actual results to differ materially include, among others, our ability to make good decisions about the deployment of capital, the fact that our ownership interests may vary from period to period, our substantial capital requirements and absence of liquidity from our holdings, competition, our inability to obtain maximum value for our ownership interests, our ability to attract and retain qualified employees, our ability to execute our strategy, market valuations in sectors in which our ownership interests operate, our inability to control our ownership interests companies, the uncertainty of the outcomes of corporate strategic transactions, if any, our need to manage our assets to avoid registration under the Investment Company Act of 1940, and risks associated with our ownership interests and their performance, including the fact that most of the companies in which we have an ownership interest have a limited history and a history of operating losses, face intense competition and may never be profitable, the effect of economic conditions in the business sectors in which they operate, compliance with government regulation and legal liabilities, all of which are discussed in Item 1A. "Risk Factors." 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. All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by this cautionary statement. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report might not occur.

Overview

Historically, Safeguard has provided capital and relevant expertise to fuel the growth of technology-driven businesses. Typically, we are actively involved in strategic and operational decisions through our board representation in addition to the influence we exert through our equity ownership. We also continue to hold relatively small equity interests in other enterprises where we do not exert significant influence and do not participate in management activities. In some cases, those ownership interests relate to residual interests from prior larger interests or from companies that acquired companies in which we had ownership interests.

In January 2018, Safeguard ceased deploying capital into new opportunities in order to focus on supporting the existing ownership interests and maximizing monetization opportunities to enable returning value to shareholders. We have considered and taken action on various initiatives including the sale of our ownership interests, the sale of certain or all of our ownership interests in secondary market transactions as well as other opportunities to maximize shareholder value. In December 2019, we declared and paid a $1.00 per share special dividend. In 2021, we repurchased 4.5 million shares through a combination of open market purchases and a tender offer for an aggregate of $40.7 million resulting in an average price of $8.95 per share. In 2022, we repurchased 711,481 shares for $2.9 million at an average price of $4.13 per share through subsequent open market repurchase plans. We will continue to actively work with our ownership interests to seek monetization opportunities while we also evaluate additional strategic alternatives. These strategic alternatives could include the sale of all of our ownership interests in a single transaction or a series of transactions, merger, business combinations or other strategic transactions.

Principles of Accounting for Ownership Interests

We account for our ownership interests using one of the following methods: Equity or Other. The accounting method applied is generally determined by the degree of our influence over the entity, primarily determined by our voting interest in the entity.

Equity Method. The Company accounts for ownership interests 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 an ownership interest depends on an evaluation of several factors including, among others, representation on the board of directors and our ownership level, which is generally a 20% to 50% interest in the voting securities of a company, including voting rights associated with the Company's holdings in common, preferred and other convertible instruments in the company. The Company records the initial ownership interest at cost. Under the equity method of accounting, the Company does not reflect a company's financial statements within our Consolidated Financial Statements; however, our share of the income or loss of such company is reflected in Equity income (loss), net in the Consolidated Statements of Operations. The Company also adjusts the carrying value to reflect third party investments in the ownership interests, which typically result in a dilution gain. The Company includes the carrying value of equity method companies in Ownership interests and advances on the Consolidated Balance Sheets. Any excess of the Company's cost over its underlying interest in the net assets of equity method companies that is 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 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 companies.

When the Company's carrying value in an equity method 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 company. If such equity method 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.

Other Method. We account for ownership interests in companies that are not accounted for under the equity method that do not have a readily determinable fair value under the fair value measurement alternative. Under the fair value measurement alternative, these ownership interests are based on our original cost less impairments, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar interests of the same issuer. Under this method, our share of the income or losses of such companies is not included in our Consolidated Statements of Operations, however, the result of observable price changes, if any, are reflected in Other income (loss), net. We include the carrying value of these interests in Ownership interests and advances on the Consolidated Balance Sheets.

The Company accounts for ownership interests that are not accounted for under the equity method and have a readily determinable fair value at fair value based on the closing stock price on the last trading day of the reporting period. Under this method, the changes in fair value are reflected in Other income (loss), net. As of December 31, 2022 those ownership interests consist of approximately 1.3 million shares of Bright Health Group ("Bright Health") common shares valued at $0.9 million.

Critical Accounting Policies and Estimates

Accounting policies, methods and estimates are an integral part of the Consolidated Financial Statements prepared by management and are based upon management's current judgments. These judgments are normally based on knowledge and experience with regard to past and current events and assumptions about future events. Certain accounting policies, methods and estimates are particularly important because of their significance to the financial statements and because of the possibility that future events affecting them may differ from management's current judgments. While there are a number of accounting policies, methods and estimates affecting our financial statements as described in Note 1 to our Consolidated Financial Statements, the most significant relate to impairment of ownership interests and advances.

Impairment of Ownership Interests and Advances

On a periodic basis, but no less frequently than quarterly, the Company evaluates the carrying value of its ownership interests and advances for possible impairment based on achievement of business plan objectives and milestones, the estimated fair value of each company relative to its carrying value, the financial condition and prospects of the company, and other relevant factors. The business plan objectives and milestones we consider 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 company. Impairment is measured as the amount by which the carrying value of an asset exceeds its estimated fair value.

The reduced carrying value a previously impaired company accounted for using the Equity method is not increased even if circumstances suggest the value of the company has subsequently recovered.

The estimated 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, valuations of comparable public companies and valuations of acquisitions of comparable companies.

Our companies operate in industries which are rapidly evolving and extremely competitive. It is reasonably possible that our accounting estimates with respect to the ultimate recoverability of the carrying value of ownership interests and advances could change in the near term and that the effect of such changes on our Consolidated Financial Statements could be material. While we believe that the current recorded carrying values of our equity and other method companies are not impaired, there can be no assurance that our future results will confirm this assessment or that a significant write-down or write-off will not be required in the future.

Total impairment charges related to our Ownership interests and advances were as follows:

	Year Ended December 31,	
Accounting Method	**2022**	**2021**
	(In thousands)	
Equity	$ —	$ —
Other	—	2,521
Total	$ —	$ 2,521

Impairment charges related to equity method companies are included in Equity income (loss), net in the Consolidated Statements of Operations. Impairment charges related to other ownership interests are included in Other income (loss), net in the Consolidated Statements of Operations.

Results of Operations

We operate as one operating segment based upon the similar nature of our technology-driven companies, the functional alignment of the organizational structure, and the reports that are regularly reviewed by the chief operating decision maker for the purpose of assessing performance and allocating resources.

There is intense competition in the markets in which our companies operate. Additionally, the markets in which these companies operate are characterized by rapidly changing technology, evolving industry standards, frequent introduction of new products and services, shifting distribution channels, evolving government regulation, frequently changing intellectual property landscapes and changing customer demands. Their future success depends on each company's ability to execute its business plan and to adapt to its respective rapidly changing market.

The following is a listing of certain of our ownership interests as of December 31, 2022 and 2021. The ownership percentages indicated below are presented as of December 31, 2022 for certain companies in which we held ownership interests and reflect the percentage of the vote we were entitled to cast at that date based on issued and outstanding voting securities (on a common stock equivalent basis), excluding the effect of options, warrants and convertible debt (primary ownership).

	Safeguard Primary Ownership as of December 31,		
Company Name	**2022**	**2021**	**Accounting Method**
Aktana, Inc.	13.6%	13.4%	Equity
Clutch Holdings, Inc.	41.7%	41.7%	Equity
InfoBionic, Inc.	25.2%	25.2%	Equity
meQuilibrium	31.3%	31.9%	Equity
Moxe Health Corporation	19.3%	27.6%	Equity
Prognos Health Inc.	28.4%	28.5%	Equity
Syapse, Inc.	11.0%	11.1%	Equity
Trice Medical, Inc.	11.6%	12.6%	Equity

Year ended December 31, 2022 versus year ended December 31, 2021

	Year Ended December 31,		
	2022	**2021**	**Variance**
	(In thousands)		
General and administrative expense	$ (4,775)	$ (7,153)	$ 2,378
Other income (loss), net	(3,297)	22,035	(25,332)
Interest income	794	276	518
Equity income (loss), net	(6,985)	11,846	(18,831)
Net income (loss)	$ (14,263)	$ 27,004	$ (41,267)

General and Administrative Expense. Our general and administrative expenses consist primarily of employee compensation, stock based compensation, insurance, office costs and professional services. General and administrative expense decreased $2.4 million, or 33%, for the year ended December 31, 2022 compared to the prior year due to lower employee compensation of $1.1 million, lower severance costs of $0.8 million, lower stock based compensation costs of $0.3 million, lower insurance costs of $0.2 million and various other lower costs. General and administrative expenses also can include amounts estimated for the Transaction Bonus Plan (the "LTIP"), which is a component of employee compensation. As described in Note 11 in the accompany consolidated financial statements, the LTIP provides a cash bonus pool to employees based upon meeting certain thresholds of sales of the Company's ownership interests. Expense recognized pursuant to the LTIP was zero and $0.7 million during the years ended December 31, 2022 and 2021, respectively. The Company paid $2.5 million pursuant to the LTIP plan during 2021. No further amounts have been accrued with respect to the LTIP. General and administrative expense also includes stock based compensation expense of $1.4 million and $1.8 million years ended December 31, 2022 and 2021, respectively. Stock based compensation continues to include a significant proportion of management's overall compensation, including the settlement of amounts due pursuant to the annual management incentive plan, and Director compensation, which aggregated to $0.7 million for the year ended December 31, 2022.

Other income (loss), net. Other income (loss), net decreased by $25.3 million for the year ended December 31, 2022, compared to the prior year. During the year ended December 31, 2022, the primary component was unrealized losses resulting from the decline in the fair value of BHG common stock of $3.7 million. During the year ended December 31, 2021, the Company recorded a gain from the sale of Flashtalking of $32.5 million, gains aggregating to $2.8 million from the sales of Velano Vascular and T-REX Group, unrealized losses net of $10.8 million from an observable price change and subsequent changes in the fair value of BHG common stock, and a $2.5 million impairment related to certain other ownership interests. The impairments were determined based on declines in the fair value of our ownership interests resulting from reduced valuation expectations and extended exit timelines resulting from the more challenging mergers and acquisitions environment related to COVID-19 and the related uncertain economic impact.

Interest Income. Interest income increased $0.5 million for the year ended December 31, 2022 compared to the prior year due primarily to higher market interest rates on marketable securities during 2022.

Equity Income (Loss), net. Equity income (loss), net fluctuates with the number of companies accounted for under the equity method, our voting ownership percentage in those companies and the net results of operations of those companies. We recognize our share of losses to the extent we have cost basis in the equity of the company or we have outstanding commitments or guarantees. Certain amounts recorded to reflect our share of the income or losses of our companies accounted for under the equity method are based on estimates and on unaudited results of operations of those companies and may require adjustments in the future when audits of these entities are made final. We report our share of the results of our equity method companies on a one quarter lag basis.

Equity income (loss), net decreased $18.8 million for the year ended December 31, 2022 compared to the prior year. The components of equity income (loss), net for the years ended December 31, 2022 and 2021 were as follows:

	Year Ended December 31,		
	2022	**2021**	**Variance**
		(In thousands)	
Gains on sales of ownership interests	$ 5,627	$ 19,146	$ (13,519)
Unrealized dilution gains	5,285	9,252	(3,967)
Loss on impairments	—	—	—
Share of losses of our equity method companies, net	(17,897)	(16,552)	(1,345)
	$ (6,985)	$ 11,846	$ (18,831)

During the year ended December 31, 2022, the gains on sales of ownership interests are primarily related to Lumesis of $4.9 million. During the year ended December 31, 2021, the gains on sales of ownership interests are comprised primarily of gains related to Zipnosis for $17.3 million and AHS for $2.0 million.

The unrealized dilution gains for the year ended December 31, 2022 were related to Moxe and for the year ended December 31, 2021 were the result of Syapse and Trice, who each raised additional equity capital that diluted the Company's interest in those entities.

The increase in our share of losses of our equity method companies for the 2022 year compared to the prior year period was due to increased losses at principally three companies which did not experience their planned revenue growth. These increases were offset the decrease in losses applicable to two ownership interests where our carrying value was reduced to zero.

Income Tax Benefit (Expense)

There was no income tax benefit (expense) for the years ended December 31, 2022 and 2021. We have recorded a valuation allowance to reduce our net deferred tax asset to an amount that is more likely than not to be realized in future years. Accordingly, the benefit of the net operating loss that would have been recognized in each year was offset by changes in the valuation allowance.

Liquidity And Capital Resources

As of December 31, 2022, the Company had $13.3 million of cash and cash equivalents and $6.0 million of marketable securities.

In 2015, the Company's Board of Directors authorized us, from time to time and depending on market conditions, to repurchase up to $25.0 million of the Company's outstanding common stock. During the years ended December 31, 2022 and 2021, we did not repurchase any shares under this authorization.

In May 2021, the Company's Board of Directors authorized a $6.0 million share repurchase program (the "2021 Plan") using existing funds in accordance with the requirements of Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended. During the year ended December 31, 2021, the Company purchased 236,159 shares under the 2021 Plan at an aggregate cost of $1.6 million, or $6.94 per share. During October 2021, the Company suspended the 2021 Plan and completed a modified Dutch auction self-tender that resulted in the repurchase of 4.3 million common shares for an aggregate price of $38.7 million, or $9.00 per share.

In March 2022, the Company's Board of Directors replaced the 2021 Plan and authorized a separate $3.0 million share repurchase program (the "2022 Plan") using existing funds in accordance with the requirements of Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended. During the year ended December 31, 2022, the Company purchased 711,481 shares under the 2022 Plan at an aggregate cost of $2.9 million, or $4.13 per share. The Company completed the 2022 Plan in January 2023 by purchasing an additional 25,096 shares, resulting in an average price of $4.09 for the 2022 Program.

We may consider additional stock repurchases or dividends in the future based on prevailing market conditions and other factors when and if additional liquidity becomes available.

Our ability to generate liquidity from transactions involving our ownership interests has been adversely affected from time to time by adverse circumstances in the U.S. capital markets and other factors, including the impact of COVID-19. We may be requested to provide additional capital to our companies, which may cause us to face liquidity issues that will constrain our ability to execute our business strategy and limit our ability to provide financial support to all of our existing companies in the amounts that we desire. The transactions we enter into in pursuit of our strategy could increase or decrease our liquidity at any point in time. As we seek to provide additional funding to existing companies where we have an ownership interest or commit capital to other initiatives, we may be required to expend our cash or incur debt, which will decrease our liquidity. Conversely, as we dispose of our interests in our ownership interests, we may receive proceeds from such sales, which could increase our liquidity. From time to time, we are engaged in discussions concerning acquisitions and dispositions which, if consummated, could impact our liquidity, perhaps significantly. Accordingly, the Company could also pursue other sources of capital in order to maintain its liquidity. The Company believes that its cash and cash equivalents at December 31, 2022 will be sufficient to fund operations past one year from the issuance of these financial statements.

Analysis of Consolidated Cash Flows

Cash flow activity was as follows:

	Year Ended December 31,		
	2022	2021	Variance
	(In thousands)		
Net cash used in operating activities	$ (3,258)	$ (8,152)	$ 4,894
Net cash provided by (used in) investing activities	(4,662)	58,114	(62,776)
Net cash used in financing activities	(3,488)	(40,799)	37,311
	$ (11,408)	$ 9,163	$ (20,571)

Net Cash Used In Operating Activities

Year ended December 31, 2022 versus year ended December 31, 2021. Net cash used in operating activities decreased for the year ended December 31, 2022 compared to the prior year. The activity during the year ended December 31, 2022 was primarily the result of various non-cash adjustments to net loss, including $7.0 million of equity loss and a $3.7 million unrealized loss on the decrease in fair value of Bright Health common stock. The activity during the year ended December 31, 2021 was primarily the result of various non-cash adjustments to net income, including the $11.8 million of equity income, non-cash gains, net, of $8.5 million for observable prices changes and $35.3 million for gain on sales of ownership interests which were partially offset by $19.3 million change in the fair value of ownership interests and $2.5 million impairment losses at certain Other ownership interests.

Net Cash (Used in) provided by Investing Activities

Year ended December 31, 2022 versus year ended December 31, 2021. Net cash (used in) provided by investing activities decreased by $62.8 million for the year ended December 31, 2022 compared to the prior year. During the year ended December 31, 2022, the Company funded an aggregate of $5.7 million to Syapse, Inc, Prognos Health, Clutch Holdings, meQuilibrium and Trice Medical, Inc. as compared to aggregate of $2.7 million funded to Trice Medical and Aktana during the year ended December 31, 2021. During the year ended December 31, 2022, the Company received $5.5 million of cash proceeds from the Lumesis transaction and various other amounts resulting from the resolution or expiration of escrow contingencies, as compared to the Company receiving an aggregate of $60.8 million of cash proceeds from the Flashtalking, WebLinc, Zipnosis, T-REX and Velano Vascular transactions during the year ended December 31, 2021.

Net Cash Used In Financing Activities

Year ended December 31, 2022 versus year ended December 31, 2021. Net cash used in financing activities decreased by $37.3 million for the year ended December 31, 2022 compared to the prior year. The decrease was primarily the result of repurchases of common stock of $2.9 million for the year ended December 31, 2022 as compared to $40.7 million for the year ended December 31, 2021. There were no other significant financing activities for the years ended December 31, 2022.

Contractual Cash Obligations and Other Commercial Commitments

	Payments Due by Period				
	Total	**2023**	**2024 and 2025**	**2026 and 2027**	**After 2027**
			(In millions)		
Contractual Cash Obligations:					
Operating leases (a)	$ 2.0	$ 0.6	$ 1.2	$ 0.2	$ —
Total Contractual Cash Obligations (b)	$ 2.0	$ 0.6	$ 1.2	$ 0.2	$ —

(a) In 2015, we entered into an agreement for the lease of our former principal executive offices which expires in April 2026. Payments pursuant to this lease are approximately $2.0 million through expiration, however, in March 2019 we entered into a sublease for this office space which is expected to result in future aggregate sublease receipts of $1.9 million through April 2026.

(b) The maximum aggregate exposure under employment and severance agreements for remaining employees was approximately $1.1 million at December 31, 2022 and up to 250,000 common shares. We are involved from time to time in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of any of these matters which are currently pending will not have a material adverse effect on our consolidated financial position or results of operation.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Not applicable for a smaller reporting company.

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

Board of Directors and Shareholders
Safeguard Scientifics, Inc

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Safeguard Scientifics, Inc. (a Pennsylvania corporation) and subsidiaries (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of operations, changes in shareholders’ equity, and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment of ownership interests and advances

The Company evaluates the carrying value of its ownership interests and advances for possible impairment. This evaluation requires management to apply significant judgment particularly related to the achievement of business plan objectives and milestones, the financial condition and prospects of the portfolio company, market conditions and other relevant factors. Based on the above, management then determines whether there has been an other than temporary decline in the value of its ownership interest in or advance to the portfolio company. The identification of other than temporary impairment of ownership interests and advances was determined to be a critical audit matter.

The principal consideration for our determination that the identification of other than temporary impairment of ownership interests and advances is a critical audit matter is due to it being an area of the financial statements requiring significant auditor judgment and subjectivity in assessing the results of management’s qualitative impairment analysis. Ownership interests and advances held by the Company are primarily comprised of early-stage companies in industries that are rapidly evolving, where evaluation of other than temporary declines in value requires significant judgment by management.

Our audit procedures related to identification of other than temporary impairment of ownership interests and advances included the following, among others:

- We evaluated the design of certain internal controls related to the Company’s impairment assessment. This included controls over the identification of other than temporary declines in value and the impairment analysis, including financial condition, prospects and other factors present at the portfolio company.

- We held discussions with those outside of accounting with intimate knowledge of the portfolio companies, including those with board positions and those employed by the portfolio companies, to gain an understanding of operational performance, milestones achieved, and potential indicators of other than temporary declines in value.

- For a selection of portfolio companies, we reviewed the financial performance, relevant third-party information with indications of company values, board materials, press releases and other public information for potential indicators of other than temporary declines in value.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2021.

Philadelphia, Pennsylvania
March 10, 2023

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

	As of December 31, 2022	As of December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 13,331	$ 24,739
Restricted cash	25	25
Marketable securities	5,956	—
Ownership interests	860	4,549
Prepaid expenses and other current assets	1,251	965
Total current assets	21,423	30,278
Right-of-use asset, net	1,290	1,561
Ownership interests and advances	14,545	21,972
Other assets	434	217
Total Assets	$ 37,692	$ 54,028
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	$ 16	$ 41
Accrued compensation and benefits	507	794
Accrued expenses and other current liabilities	865	524
Lease liability - current	429	375
Total current liabilities	1,817	1,734
Lease liability - non-current	1,249	1,678
Other long-term liabilities	50	50
Total Liabilities	3,116	3,462
Commitments and contingencies (Note 11)		
Equity:		
Preferred stock, $0.10 par value; 1,000 shares authorized	—	—
Common stock, $0.10 par value; 83,333 shares authorized; 21,573 issued at December 31, 2022 and 2021, respectively	2,157	2,157
Additional paid-in capital	804,752	806,638
Treasury stock, at cost; 5,478 and 5,068 shares at December 31, 2022 and 2021, respectively	(48,410)	(48,569)
Accumulated deficit	(723,898)	(709,635)
Accumulated other comprehensive loss	(25)	(25)
Total Equity	34,576	50,566
Total Liabilities and Equity	$ 37,692	$ 54,028

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31, 2022	2021
General and administrative expense	$ 4,775	$ 7,153
Operating loss	(4,775)	(7,153)
Other income (loss), net	(3,297)	22,035
Interest income	794	276
Equity income (loss), net	(6,985)	11,846
Net income (loss) before income taxes	(14,263)	27,004
Income tax benefit (expense)	—	—
Net income (loss)	$ (14,263)	$ 27,004
Net income (loss) per share:		
Basic	$ (0.87)	$ 1.36
Diluted	$ (0.87)	$ 1.36
Weighted average shares used in computing net income (loss) per share:		
Basic	16,337	19,827
Diluted	16,337	19,827

See Notes to Consolidated Financial Statements.

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

				Common Stock			Treasury Stock	
	Total	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shares	Amount	Additional Paid-In Capital	Shares	Amount
Balance — December 31, 2020	$ 62,875	$ (736,639)	$ (25)	21,573	$ 2,157	$ 807,582	688	$ (10,200)
Net income	27,004	27,004	—	—	—	—	—	—
Restricted stock awards, forfeitures and shares repurchased for tax withholdings, net	736	—	—	—	—	(1,550)	(161)	2,286
Stock-based compensation	606	—	—	—	—	606	—	—
Repurchases of common stock	(40,655)	—	—	—	—	—	4,541	(40,655)
Balance — December 31, 2021	$ 50,566	$ (709,635)	$ (25)	21,573	$ 2,157	$ 806,638	5,068	$ (48,569)
Net loss	(14,263)	(14,263)	—	—	—	—	—	—
Restricted stock awards, forfeitures and shares repurchased for tax withholdings, net	477	—	—	—	—	(2,622)	(302)	3,099
Stock-based compensation	736	—	—	—	—	736	—	—
Repurchases of common stock	(2,940)	—	—	—	—	—	712	(2,940)
Balance — December 31, 2022	$ 34,576	$ (723,898)	$ (25)	21,573	$ 2,157	$ 804,752	5,478	$ (48,410)

See Notes to Consolidated Financial Statements.

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

	Year Ended December 31,	
	2022	**2021**
Cash Flows from Operating Activities:		
Net income (loss)	$ (14,263)	$ 27,004
Adjustments to reconcile to net cash used in operating activities:		
Amortization of right of use asset	271	229
Equity (income) loss, net	6,985	(11,846)
Impairments of ownership interests and advances	—	2,521
Gain from observable price changes	(553)	(8,505)
Gain from sales of ownership interests	—	(35,284)
Change in fair value of ownership interests	3,689	19,255
Other, net	76	(22)
Stock-based compensation, including liability classified awards	1,445	1,779
Changes in assets and liabilities:		
Prepaid expenses and other current assets	(534)	(238)
Accounts payable, accrued expenses, and other current liabilities	(374)	(3,045)
Net cash used in operating activities	(3,258)	(8,152)
Cash Flows from Investing Activities:		
Proceeds from sales and distributions from ownership interests	6,879	60,832
Advances and loans to ownership interests	(5,670)	(2,718)
Purchase of marketable securities	(11,871)	—
Proceeds, from sales and maturities in marketable securities	6,000	—
Net cash (used in) provided by investing activities	(4,662)	58,114
Cash Flows from Financing Activities:		
Repurchases of common stock	(2,939)	(40,655)
Tax withholdings related to equity-based awards	(549)	(144)
Net cash used in financing activities	(3,488)	(40,799)
Net change in cash, cash equivalents and restricted cash	(11,408)	9,163
Cash, cash equivalents and restricted cash equivalents at beginning of period	24,764	15,601
Cash, cash equivalents and restricted cash at end of period	$ 13,356	$ 24,764

See Notes to Consolidated Financial Statements.

SAFEGUARD SCIENTIFICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

Liquidity And Capital Resources

As of December 31, 2022, Safeguard Scientifics, Inc. ("the Company") had $13.3 million of cash and cash equivalents and $6.0 million of marketable securities.

In January 2018, Safeguard ceased deploying capital into new opportunities in order to focus on supporting the existing ownership interests and maximizing monetization opportunities to enable returning value to shareholders. We have considered and taken action on various initiatives including the sale of our ownership interests, the sale of certain or all of our ownership interests in secondary market transactions as well as other opportunities to maximize shareholder value. As we seek to provide additional funding to existing companies where we have an ownership interest, we may be required to expend our cash or incur debt, which will decrease our liquidity. From time to time, we are engaged in discussions concerning acquisitions and dispositions which, if consummated, could impact our liquidity, perhaps significantly. Accordingly, the Company could also pursue other sources of capital in order to maintain its liquidity.

The Company believes that its cash and cash equivalents at December 31, 2022 will be sufficient to fund operations past one year from the issuance of these consolidated financial statements.

Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Safeguard and all of its wholly-owned subsidiaries. All intercompany accounts and transactions are eliminated in consolidation.

Principles of Accounting for Ownership Interests in Companies

The Company accounts for its ownership interests using one of the following methods: Equity or Other. The accounting method applied is generally determined by the degree of the Company's influence over the entity, primarily determined by our 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 companies in the form of promissory notes which are included in Ownership interests and advances on the Consolidated Balance Sheets.

Equity Method. The Company accounts for ownership interests 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 an ownership interest depends on an evaluation of several factors including, among others, representation on the board of directors and our ownership level, which is generally a 20% to 50% interest in the voting securities of a company, including voting rights associated with the Company's holdings in common, preferred and other convertible instruments in the company. The Company records the initial ownership interest at cost. Under the equity method of accounting, the Company does not reflect a company's financial statements within our Consolidated Financial Statements; however, our share of the income or loss of such company is reflected in Equity income (loss), net in the Consolidated Statements of Operations. The Company also adjust the carrying value to reflect third party investments in the ownership interests, which typically result in a dilution gain. The Company includes the carrying value of equity method companies in Ownership interests and advances on the Consolidated Balance Sheets. Any excess of the Company's cost over its underlying interest in the net assets of equity method companies that is 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 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 companies.

When the Company's carrying value in an equity method 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 company. If such equity method 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.

Other Method. We account for ownership interests in companies that are not accounted for under the equity method that do not have a readily determinable fair value under the fair value measurement alternative. Under the fair value measurement alternative, these ownership interests are based on our original cost less impairments, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar interests of the same issuer. Under this method, our share of the income or losses of such companies is not included in our Consolidated Statements of Operations, however, the result of observable price changes, if any, are reflected in Other income (loss), net. We include the carrying value of these interests in Ownership interests and advances on the Consolidated Balance Sheets.

The Company accounts for ownership interests that are not accounted for under the equity method and have a readily determinable fair value at fair value based on the closing stock price on the last trading day of the reporting period. Under this method, the changes in fair value are reflected in Other income (loss), net. As of December 31, 2022 those ownership interests consist of approximately 1.3 million common shares of Bright Health Group ("Bright Health") valued at $0.9 million.

Comprehensive Income (loss)

During the years ended December 31, 2022 or 2021, there were no items of comprehensive income (loss).

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 and advances, the recoverability of deferred tax assets, 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 for 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 and advances could change in the near term and that the effect of such changes on the consolidated financial statements could be material. At December 31, 2022, the Company believes the carrying value of the Company's ownership interests and advances 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

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 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 Cash

Restricted cash represents cash required to be set aside by a contractual agreement as a shareholder representative. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Statements of Cash Flows:

	December 31, 2022	December 31, 2021
	(In thousands)	
Cash and cash equivalents	$ 13,331	$ 24,739
Restricted cash	25	25
Total cash, cash equivalents and restricted cash	$ 13,356	$ 24,764

Financial Instruments

The Company's financial instruments (principally cash and cash equivalents, marketable securities, 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.

Right-of-use asset

Right-of-use assets represent an operating lease for office facilities. The right-of-use assets are reduced over the remaining term of the applicable lease (principally April 2026) in a manner that results in a straight-line lease expense, when combined with the interest factor on the lease liability.

Lease liability

The initial lease liability represents the present value of the fixed escalating lease payments through April 2026 associated with the Company's prior corporate headquarters operating office lease. The discount rate used to calculate the lease liability was based on the Company's incremental borrowing rate we would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease, which was approximately 12%, at the transition to the guidance of ASU No. 2016-02, *Leases*. Subsequent values of the lease liability reflect the reduction in the lease liability for operating lease payments less an amount representing interest, which is included in the straight-line lease expense. There is no residual value guarantee associated with this operating lease arrangement. The Company has incurred operating lease expenses and operating cash outflows of $0.5 million for each of the years ended December 31, 2022 and 2021, respectively, and $0.6 million for each of the years ended December 31, 2022 and 2021.

In March 2019, the Company entered into a sublease of its prior corporate headquarters office space. The term of the sublease is through April 2026, the same as the Company's underlying lease. Fixed sublease payments to the Company are escalating over the term of the sublease and are reported as a component of general and administrative expenses.

A summary of the Company's operating lease cash flows at December 31, 2022 follows:

	Operating lease payments	Expected sublease receipts
	(In thousands)	
2023	$ 607	$ 556
2024	613	573
2025	619	590
2026	207	199
2027	—	—
2028	—	—
Thereafter	—	—
Total future minimum lease payments	2,046	1,918
Less imputed interest	(368)	
Total operating lease liabilities	$ 1,678	

Impairment of Ownership Interests and Advances

On a periodic basis, but no less frequently than quarterly, the Company evaluates the carrying value of its ownership interests and advances for possible impairment based on achievement of business plan objectives and milestones, the estimated value of each company relative to its carrying value, the financial condition and prospects of the 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. Impairment is measured as the amount by which the carrying value of an asset exceeds its estimated fair value.

The estimated 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.

Impairment charges related to equity method companies are included in Equity income (loss), net in the Consolidated Statements of Operations. Impairment charges related to non-equity method companies and funds are included in Other income (loss), net in the Consolidated Statements of Operations.

The reduced cost basis of a previously impaired company accounted for using the Equity method are not written-up if circumstances suggest the value of the company has subsequently recovered.

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 a valuation allowance against the net deferred tax asset for amounts which are not considered more likely than not to be realized.

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 companies.

Segment Information

The Company operates as one operating segment based upon the similar nature of its technology-driven companies, the functional alignment of the organizational structure, and the reports that are regularly reviewed by the chief operating decision maker for the purpose of assessing performance and allocating resources.

2. Ownership Interests and Advances

The following summarizes the carrying value of the Company’s ownership interests and advances.

	December 31, 2022	December 31, 2021
	(In thousands)	
Equity Method:		
Companies	$ 8,749	$ 21,091
Private equity funds	97	117
	8,846	21,208
Other Method:		
Companies, fair value	860	4,549
Companies, fair value measurement alternative	1,067	514
Private equity funds, fair value measurement alternative	250	250
	2,177	5,313
Advances to companies	4,382	—
	$ 15,405	$ 26,521

In September 2022, Lumesis, Inc. was acquired by another entity for cash. The Company received $5.5 million in cash proceeds in connection with this transaction, excluding holdbacks and escrows. This transaction resulted in a gain of $4.9 million, including $0.8 million other receivable related to an indemnification escrow during the year ended December 31, 2022.

In March 2021, Zipnosis, Inc. was acquired by another entity, Bright Health. The Company received $3.5 million in cash proceeds, including escrows, and $15.3 million in preferred equity in the acquiror in connection with this transaction. This ownership interest represented a security that did not have a readily determinable fair value. Due to the inherent uncertainty of determining the fair value of ownership interests that do not have a readily determinable fair value, this estimated value may differ significantly from the value that would have been reported had a ready market for the security existed, and it is reasonably possible that the difference could be material. The Company recognized a $17.3 million gain on the sale, which is included in Equity income (loss), net in the Consolidated Statements of Operations. The fair value of the ownership interest received as a result of the acquisition was estimated based on evaluating several valuation methods available, including the value at which independent third parties have recently invested, the valuation of comparable public companies, and the present value of our expected outcomes. Assumptions considered within these methods include determining which public companies are comparable, projecting forward revenues, selecting an appropriate valuation multiple, discounts to apply for the lack of marketability or lack of comparability, other factors and the relative weight to apply to each valuation method available. Due to the unobservable nature of some of these inputs, we determined this initial estimate to be a Level 3 fair value measurement. During the three months ended June 30, 2021, Bright Health completed an initial public offering that resulted in our ownership interest converting into approximately 1.3 million common shares. Accordingly, the Bright Health common shares represent an ownership interest with a readily determinable fair value (Level 1), which will subsequently be measured at fair value with unrealized gains (losses) being reported as a component of Other income (loss), net. As a result, the Company recognized a $10.8 million unrealized loss, net, on Bright Health subsequent to the initial public offering during the year ended December 31, 2021. The Company recognized a $3.7 million unrealized loss on Bright Health during the year ended December 31, 2022.

In August 2021, Flashtalking was acquired by another entity. The Company has received $45.0 million in cash proceeds, including escrows, and included a $32.5 million gain in Other income (loss), net, during the year ended December 31, 2021. The Company may receive additional amounts of up to approximately $0.5 million over the next 12 months from the resolution of escrow contingencies.

In January 2021, WebLinc, Inc. was acquired by another entity. The Company has received $3.6 million in cash proceeds to-date, which could be partially offset by indemnifiable claims. The Company has recognized a $0.1 million loss on the sale during the year ended December 31, 2021, which is included in Equity income (loss), as certain contingencies were resolved. During the year ended December 31, 2022, the Company recognized $0.5 million as gain on sale as the result of the collection of additional amounts and as contingencies were resolved, those amounts were recorded as gain on the sale and included within Equity income (loss).

QuanticMind and Hoopla were acquired in separate transactions during the first quarter of 2021 by other entities, however there were no resultant proceeds to the Company. There was no resulting gain or loss due to this equity method ownership interest being impaired during the prior year.

In March 2021, the Company's ownership interest in T-REX Group, Inc., which was accounted for using the fair value measurement alternative, was acquired for $3.0 million in cash. The Company recognized a $0.9 million gain, which is included in Other income (loss), net.

In April 2021, Velano Vascular was acquired by another entity. The Company has received $4.0 million in cash proceeds, including escrows, and included a $1.9 million gain in Other income (loss), net, for the year ended December 31, 2021.

In December 2021, the Company received $2 million of contingent proceeds resulting from resolution of certain valuation thresholds remaining from the 2018 sale of AdvantEdge Healthcare Solutions.

During the year ended December 31, 2021, the Company recorded an impairment of $2.5 million related to reduced expectations for certain Other ownership interests, which is included in Other income (loss), net.

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As of December 31, 2022, the Company held ownership interests accounted for using the equity method in 8 non-consolidated companies.

Certain of the Company's ownership interests as of December 31, 2022 and 2021 included the following:

	Safeguard Primary Ownership as of December 31,		
Company Name	**2022**	**2021**	**Accounting Method**
Aktana, Inc.	13.6%	13.4%	Equity
Clutch Holdings, Inc.	41.7%	41.7%	Equity
InfoBionic, Inc.	25.2%	25.2%	Equity
meQuilibrium	31.3%	31.9%	Equity
Moxe Health Corporation	19.3%	27.6%	Equity
Prognos Health Inc.	28.4%	28.5%	Equity
Syapse, Inc.	11.0%	11.1%	Equity
Trice Medical, Inc.	11.6%	12.6%	Equity

Summarized Financial Information

The following table provides summarized financial information for ownership interests accounted for under the equity method for the periods presented and has been compiled from respective company financial statements, reflect certain historical adjustments, and are reported on a one quarter lag. Results of operations are excluded for periods prior to their acquisition and subsequent to their disposition. Historical results are not adjusted when the Company exits or writes-off a company.

	As of December 31,	
	2022	**2021**
	(In thousands)	
Balance Sheets:		
Current assets	$ 126,042	$ 127,651
Non-current assets	55,073	53,220
Total assets	$ 181,115	$ 180,871
Current liabilities	$ 92,990	$ 62,538
Non-current liabilities	220,681	158,975
Shareholders' deficit	(132,556)	(40,642)
Total liabilities and shareholders' deficit	$ 181,115	$ 180,871
Number of equity method ownership interests	8	9

	Year Ended December 31,	
	2022	**2021**
	(In thousands)	
Results of Operations:		
Revenue	$ 144,771	$ 140,670
Gross profit	$ 88,666	$ 90,388
Net loss	$ (152,936)	$ (106,363)

As of December 31, 2022, the Company's carrying value in equity method companies, in the aggregate, exceeded the Company's share of the net assets of such companies by approximately $2.7 million. Of this excess, $2.5 million was allocated to goodwill and $0.2 million was allocated to intangible assets.

3. Acquisitions of Ownership Interests

2022 Transactions

The Company funded $1.6 million of convertible loans to Syapse, Inc. The Company had previously deployed an aggregate of $25.0 million. Syapse drives healthcare transformation through precision medicine, enabling provider systems to improve clinical outcomes, streamline operations, and shift to new payment models.

The Company funded $2.0 million of convertible loans to Prognos Health Inc. The Company had previously deployed an aggregate of $12.6 million. Prognos is a healthcare platform company transforming the ability to access, manage and analyze healthcare data in partnership with life sciences brands, payers, and clinical diagnostics organizations. Prognos' innovations enhance the value of laboratory results and clinical diagnostic data through advanced analytics and artificial intelligence techniques.

The Company funded $1.4 million of convertible loans to Clutch Holdings, Inc. The Company had previously deployed an aggregate of $16.9 million. Clutch provides customer intelligence and personalized engagements that empower consumer-focused businesses to identify, understand and motivate each segment of their customer base.

The Company funded $0.5 million of convertible loans to meQuilibrium. The Company had previously deployed an aggregate of $14.0 million. meQuilibrium is a digital coaching platform that delivers clinically validated and highly personalized resilience solutions to employers, health plans, wellness providers, and consumers increasing engagement, productivity and performance, as well as improving outcomes in managing stress, health and well-being.

The Company funded $0.1 million of convertible loans to Trice Medical. The Company had previously deployed an aggregate of $11.8 million. Trice Medical is focused on orthopedic diagnostics using fully integrated camera-enabled technologies to provide clinical solutions to physicians. The Company also committed to provide another $0.3 million under certain conditions pursuant to a subordinated line of credit. The Company's obligation under this line of credit is included in accrued expenses. Subsequent to the year end, the Company funded $0.3 million in accordance with this line of credit.

2021 Transactions

The Company funded $1.7 million to Aktana, Inc. during the three months ended September 30, 2021. The Company had previously deployed an aggregate of $14.2 million. Aktana helps its customers improve their commercial effectiveness by delivering data-driven insights and suggestions directly to sales reps, coordinating multi-channel actions and providing insight regarding which strategies work best for which customers under which conditions.

Syapse raised $68 million of preferred equity during the three months ended March 31, 2021, which reduced the Company's ownership interest to approximately 11.1%. The Company recorded a $7.3 million dilution gain as a result of this transaction, which is included in Equity income (loss), net in the Consolidated Statements of Operation.

The Company funded $1 million of convertible loans to Trice Medical, Inc. during the three months ended June 30, 2021. During the three months ended September 30, 2021, Trice Medical raised additional preferred equity which reduced the Company's ownership interest to 12.6%. The Company's existing convertible loans and related interest in Trice Medical were also converted into this new class of preferred equity. As a result of this transaction, the Company recorded a $2.0 million dilution gain for the year ended December 31, 2021.

4. Fair Value Measurements

The Company categorizes its financial instruments into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

Cash, cash equivalents and restricted cash approximate fair value due to their short term nature. The Company did not have any Level 2 or Level 3 financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2022.

	Carrying Value	Fair Value Measurement at December 31, 2022		
		Level 1	Level 2	Level 3
		(in thousands)		
Cash and cash equivalents	$ 13,331	$ 13,331	$ —	$ —
Restricted cash	$ 25	$ 25	$ —	$ —
Marketable securities—held-to-maturity:				
U.S. Government securities	$ 5,956	$ 5,956	$ —	$ —
Ownership interests	$ 860	$ 860	$ —	$ —

	Carrying Value	Fair Value Measurement at December 31, 2021		
		Level 1	Level 2	Level 3
		(In thousands)		
Cash and cash equivalents	$ 24,739	$ 24,739	$ —	$ —
Restricted cash equivalents	$ 25	$ 25	$ —	$ —
Ownership interests	$ 4,549	$ 4,549	$ —	$ —

Ownership interests accounted for at fair value as of December 31, 2022 consist of approximately 1.3 million common shares of Bright Health. The securities are carried at fair value based on the closing stock price on the last trading day of the reporting period. The Company was restricted from trading these securities until December 2021 as a result of a lock-up agreement from the Bright Health Group initial public offering.

5. Equity

In July 2015, the Company's Board of Directors authorized the Company, from time to time and depending on market conditions, to repurchase up to $25.0 million of the Company's outstanding common stock. During the years ended December 31, 2022 and 2021, the Company did not repurchase any shares under the existing authorization.

In May 2021, the Company's Board of Directors authorized a $6.0 million share repurchase program (the "2021 Plan") using existing funds in accordance with the requirements of Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended. During the year ended December 31, 2021, the Company purchased 236,159 shares under the 2021 Plan at an aggregate cost of $1.6 million, or $6.94 per share. During October 2021, the Company suspended the 2021 Plan and completed a modified Dutch auction self-tender that resulted in the repurchase of 4.3 million common shares for an aggregate price of $38.7 million, or $9.00 per share.

In March 2022, the Company's Board of Directors replaced the 2021 Plan and authorized a separate $3.0 million share repurchase program (the "2022 Plan") using existing funds in accordance with the requirements of Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended. During the year ended December 31, 2022, the Company purchased 711,481 shares under the 2022 Plan at an aggregate cost of $2.9 million, or $4.13 per share. The Company completed the 2022 Plan in January 2023 by purchasing an additional 25,096 shares, resulting in an average price of $4.09 for the 2022 Program.

6. Stock-Based Compensation

Equity Compensation Plans

The 2014 Equity Compensation Plan has 4.1 million shares authorized for issuance. During 2022 and 2021, the Company issued no stock-based awards outside of existing plans. To the extent allowable, service-based options are incentive stock options. Options granted under the plans are at prices equal to or greater than the fair market value at the date of grant. Upon exercise of stock options, the Company issues shares first from treasury stock, if available, then from authorized but unissued shares. At December 31, 2022, the Company had reserved 2.2 million shares of common stock for possible future issuance under its 2014 Equity Compensation Plan and other previously expired equity compensation plans.

Classification of Stock-Based Compensation Expense

Stock-based compensation consists of time based awards to employees, financial liability based awards to employees and non-employees to be settled in stock, performance based awards to employees, and financial liability based awards to Directors for quarterly and annual services. Stock-based compensation expense was recognized in the Consolidated Statements of Operations as follows:

	Year Ended December 31,	
	2022	2021
	(In thousands)	
General and administrative expense	$ 1,445	$ 1,779
	$ 1,445	$ 1,779

Stock-based compensation expense of $1.2 million and $1.2 million was recognized during the years ended December 31, 2022 and 2021, respectively, related to annual and quarterly Board fees, time based management awards and management bonuses earned during the year that were subsequently settled in stock. For the years ended December 31, 2022 and 2021, respectively, the Company issued 165 thousand and 83 thousand of restricted shares to Directors for their annual and quarterly services. The annual grants vest over a one year period, or are vested at issuance for directors 65 or older, while quarterly amounts are paid in arrears. The Company vested 110 thousand and 95 thousand shares during the years ended December 31, 2022 and 2021. The Company vested 22 thousand and 67 thousand shares during the years ended December 31, 2022 and 2021, respectively, for time based management compensation. The Company settled in stock other management bonuses resulting in the issuance of 82 thousand and 60 thousand vested shares for the years ended December 31, 2022 and 2021, respectively. The Company issued 15 thousand and 20 thousand vested shares to a non-employee for services during the years ended December 31, 2022 and 2021. The Company had liabilities of $0.4 million and $0.8 million as of December 31, 2022 and 2021, respectively, that were settled through the issuance of common stock in the subsequent period.

The Company has previously granted certain performance-based stock units that vest based on the achievement of targeted capital returns based on net cash proceeds received by the Company on the sale, merger or other exit transaction of certain identified companies. The requisite service periods for these performance-based awards were based on the Company's estimate of when the performance conditions will be met. Compensation expense was recognized for performance-based awards for which the performance condition is considered probable of achievement. During the years ended December 31, 2022 and 2021, respectively, 92 thousand and 6 thousand performance-based stock units pursuant to these targeted capital return pools were canceled or forfeited. The Company recorded a reduction of compensation expense related to these performance-based awards of zero and $0.1 million for the years ended December 31, 2022 and 2021, respectively. During October 2020 and in January 2022, the Company granted the CEO restricted stock units that may vest based on certain performance targets and criteria determined by the Board of Directors. Such performance-based stock units represent the right to receive shares of the Company's common stock, on a one-for-one basis at target, or up to 120% with respect to the 2020 grant, for certain specified thresholds. For the years ended December 31, 2022 and 2021, the Company recognized stock based compensation expense of $0.2 million and $0.5 million, respectively, and vested 64 thousand and 85 thousand shares, respectively, pursuant to these arrangements.

Unrecognized compensation expense related to performance stock units and restricted stock at December 31, 2022 was immaterial.

While there were no stock options granted during 2022 and 2021, the Company had outstanding options that vest based on two different types of vesting schedules:

1) performance-based; and

2) service-based.

Performance-based option awards also entitled participants to vest in a number of awards determined by achievement by the Company of target capital returns based on net cash proceeds received by the Company upon the sale, merger or other exit transaction of certain identified companies. Compensation expense is recognized over the requisite service periods using the straight-line method but is accelerated if capital return targets are achieved earlier than estimated. The Company did not issue any performance-based units during the years ended December 31, 2022 and 2021. During the years ended December 31, 2022 and 2021, respectively, 0 thousand and 1 thousand performance-based options vested and an immaterial amount of compensation cost was recognized. During the years ended December 31, 2022 and 2021, respectively, 11 thousand and 11 thousand performance-based options were canceled or forfeited. The maximum number of unvested options at December 31, 2022 attainable under these grants was zero shares.

Service-based awards generally vest over four years after the date of grant and expire eight years after the date of grant. Compensation expense is recognized over the requisite service period using the straight-line method. The requisite service period for service-based awards is the period over which the award vests. During the years ended December 31, 2022 and 2021, respectively, the Company issued no service-based options to employees and recorded zero compensation expense from the vesting of previously issued awards. During the years ended December 31, 2022 and 2021, respectively, 0 thousand and 5 thousand service-based options were canceled or forfeited.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Option activity of the Company is summarized below:

	Shares (In thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2021	45	14.20		
Options granted	—	—		
Options exercised	—	—		
Options canceled/forfeited	(16)	14.20		
Outstanding at December 31, 2021	29	14.20		
Options granted	—	—		
Options exercised	—	—		
Options canceled/forfeited	(11)	14.48		
Outstanding at December 31, 2022	18	14.05	1.50	$ —
Options exercisable at December 31, 2022	18	14.05	1.50	—
Shares available for future grant	2,134			

At December 31, 2022, total unrecognized compensation cost related to non-vested service-based options was immaterial. At December 31, 2022, total unrecognized compensation cost related to non-vested performance-based options was immaterial.

Deferred stock unit, performance-based stock unit and restricted stock activity are summarized below:

	Shares (In thousands)	Weighted Average Grant Date Fair Value
Unvested at January 1, 2021	287	$ 8.78
Granted	163	7.21
Vested	(242)	6.82
Forfeited	(6)	14.99
Unvested at December 31, 2021	202	9.70
Granted	343	5.60
Vested	(293)	5.77
Forfeited	(92)	13.90
Unvested at December 31, 2022	160	5.70

7. Employee Benefit Plan

The Company maintains a qualified 401(k) retirement plan for eligible employees. The Plan’s matching formula is 100% of the first 5% of participants’ qualified compensation. Compensation expense related to our matching contributions to the Plan for the years ended December 31, 2022 and 2021, were $0.1 million and $0.1 million, respectively.

8. Income Taxes

The federal and state provision (benefit) for income taxes was $0.0 million for the years ended December 31, 2022 and 2021.

The total income tax provision (benefit) differed from the amounts computed by applying the U.S. federal income tax rate of 21.0% for the years ended December 31, 2022 and 2021 to net income (loss) before income taxes as a result of the following:

	Year Ended December 31, 2022	2021
Statutory tax expense (benefit)	(21.0)%	21.0%
Increase (decrease) in taxes resulting from:		
Nondeductible expenses	(2.6)	3.3
Valuation allowance	23.6	(24.3)
	0.0%	0.0%

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets were as follows:

	As of December 31,	
	2022	2021
	(In thousands)	
Deferred tax asset:		
Carrying values of ownership interests and other holdings	$ 33,222	$ 31,985
Tax loss and credit carryforwards	68,492	77,045
Disallowed interest carryforwards	6,891	7,120
Accrued expenses	47	24
Stock-based compensation	180	268
Other	(106)	136
	108,726	116,578
Valuation allowance	(108,726)	(116,578)
Net deferred tax asset	$ —	$ —

As of December 31, 2022, the Company and its subsidiaries had federal net operating and capital loss carryforwards for tax purposes of approximately $326 million, of which approximately $60 million have an indefinite life. These carryforwards expire as follows:

	Total
	(In thousands)
2023	$ 45,830
2024	50,140
2025	17,266
2026	7,648
2027 and thereafter	145,275
	$ 266,159

In assessing the recoverability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company has determined that it is more likely than not that certain future tax benefits may not be realized as a result of current and future income. Accordingly, a valuation allowance has been recorded against substantially all of the Company's deferred tax assets.

The Company recognizes in its Consolidated Financial Statements the impact of a tax position if that position is more likely than not to be sustained upon examination, based on the technical merits of the position. All uncertain tax positions relate to unrecognized tax benefits that would impact the effective tax rate when recognized.

The Company does not expect any material increase or decrease in its income tax expense, in the next twelve months, related to examinations or changes in uncertain tax positions.

There were no changes in the Company's uncertain tax positions for the years ended December 31, 2022 and 2021.

The Company files income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. Tax years 2015 and forward remain open for examination for federal tax purposes and the Company's more significant state tax jurisdictions. To the extent utilized in future years' tax returns, net operating loss carryforwards at December 31, 2022 will remain subject to examination until the respective tax year is closed. The Company recognizes penalties and interest accrued related to income tax liabilities in income tax benefit (expense) in the Consolidated Statements of Operations.

9. Net Income (Loss) Per Share

The calculations of net income (loss) per share were:

	Year Ended December 31, 2022	2021
	(In thousands, except per share data)	
Basic:		
Net income (loss)	$ (14,263)	$ 27,004
Weighted average common shares outstanding	16,337	19,827
Net income (loss) per share	$ (0.87)	$ 1.36
Diluted:		
Net income (loss)	$ (14,263)	$ 27,004
Weighted average common shares outstanding	16,337	19,827
Net income (loss) per share	$ (0.87)	$ 1.36

Basic and diluted average common shares outstanding for purposes of computing net income (loss) per share includes outstanding common shares and vested deferred stock units (DSUs).

If an equity method company has dilutive stock options, unvested restricted stock, DSUs, or warrants, diluted net income (loss) per share is computed by first deducting from net income (loss) the income attributable to the potential exercise of the dilutive securities of the company from net income (loss). Any impact is shown as an adjustment to net income (loss) for purposes of calculating diluted net income (loss) per share.

Diluted income (loss) per share for the years ended December 31, 2022 and 2021 do not reflect the following potential shares of common stock that would have an anti-dilutive effect or have unsatisfied performance or market conditions:

- At December 31, 2022 and 2021, options to purchase 18 thousand and 29 thousand shares of common stock, respectively, at prices ranging from $10.37 to $17.11 per share, and $10.37 to $17.11 per share per share, respectively, were excluded from the calculation.
- At December 31, 2022 and 2021, unvested restricted stock, performance-based stock units and DSUs convertible into 0.2 million and 0.2 million shares of stock, respectively, were excluded from the calculations.

10. Related Party Transactions

In the normal course of business, the Company's officers and employees hold board positions with companies in which the Company has a direct or indirect ownership interest.

11. Commitments and Contingencies

The Company and the companies in which it holds ownership interests are involved in various claims and legal actions arising in the ordinary course of business. In the current opinion of the Company, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations, however, no assurance can be given as to the outcome of these actions, and one or more adverse rulings could have a material adverse effect on the Company's consolidated financial position and results of operations or that of its companies. The Company records costs associated with legal fees as such services are rendered.

The Company has provided a guarantee, which is fully funded by escrowed funds held by a third party, of $3.8 million at December 31, 2022 which related to one of the Company's private equity holdings.

The Company has agreements with certain employees that provide for severance payments to the employee in the event the employee is terminated without cause or an employee terminates his employment for "good reason." The maximum aggregate exposure under severance agreements for remaining employees is approximately $1.1 million at December 31, 2022 and 250,000 common shares.

In 2018, the Board of Directors (the "Board") of the Company adopted a long-term incentive plan, which was amended in February 2019 and June 2020, known as the Amended and Restated Safeguard Scientifics Transaction Bonus Plan (the "LTIP"). The purpose of the LTIP is to promote the interests of the Company and its shareholders by providing an additional incentive to employees to maximize the value of the Company in connection with the execution of the business strategy that the Company adopted and announced in January 2018. The June 2020 amendment lowered the level of the first threshold and the resulting bonus pool percentage as an incentive to employees to accelerate actions consistent with the business strategy. Under the LTIP, participants, which includes certain current and former employees, have received awards that may result in cash payments in connection with sales of the Company's ownership interests ("Sale Transaction(s)"). The LTIP provides for a bonus pool corresponding to: (i) specified vesting thresholds or (ii) specified events. In the first case, the bonus pool will range from an amount equal to 0.2% (previously 1.0%) of received proceeds at the first threshold to 1.3% at higher thresholds. In the second case, a minimum pool will be created and paid under specified circumstances. The bonus pool will be allocated and paid to participants in the LTIP based on the product of (i) the participant's applicable bonus pool percentage and (ii) the bonus pool calculated as of the vesting date, minus any previously paid portion of the bonus pool. Any portion of the bonus pool available as of the applicable vesting date that is reserved will be allocated in connection with each vesting date so that the entire bonus pool available as of such vesting date is allocated and payable to participants. Subject to the terms of the LTIP, payments under the LTIP will be paid in cash within 60 days of the applicable vesting date. All current officers and employees of the Company are eligible to participate in the LTIP. The Board, in its sole discretion, will determine the participants to whom awards are granted under the LTIP. The Company recorded compensation expense of zero and $0.7 million during the years ended December 31, 2022 and 2021, respectively. The Company paid $2.5 million during the year ended December 31, 2021 and has no amounts accrued under the LTIP as of December 31, 2022.

In June 2011, Advanced BioHealing, Inc. ("ABH") was acquired by Shire plc ("Shire"). Prior to the expiration of the escrow period in March 2012, Shire filed a claim against all amounts held in escrow related to the sale based principally upon a United States Department of Justice ("DOJ") false claims act investigation relating to ABH (the "Investigation"). In connection with the Investigation, in July 2015 the Company received a Civil Investigation Demand-Documentary Material ("CID") from the DOJ regarding ABH and Safeguard's relationship with ABH. Pursuant to the CID, the Company provided the requested materials and information. To the Company's knowledge, the CID was related to multiple qui tam ("whistleblower") actions, one of which was filed in 2014 by an ex-employee of ABH that named the Company and one of the Company's employees along with other entities and individuals as defendants. At this time, the DOJ has declined to pursue the qui tam action as it relates to the Company and such Company employee. In addition, in connection with the above matters, the Company and other former equity holders in ABH entered into a settlement and release with Shire, which resulted in the release to Shire of all amounts held in escrow related to the sale of ABH.

12. Supplemental Cash Flow Information

During the years ended December 31, 2022 and 2021, the Company converted zero and $1.0 million, respectively, of advances into ownership interests.

13. Segment Reporting

The Company operates as one operating segment based upon the similar nature of its technology-driven companies, the functional alignment of the organizational structure, and the reports that are regularly reviewed by the chief operating decision maker for the purpose of assessing performance and allocating resources.

As of December 31, 2022 and 2021, all of the Company’s assets were located in the United States.

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

14. Selected Quarterly Financial Information (Unaudited)

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(In thousands, except per share data)			
2022:				
General and administrative expense	$ 1,234	$ 1,146	$ 1,360	$ 1,035
Operating loss	(1,234)	(1,146)	(1,360)	(1,035)
Other income (loss), net	(1,997)	30	(1,012)	(318)
Interest income	101	145	230	318
Equity income (loss), net	(3,579)	1,454	(1,022)	(3,838)
Net loss before income taxes	(6,709)	483	(3,164)	(4,873)
Income tax benefit (expense)	—	—	—	—
Net loss	$ (6,709)	$ 483	$ (3,164)	$ (4,873)
Net loss per share (a)				
Basic	$ (0.40)	$ 0.03	$ (0.19)	$ (0.30)
Diluted	$ (0.40)	$ 0.03	$ (0.19)	$ (0.30)
2021:				
General and administrative expense	$ 2,463	$ 1,991	$ 1,564	$ 1,135
Operating loss	(2,463)	(1,991)	(1,564)	(1,135)
Other income (loss), net	706	6,733	20,588	(5,992)
Interest income	53	74	70	79
Equity income (loss), net	19,329	(5,136)	(761)	(1,586)
Net income (loss) before income taxes	17,625	(320)	18,333	(8,634)
Income tax benefit (expense)	—	—	—	—
Net income (loss)	$ 17,625	$ (320)	$ 18,333	$ (8,634)
Net income (loss) per share (a)				
Basic	$ 0.84	$ (0.02)	$ 0.88	$ (0.51)
Diluted	$ 0.84	$ (0.02)	$ 0.88	$ (0.51)

(a) Per share amounts for the quarters have each been calculated separately. Accordingly, quarterly amounts may not add to the annual amounts because of differences in the average common shares outstanding during each period. Additionally, in regard to diluted per share amounts only, quarterly amounts may not add to the annual amounts because of the inclusion of the effect of potentially dilutive securities only in the periods in which such effect would have been dilutive, and because of the adjustments to net income (loss) for the dilutive effect of common stock equivalents and convertible securities at our ownership interests.

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2022. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures as of December 31, 2022 are functioning effectively.

(b) Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. 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. Our internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our 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.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. In making this assessment, management used the framework established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As a result of this assessment and based on the criteria in the COSO framework, management has concluded that, as of December 31, 2022, the Company's internal control over financial reporting was effective.

(c) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Incorporated by reference to the portions of our Definitive Proxy Statement entitled “Election of Directors,” “Corporate Governance and Board Matters” and “Section 16(a) Beneficial Ownership Reporting Compliance.” Information about our Executive Officers is included in Annex to Part I above.

Item 11. ***Executive Compensation***

Incorporated by reference to the portions of our Definitive Proxy Statement entitled “Compensation Discussion and Analysis,” “Compensation Committee Report” and “Executive Compensation.”

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The material features of our equity compensation plans are described in Note 7 to the Consolidated Financial Statements filed as part of our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Incorporated by reference to the portions of the Definitive Proxy Statement entitled "Corporate Governance Principles and Board Matters – 'Board Independence' and "Review and Approval of Transactions with Related Persons."

Item 14. ***Principal Accountant Fees and Services***

Incorporated by reference to the portion of the Definitive Proxy Statement entitled "Independent Public Accountant – Audit Fees."

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) Consolidated Financial Statements and Schedules

Incorporated by reference to Item 8 of this Report on Form 10-K.

(b) Exhibits

The exhibits required to be filed as part of this Report are listed in the exhibit index below.

(c) Financial Statement Schedules

None.

Exhibits

The following is a list of exhibits required by Item 601 of Regulation S-K filed as part of this Report. For exhibits that previously have been filed, the Registrant incorporates those exhibits herein by reference. The exhibit table below includes the Form Type and Filing Date of the previous filing and the location of the exhibit in the previous filing which is being incorporated by reference herein. Documents which are incorporated by reference to filings by parties other than the Registrant are identified in footnotes to this table.

		Incorporated Filing Reference	
Exhibit Number	Description	Form Type & Filing Date	Original Exhibit Number
1.a	Description		
3.1.1	Seconded Amended and Restated Articles of Incorporation of Safeguard Scientifics, Inc.	Form 8-K 10/25/07	3.1
3.1.2	Amendment to Seconded Amended and Restated Articles of Incorporation of Safeguard Scientifics, Inc.	Form 8-K 8/27/09	3.1
3.1.3	Statement with Respect to Shares	Form 10-Q 4/25/14	3.1
3.1.4	Statement of Designation of Series B Junior Participating Preferred Stock	Form 8-K 2/20/18	3.1
3.2	Third Amended and Restated By-laws of Safeguard Scientifics, Inc.	Form 8-K 2/13/18	3.1
10.1*	Safeguard Scientifics, Inc. 1999 Equity Compensation Plan, as amended and restated on October 21, 2008	Form 10-Q 11/6/08	10.4
10.2	Safeguard Scientifics, Inc. 2001 Associates Equity Compensation Plan, as amended and restated on October 21, 2008	Form 10-Q 11/6/08	10.5
10.3*	Safeguard Scientifics, Inc. 2014 Equity Compensation Plan, as amended and restated on March 5, 2014	Form 10-Q 7/25/14	10.1
10.4*	Safeguard Scientifics, Inc. Executive Deferred Compensation Plan (amended and restated as of January 1, 2009)	Form 10-K 3/19/09	10.4
10.5*	Management Incentive Plan	Form 8-K 4/25/08	10.1
10.6*	Amended and Restated Safeguard Scientifics, Inc. Transaction bonus plan	Form 10-Q 8/12/20	10.6
10.7	Compensation Summary — Non-employee Directors	Form 10-K 3/11/22	10.7
10.9.2*	Letter Agreement between Safeguard Scientifics, Inc. and Eric Salzman dated January 1, 2023	Form 8-K 1/4/23	10.1

10.12*	Compensation Agreement by and between Safeguard Scientifics, Inc. and Mark Herndon dated September 17, 2018	Form 8-K 9/18/18	99.1
10.13*	Key Employee Compensation Recoupment Policy	Form 10-Q 7/26/13	10.2
10.14	Purchase and Sale Agreement dated as of December 9, 2005 by and among HarbourVest VII Venture Ltd., Dover Street VI L.P. and several subsidiaries and affiliated limited partnerships of Safeguard Scientifics, Inc.	Form 10-K 3/13/06	10.36
10.15	Consent Agreement, dated as of May 17, 2011, by and among Shire Pharmaceuticals, Inc. and certain stockholders of Advanced BioHealing, Inc.	Form 8-K 5/18/11	10.1
10.16	Lease Agreement, effective February 2, 2015, between Safeguard Scientifics, Inc., a Pennsylvania corporation, and Radnor Properties-SDC, L.P., a Delaware limited partnership	Form 10-Q 4/24/15	10.1
10.17	Sublease Agreement, effective March 15, 2019, by and between Safeguard Scientifics, Inc., a Pennsylvania corporation and the subtenant named therein	Form 8-K 3/20/19	10.1
14.1	Code of Business Conduct and Ethics	—	—
21.1 †	List of Subsidiaries	—	—
23.1 †	Consent of Independent Registered Public Accounting Firm — Grant Thornton LLP	—	—
31.1 †	Certification of Eric C. Salzman pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934	—	—
31.2 †	Certification of Mark A. Herndon pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934	—	—
32.1 ‡	Certification of Eric C. Salzman pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	—	—
32.2 ‡	Certification of Mark A. Herndon pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	—	—
101	The following materials from Safeguard Scientifics, Inc. Annual Report on Form 10-K for the year ended December 31, 2022, formatted in Inline XBRL (eXtensible Business Reporting Language); (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations; (iii) Consolidated Statements of Comprehensive Income (Loss); (iv) Consolidated Statements of Changes in Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.	—	—
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	—	—

† Filed herewith

‡ Furnished herewith

* These exhibits relate to management contracts or compensatory plans, contracts or arrangements in which directors and/or executive officers of the Registrant may participate.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SAFEGUARD SCIENTIFICS, INC.

By: /s/ ERIC C. SALZMAN
Eric C. Salzman
Chief Executive Officer

Dated: March 10, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ERIC C. SALZMAN Eric C. Salzman	Chief Executive Officer (Principal Executive Officer)	March 10, 2023
/s/ MARK A. HERNDON Mark A. Herndon	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2023
/s/ ROSS D. DEMONT Ross D. DeMont	Director	March 10, 2023
/s/ RUSSELL D. GLASS Russell D. Glass	Director	March 10, 2023
/s/ BETH S. MICHELSON Beth S. Michelson	Director	March 10, 2023
/s/ JOSEPH M. MANKO, JR. Joseph M. Manko, Jr.	Chairman of the Board of Directors	March 10, 2023
/s/ MAUREEN F. MORRISON Maureen F. Morrison	Director	March 10, 2023

SAFEGUARD

SAFEGUARD SCIENTIFICS, INC.
CODE OF BUSINESS CONDUCT AND ETHICS

I. Background - Administration

The reputation and integrity of Safeguard Scientifics, Inc. ("Company" or "Safeguard") is a valuable asset that is vital to our success.

Each Company employee, including each of the Company's officers, and each Company director is responsible for conducting the Company's business in a manner that demonstrates a commitment to the highest standards of integrity. This Code of Business Conduct and Ethics ("Code"), which applies to all directors, officers and employees of the Company (collectively referred to as "Company Personnel"), has been adopted to help Company Personnel meet these standards. Specifically, the purpose of this Code is to:

- encourage among Company Personnel a culture of honesty, accountability and mutual respect;
- provide guidance to help Company Personnel recognize and deal with ethical issues; and
- provide mechanisms for Company Personnel to report unethical conduct.

While this Code is designed to provide helpful guidelines, it is not intended to address every specific situation. Nevertheless, in every instance, we require that Company Personnel act honestly, fairly and with a view towards "doing the right thing."

The Safeguard Scientifics, Inc. Board of Directors ("Safeguard Board") is ultimately responsible for oversight of the Code. The Safeguard Board has designated G. Matthew Barnard, or his successor, to be the compliance officer (the "Compliance Officer") for the implementation and administration of the Code. Company Personnel should feel free to direct questions concerning this Code to the Compliance Officer:

Safeguard Scientifics, Inc.
Attention: Compliance Officer
150 N. Radnor Chester Rd., STE F-200
Radnor, PA 19087
e-mail address: complianceofficer@safeguard.com

II. Overview

It is the policy of the Company to: (a) comply with all applicable governmental laws, rules and regulations; (b) expect that all Company Personnel at all times observe honest and ethical conduct in the performance of their responsibilities, including the avoidance of conflicts of interest; (c) expect all Company Personnel to treat others with dignity, including other employees, shareholders, customers and vendors; and (d) encourage and support internal disclosure of any violation of this Code for appropriate action.

The Code governs the business-related conduct of all Company Personnel, including, but not limited to, the chief executive officer, chief financial officer and all other officers of Safeguard. Directors of the Company who are not employees are subject to this Code only as it relates to their capacities as directors.

III. **Compliance With Law**

A variety of laws apply to the Company and its operations. Company Personnel are expected to comply with all such laws, as well as rules and regulations adopted under such laws. Examples of criminal violations under these laws include:

- stealing, embezzling or misapplying corporate or bank funds;
- using threats, physical force or other unauthorized means to collect money;
- making false entries in the books and records of the Company, or engaging in any conduct that results in the making of such false entries;
- making a payment for an express purpose on the Company's behalf to an individual who intends to use it for a different purpose;
- utilizing the Company's funds or other assets or services to make a political contribution or expenditure; and
- making payments, whether corporate or personal, of cash or other items of value that are intended to influence the judgment or actions of political candidates, government officials or businesses in connection with any of the Company's activities.

The Company must and will report all suspected criminal violations to the appropriate authorities for possible prosecution and will investigate, address and report to governmental or other authorities, as appropriate, non-criminal violations.

IV. **Conflicts of Interest**

Company Personnel are expected to make or participate in business decisions and actions in the course of their service to the Company based on the best interests of the Company as a whole, and not based on personal relationships or personal benefits. A conflict of interest, which can occur or appear to occur in a wide variety of situations, can compromise the business ethics of Company Personnel. Generally speaking, a conflict of interest occurs when the personal interest of Company Personnel or members of their immediate family interferes with, or has the potential to interfere with, the interests or business of the Company. For example, a conflict of interest may occur where Company Personnel or a family member receives a gift, a unique advantage, or an improper personal benefit as a result of the Company Personnel's position at the Company. A conflict of interest could make it difficult for such person to perform corporate duties objectively and effectively because he or she is involved in a competing interest. The following is a discussion of certain common areas that raise conflict of interest issues. However, a conflict of interest can occur in a variety of situations. Company Personnel must be alert to recognize any situation that may raise conflict of interest issues and must disclose to the Compliance Officer any material transaction or relationship that reasonably could be expected to give rise to actual or apparent conflicts of interest with the Company.

Outside Activities/Employment – Any outside activity must not significantly encroach on the time and attention Company Personnel devote to their corporate duties and must not adversely affect the quality or quantity of their work. In addition, Company Personnel may not make use of corporate equipment, facilities or supplies for, or imply (without the Company's approval) the Company's sponsorship or endorsement of, any outside activity, and under no circumstances are Company Personnel permitted to take for themselves or their family members business opportunities that are discovered or made available by virtue of their positions at the Company. Moreover, unless the Audit Committee of the Company's Board of Directors shall have approved or ratified a particular transaction or situation in accordance with the Company's Statement of Policy with Respect to Related Party Transactions, Company Personnel may not (i) have any financial or economic interest in (a) any entity that is, or to such person's knowledge may become, a vendor to, or a customer or competitor of, the Company or any of the companies in which the Company has an interest; or (b) any entity that otherwise has or may have a relationship with, or might expect financial or other support from, the Company or any of the companies in which the Company has an interest; or (ii) provide services to or perform services for the benefit of any such entity, other than services performed at the request of or on behalf of the Company. For purposes of clarity and consistency, the preceding sentence shall be interpreted to include the purchase or other acquisition by any Company Personnel of any financial or economic interest in the companies in which the Company has, or is proposed to have, an interest, whether directly or through a public market transaction, or otherwise. Company employees are prohibited from taking part in any outside employment without Safeguard's prior written approval.

Notwithstanding the foregoing, other than relating to the companies in which the Company has an interest, Company Personnel generally may have (i) a passive investment in up to five percent of the total outstanding shares of an entity that is listed on a national or international exchange, the OTC Bulletin Board or a similar quotation service or (ii) a limited partnership interest in a private equity, venture capital or similar fund constituting less than five percent of such fund's committed capital, provided that the investment is not so large financially either in absolute dollars or as a percentage of the person's total net worth that it creates the appearance of a conflict of interest.

Directors of the Company who are not employees of the Company must be sensitive to situations in which they may be associated with, or have business or financial interests in, corporations or other business entities that, from time to time, have business dealings with the Company or which may compete with the Company. While these relationships and interests are not prohibited, they should be avoided where reasonably practicable. Any Company director who becomes engaged in such a relationship or interest must promptly bring it to the attention of the Chairperson of the Safeguard Board. The Chairperson shall promptly refer such matter to the full Safeguard Board or an appropriately authorized committee of the Safeguard Board for consideration and appropriate disposition. If a conflict cannot be avoided, it must be managed in an ethical and responsible manner.

Civic/Political Activities – Company Personnel are encouraged to participate in civic, charitable or political activities so long as such participation does not encroach on the time and attention they are expected to devote to their Company-related duties. Such activities are to be conducted in a manner that does not involve the Company or its assets or facilities and does not create an appearance of the Company's sponsorship or endorsement.

Inventions, Books and Publications – Company employees must receive written permission from the Compliance Officer before developing, outside of the Company, any products, software or intellectual property that may be related to the Company's current or potential business.

Proper Payments – Company Personnel shall pay for and receive only that which is proper. Company Personnel must not make or promise payments to influence another's acts or decisions, and Company employees must not give gifts beyond those extended in normal business.

Gifts – Company Personnel and members of their families must not give or receive valuable gifts (including gifts of equipment or money, discounts, or favored personal treatment) to or from any person associated with Safeguard's vendors or customers. Acceptance of a gift in the nature of a memento, such as a conference gift or other inconsequential gift valued at less than five hundred dollars ($500), is permitted. Engaging in normal, occasional business-related entertainment, such as meals or the use of sporting, theatrical or other public event tickets, is permissible with the understanding that it is expected that Company Personnel will exercise sound judgment in reliance on this exception so as to avoid any situation that may otherwise be subject to question.

Loans to Directors and Employees – The Company will not make loans or extend credit guarantees to or for the personal benefit of directors and executive officers except as permitted by law and the listing standards of any exchange or quotation system on which the Company's common stock is listed. Loans or guarantees may be extended to other employees only with the Company's approval.

Insider Trading – Company Personnel are prohibited from trading in securities while in possession of material, nonpublic information. Among other things, trading while in possession of material, nonpublic information can subject the person to criminal or civil penalties. The Company has adopted a Statement of Company Policy for Insider Trading and Disclosure and requires all Company Personnel to sign a statement acknowledging that they have read, understand and will comply with the policies set forth therein.

V. **Fair Dealing**

Company Personnel shall deal fairly and in good faith with each other and the Company's customers, suppliers, regulators, business partners and others. Company Personnel may not take unfair advantage of anyone through manipulation, misrepresentation, inappropriate threats, fraud, abuse of confidential information or other related conduct.

VI. **Proper Use of Company Assets**

As a general rule, Company assets, including facilities, equipment, materials, supplies, time, information, intellectual property, software, and other assets owned or leased by the Company, or that are otherwise in the Company's possession, may be used only for legitimate business purposes. However, the Company makes an exception for incidental personal use (e.g., telephone calls to a friend or family member, sending a personal e-mail message, accessing the Web, etc.) provided that such incidental personal use is legal, ethical, appropriate and does not interfere with the conscientious performance of an employee's duties.

VII. **Delegation of Authority**

Company Personnel, and particularly each of the Company's officers and other managerial employees, must exercise due care to ensure that any delegation of authority is reasonable and appropriate in scope and includes appropriate and continuous monitoring.

VIII. **Handling Confidential Information**

Company Personnel have an obligation to protect and keep confidential all nonpublic information related to the Company ("Confidential Information") unless and until its disclosure is approved by the Company and one full business day has passed following its disclosure by the Company in publicly filed SEC reports, press releases, external website, other institutionalized methods of electronic communication, or where disclosure is otherwise mandated by law or regulation. Confidential Information includes all nonpublic information entrusted to or obtained by Company Personnel by virtue of their affiliation with or employment by the Company or their service on the Company's Board of Directors. Confidential Information includes but is not limited to information relating to:

- the Company's strategy, business, finances, prospects, plans, and operations;

- proposed mergers, acquisitions, divestitures, new business ventures, opportunities, partnerships or agreements;
- news of a pending initial or secondary public offering of securities, other public or private sales of securities, stock splits or tender offers;
- products, orders, contracts, customers, vendors or competitors;
- employee records;
- the proceedings, discussions and deliberations of the Board and its committees;
- discussions relating to the Company by and among employees, officers and directors; and
- third party confidential and proprietary information that has been provided to the Company and which the Company is under an obligation to maintain as confidential.

In addition, Company Personnel must safeguard proprietary information, which includes information that is not generally known to the public and has commercial value in the Company's business. Proprietary information includes, among other things, software programs, source and object codes, trade secrets, ideas, techniques, inventions (whether patentable or not) and other information relating to designs, algorithms and research. It also includes information relating to marketing, pricing, customers, and terms of compensation for Company Personnel. The obligation to safeguard proprietary information continues even after employment or service with the Company ends.

Please keep in mind the following guidelines in order to protect Confidential Information:

- Do not discuss Confidential Information in public places.
- Do not forward Confidential Information or proprietary information to non-Company email accounts.
- Beware of informal telephone or email requests from outsiders requesting information (including but not limited to requests for comments on expected financial performance, information about current or former employees, or requests from the media).

The Company's Statement of Company Policy on Insider Trading and Disclosure contains additional information concerning confidentiality obligations for Company Personnel.

IX. **Public Disclosures**

As a public company, the Company must ensure that its filings and submissions with the SEC and other public communications provide full, fair, timely, accurate and understandable disclosure. Company Personnel engaged in the preparation of these filings, submissions and communications ("Public Disclosure Personnel") must endeavor to ensure that the Company's filings, submissions, and communications meet these objectives. Depending on their duties and responsibilities, other employees may be called upon to provide information to assure that the Company's reports are complete, fair and understandable. To this end, all transactions affecting assets, liabilities, stockholders' equity, revenues and expenses must be recorded on a timely basis in detailed journals and must be traceable through the general ledger and resulting financial statements. Accounting and financial reporting practices must be fair and proper, in accordance with generally accepted accounting principles.

Company Personnel are expected to take this responsibility very seriously. Company Personnel are prohibited from (i) directly or indirectly taking any action to influence, coerce, manipulate or mislead the Company's independent registered public accounting firm in the performance of an audit of the Company's financial statements for the purpose of rendering the Company's financial statements materially misleading; (ii) altering, mutilating or concealing a record, document or other object, or attempting to do so with intent to impair the object's integrity or availability for use in an official proceeding; and (iii) using Company funds for any purpose other than as described in the documents supporting the disbursement.

If requested by Public Disclosure Personnel to provide information for use in such filings, submissions or communications, Company Personnel will provide, as promptly as practicable, accurate, understandable and complete information on a timely basis.

Complaints or concerns regarding accounting, internal accounting controls or audit matters must be reported to the Compliance Officer, to the Audit Committee of the Safeguard Board or through our external reporting system, MySafeWorkplace, as indicated in Article X of this Code. Company Personnel may choose to submit such complaints or concerns anonymously. However, we encourage Company Personnel to supply contact information with their submission to facilitate follow-up, clarification and assistance with any investigation, if necessary.

Special Ethics Guidelines for the Chief Executive Officer and Employees with Financial Reporting Responsibilities

The Chief Executive Officer and employees with financial reporting responsibilities bear a special responsibility for promoting integrity throughout the organization and have a special role both to adhere to these principles themselves and also to ensure that a culture exists throughout the Company as a whole that ensures the fair and timely reporting of Company financial results and condition, as well as other information required by SEC regulations. Because of this special role, the Chief Executive Officer and employees with financial reporting responsibilities are bound by the following additional specific policies.

The Chief Executive Officer and employees with financial reporting responsibilities shall:

- Act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.
- Provide to the Company's other employees, consultants and advisors who are engaged in filing reports and documents with the SEC ("SEC Reports") or in disseminating other public communications such as press releases, information that is accurate, complete, relevant, timely and understandable.

- Endeavor to ensure full, fair, timely, accurate and understandable disclosure in SEC Reports.
- Comply with laws, rules and regulations of federal, state and local governments, and appropriate self-regulatory organizations.
- Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated.
- Respect the confidentiality of information acquired in the course of one's work except when authorized or otherwise legally obligated to disclose.
- Refrain from using Confidential Information acquired in the course of employment for personal advantage.
- Proactively promote and be an example of ethical behavior as a responsible partner among peers in the work environment.
- Endeavor to ensure responsible use of and control over all assets and resources employed or entrusted.
- Record or participate in the recording of entries in the Company's books and records that are accurate to the best of his or her knowledge.

Promptly report to the Compliance Officer, the Audit Committee of the Safeguard Board, or through our external reporting system, MySafeWorkplace, any conduct that he or she believes to be a violation of law or business ethics or of any provision of this Code, including any transaction or relationship that reasonably could be expected to give rise to such a violation.

Violations of these Special Ethics Guidelines for the Chief Executive Officer and employees with financial reporting responsibilities, including failures to report violations or suspected violations by others, will be viewed as a severe disciplinary matter that may result in personnel action, including termination of employment.

X. **Report of Violations**

Administration – General Policy Regarding Report of Violations – Company Personnel who observe, learn of, or, in good faith, suspect a violation of the Code must immediately report the violation or suspected violation either to his or her immediate supervisor (who in turn is responsible for informing the Compliance Officer of such report) or to the Compliance Officer. Complaints or concerns regarding accounting, internal accounting controls or audit matters, must be reported to the Compliance Officer, to the Audit Committee of the Safeguard Board or through our external reporting system, MySafeWorkplace, as indicated in this Article X. You may be subject to disciplinary action, including termination of employment, for failure to do so.

Complaint Procedure

- Notification of Complaint

  - To report a violation, suspected violation, complaint or concern to the Compliance Officer, provide the report to the following address or e-mail address:

    Safeguard Scientifics, Inc.
    Attention: Compliance Officer
    150 N. Radnor Chester Rd., STE F-200
    Radnor, PA 19087
    e-mail address: complianceofficer@safeguard.com

  - To report a violation, suspected violation, complaint or concern to the Audit Committee of the Safeguard Board, provide the report to the following address:

    Safeguard Scientifics, Inc.
    Attention: Audit Committee - CONFIDENTIAL
    c/o Corporate Secretary
    150 N. Radnor Chester Rd., STE F-200
    Radnor, PA 19087

  - If Company Personnel are not comfortable using the procedures and protocols outlined above, they can report a violation, suspected violation, complaint or concern by providing a report via our external, anonymous and confidential reporting system, MySafeWorkplace. Such report should be provided using the following internet address or telephone number:

    Via Internet: www.MySafeWorkplace.com
    Via telephone: 800-461-9330

  - Whenever practical, the complaint should be made in writing.

  - You may choose to submit violations, suspected violations, complaints or concerns anonymously. However, we encourage Company Personnel to supply contact information with their submission to facilitate follow-up, clarification and assistance with any investigation, if necessary. Confidentiality is respected and an individual's identity will only be shared on a "need-to-know" basis.

  - Nothing in this Code prevents Company Personnel from reporting violations or suspected violations of law to relevant government authorities.

- <u>Investigation and Corrective Action</u>

  Reports of violations, suspected violations, complaints or concerns will promptly be investigated under the supervision of the Compliance Officer or, where appropriate, the Audit Committee of the Safeguard Board. Company Personnel are required to cooperate fully in such investigations and to provide truthful, complete and accurate information. The investigation will be handled as discreetly as reasonably possible, allowing for a fair investigation and any necessary corrective action. Appropriate corrective action will be taken whenever a violation of this Code is determined to have occurred. Depending on the nature of the violation, the offending individual can be subject to disciplinary action, which may include termination of employment. In addition, anyone who interferes with an investigation, or provides information in an investigation that the individual knows to be untrue or inaccurate, will be subject to disciplinary action, which may include termination of employment. Any employee who submits a complaint or concern relating to the handling of accounting, internal accounting controls or audit matters in good faith should have no fear of dismissal or retaliation of any kind. **Retaliation against employees who, for lawful purposes, file a complaint or participate in an investigation is strictly prohibited.**

  The Audit Committee of the Safeguard Board will be responsible for the acceptance, investigation and management of reports of suspected violations of this Code by the Chief Executive Officer, the Compliance Officer and employees with financial reporting responsibilities and complaints or concerns regarding accounting, internal accounting controls or audit matters.

  The Company's Compliance Officer will be responsible for the acceptance, investigation and management of reports by attorneys regarding material violations of securities laws, fiduciary duties or similar laws.

- <u>Confidentiality</u>

  Except as may be required by law or by the requirements of the resulting investigation or the corrective action, all notices, reports and information received under this process will be treated in a confidential manner. Every reasonable effort will be made to handle the matter with discretion and to protect the identity of those who make reports as well as those who are being investigated. However, the Compliance Officer regularly will report to the Audit Committee of the Safeguard Board any violations that have been reported. Further, if necessary to conduct a proper review or to comply with legal requirements, the Audit Committee of the Safeguard Board, the Company's independent registered public accounting firm or others may become involved in the review process. Also, as noted above, the Company must and will report all suspected criminal violations to the appropriate authorities for possible prosecution and will investigate, address and report to governmental or other authorities, as appropriate, non-criminal violations.

XI. <u>**Protection Against Retaliation**</u>

<u>Policy</u> **-** The Company prohibits any form of retaliation against employees who, for lawful purposes, report to the Company any conduct or activity that may violate this Code, any law or regulation applicable to the Company, or any other suspected improper, unethical or illegal conduct or activities by anyone at the Company. The Company also prohibits any form of retaliation against employees who provide information, cause information to be provided, or assist in an investigation conducted by the Company or any governmental body regarding a possible violation of any law or regulation relating to fraud, any labor law, or any rule or regulation of the SEC, or who file, cause to be filed, or assist, participate or give testimony in any proceeding relating to an alleged violation of any such law, rule or regulation.

Management Responsibility - All Company officers and other managerial employees are responsible for ensuring adherence to this Code. In addition, each Company officer and managerial employee is responsible for communicating this Code to employees under his or her supervision and for supporting programs and practices designed to develop understanding of, commitment to and compliance with this Code. In the event that any Company officer, other managerial employee or supervisor believes that a violation of this Code has occurred or receives a report of a violation, he or she must immediately contact the Compliance Officer or the Audit Committee of the Safeguard Board.

Procedures for Reporting Policy Violations - If an employee believes that he or she has been retaliated against (including threatened or harassed) in violation of this Code, he or she should immediately report the retaliation either to his or her immediate supervisor (who in turn is responsible for informing the Compliance Officer of such report) or to the Compliance Officer in accordance with the contact procedures for the Compliance Officer set forth above. In connection with retaliation related to complaints or concerns regarding accounting, internal accounting controls or audit matters, any retaliation in violation of this Code must be reported to the Compliance Officer, the Audit Committee of the Safeguard Board or through our external reporting system, MySafeWorkplace, in accordance with the contact procedures set forth above. Once an employee reports retaliation prohibited by this Code, the Company will promptly investigate the matter in accordance with the procedures described in Article X of this Code.

XII. **Waivers**

Requests for a waiver of a provision of the Code must be submitted in writing to the Compliance Officer or the Audit Committee of the Safeguard Board for appropriate review, and the Compliance Officer or the Audit Committee of the Safeguard Board will decide the outcome. For conduct involving directors and executive officers, only the Audit Committee of the Safeguard Board has the authority to waive a provision of the Code. The Audit Committee of the Safeguard Board must review and approve any “related party” transaction as defined in Item 404 of Regulation S-K, promulgated by the SEC, before it is consummated. In the event of an approved waiver involving the conduct of a director or executive officer, appropriate and prompt disclosure must be made to the Company’s shareholders as required by the SEC or other regulation or by applicable listing standards of the principal exchange or interdealer quotation system on which the Company’s common stock is listed.

Statements in the Code to the effect that certain actions may be taken only with “the Company’s approval” or that certain items will be “designated by the Company” will be interpreted to mean that appropriate executive officers of Safeguard Scientifics, Inc. or members of the Safeguard Board must give prior written approval or make such designation before the proposed action may be undertaken or the proposed designation may be made.

Violations of the Special Ethics Guidelines for the Chief Executive Officer and employees with financial reporting responsibilities contained in this Code that go unaddressed are treated by the SEC as implicit waivers of this Code. Accordingly, any violation that is discovered and not addressed will have to be disclosed in accordance with the rules and regulations of the SEC and applicable listing standards with respect to a waiver of this Code. In such cases, the applicable SEC rules will require disclosure of the nature of any violation, the date of the violation and the name of the person who committed the violation. Such disclosure would not only be harmful to the Company, but also to an individual either as one who is responsible for monitoring the enforcing compliance with this Code or as one who has violated it. In either case, depending on the nature of the violation, an individual may be dismissed or his or her duties and responsibilities with the Company may be changed.

XIII. **<u>Compliance</u>**

<u>Adherence to Code; Disciplinary Action</u> – All Company Personnel have a responsibility to understand and follow this Code. In addition, all Company Personnel are expected to perform their work with honesty and integrity in all areas not specifically addressed in this Code. A violation of this Code may result in appropriate disciplinary action, including the possible termination from employment with the Company.

<u>Communications; Training; Annual Certification</u> – The Company strongly encourages dialogue among employees and their supervisors to make everyone aware of situations that give rise to ethical questions and to articulate acceptable ways of handling those situations. Company employees will receive periodic training on the contents and importance of the Code and related policies and the manner in which violations must be reported and waivers must be requested. All Company Personnel must certify that they have read this Code and to the best of their knowledge are in compliance with all its provisions. In addition, each director, officer and other managerial employee of the Company, as may be designated by the Company from time to time, has an obligation to annually certify that he or she has reviewed this Code with his or her subordinates. Forms of these certifications are attached to this Code as Appendices I and II.

<u>Responsibility of Senior Employees</u> – All Company officers and other managerial employees will be responsible for the enforcement of, and compliance with, this Code, including necessary distribution to assure Company employee knowledge and compliance. Directors, officers and other managerial employees are expected to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. Managerial employees may be disciplined if they condone misconduct, do not report misconduct, do not take reasonable measures to detect misconduct, or do not demonstrate the appropriate leadership to insure compliance.

XIV. **<u>Related Policies; Enforceable by Company Only</u>**

This Code should be read in conjunction with Safeguard’s other policy statements, including but not limited to the Statement of Company Policy on Insider Trading and Disclosure. This Code is for the benefit of the Company, and no other person or entity is entitled to enforce this Code. This Code does not, and should not be interpreted to, create any private cause of action or remedy in any other person or entity for a violation of the Code. In addition, this Code should not be construed as a contract of employment and does not change any person's employment status.

Adopted: April 8, 2004

Last Approved: November 1, 2022

APPENDIX I

INITIAL CODE OF BUSINESS CONDUCT AND ETHICS DISCLOSURE STATEMENT

As a director, officer or other employee of Safeguard Scientifics, Inc. ("Company"), I have read and understand the Company's Code of Business Conduct and Ethics ("Code"), and I hereby affirm my agreement to comply with its terms. I hereby certify as follows:

1. I have received a copy of the Code.

2. I have read, understand and agree to comply with the Code.

3. I am currently in compliance and, as applicable, members of my family are in compliance, with the terms of the Code and all obligations imposed by it, except as disclosed to the Compliance Officer or as otherwise disclosed in accordance with the procedures contained in Article X of the Code.

4. I am not aware of any conduct on the part of any person associated with the Company that may constitute a violation of the Code, except with respect to any matters that I may have disclosed to the Compliance Officer or otherwise disclosed in accordance with the procedures contained in Article X of the Code.

5. I understand that none of the benefits, policies, programs, procedures or statements in the Code are intended to confer any rights or privileges upon me or entitle me to be or remain an employee of the Company. I am aware that the Code is not a contract and is subject to change at any time, without notice, at the sole discretion of the Company.

I understand that all Disclosure Statements may be available to the Compliance Officer, the Company's Board of Directors, and internal and external legal counsel. Such information shall otherwise be held in confidence in accordance with Article X of the Code.

Each person signing a Disclosure Statement is responsible for keeping his/her Disclosure Statement current. These statements will be kept in Safeguard's Legal Department.

____
Signature

____
Name

____
Date

APPENDIX II

ANNUAL CODE OF BUSINESS CONDUCT AND ETHICS DISCLOSURE STATEMENT

As a director, officer or other employee of Safeguard Scientifics, Inc. ("Company"), I have read and understand the Company's Code of Business Conduct and Ethics ("Code"), and I hereby reaffirm my agreement to comply with its terms. With respect to the last 12 months, I hereby certify as follows:

1. I have complied and, as applicable, members of my family have complied, with the terms of the Code and all obligations imposed by it, except as disclosed to the Compliance Officer or as otherwise disclosed in accordance with the procedures contained in Article X of the Code.

2. I have reviewed the Code with my subordinates and I am not aware of any conduct on the part of any person associated with the Company that may constitute a violation of the Code, except with respect to any matters that I may have disclosed to the Compliance Officer or otherwise disclosed in accordance with the procedures contained in Article X of the Code.

3. I understand that none of the benefits, policies, programs, procedures or statements in the Code are intended to confer any rights or privileges upon me or entitle me to be or remain an employee of the Company. I am aware that the Code is not a contract and is subject to change at any time, without notice, at the sole discretion of the Company.

I understand that all Disclosure Statements may be available to the Compliance Officer, the Company's Board of Directors, and internal and external legal counsel. Such information shall otherwise be held in confidence except in accordance with Article X of the Code.

Each person signing a Disclosure Statement is responsible for keeping his/her Disclosure Statement current. These statements will be kept in Safeguard's Legal Department.

____
Signature

____
Name

____
Date

EXHIBIT 21.1

SUBSIDIARIES OF SAFEGUARD SCIENTIFICS, INC.

Exclusive of immaterial subsidiaries and companies in which the Registrant holds a minority interest, as of March 10, 2023, the Registrant had the following subsidiaries:

NAME	PLACE OF INCORPORATION
Bonfield VII, Ltd.	British Virgin Islands
Novitas Capital II Management, L.P.	Pennsylvania
Safeguard Capital Management, Inc.	Delaware
Safeguard Delaware, Inc.	Delaware
Safeguard Delaware II, Inc.	Delaware
Safeguard Fund Management, Inc.	Delaware
Safeguard PM SPV, Inc.	Delaware
Safeguard Scientifics (Delaware), Inc.	Delaware
Safeguard Technologies, Inc.	Delaware
SFE Properties, Inc.	Delaware
SSI Management Company, Inc.	Delaware
SSI Partnership Holdings (Pennsylvania), Inc.	Pennsylvania

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 10, 2023, with respect to the consolidated financial statements included in the Annual Report of Safeguard Scientifics, Inc. on Form 10-K for the year ended December 31, 2022. We consent to the incorporation by reference of said report in the Registration Statements of Safeguard Scientifics, Inc. on Forms S-8 (File Nos. 333-86777, 333-118046, 333-171226 and 333-198783).

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania
March 10, 2023

Exhibit 31.1

CERTIFICATION

I, Eric C. Salzman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Safeguard Scientifics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

SAFEGUARD SCIENTIFICS, INC.

Date: March 10, 2023

/s/ Eric C. Salzman
Eric C. Salzman
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Mark A. Herndon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Safeguard Scientifics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

SAFEGUARD SCIENTIFICS, INC.

Date March 10, 2023

/s/ Mark A. Herndon
Mark A. Herndon
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Safeguard Scientifics, Inc. (“Safeguard”) on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric C. Salzman, Chief Executive Officer of Safeguard, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, (15 U.S.C. 78m(a)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Safeguard.

SAFEGUARD SCIENTIFICS, INC.

Date: March 10, 2023

/s/ Eric C. Salzman
Eric C. Salzman
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Safeguard Scientifics, Inc. (“Safeguard”) on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark A. Herndon, Senior Vice President and Chief Financial Officer of Safeguard, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, (15 U.S.C. 78m(a)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Safeguard.

SAFEGUARD SCIENTIFICS, INC.

Date: March 10, 2023

/s/ Mark A. Herndon

Mark A. Herndon

Senior Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)