**Safeguard Scientifics, Inc.**
**Fourth Quarter and Full-Year 2022 Financial Results**
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**Presenters**
**Eric Salzman, Chief Executive Officer**
**Mark Herndon, Chief Financial Officer**
**Matt Barnard, Head of Investor Relations**

**Q&A Participants**
**Matt Burmeister, Private Investor**
**Jason Stankowski, Clayton**

**Operator**
Greetings, and welcome to Safeguard's Year-End Financial Results. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Matt Barnard, General Counsel. Thank you. You may begin.

**Matt Barnard**
Good afternoon, and thank you for joining us for this presentation of Safeguard Scientifics Fourth Quarter and Full-Year 2022 Financial Results. Joining me on today's call are Eric Salzman, Safeguard's Chief Executive Officer, and Mark Herndon, Safeguard's Chief Financial Officer. Following our prepared remarks, we'll open the call for your questions. As always, this presentation includes forward-looking statements.

Reliance on forward-looking statements involves certain risks and uncertainties, including, but not limited to, uncertainties of the outcome of corporate strategic transactions, if any, concern of the future performance of our companies, our ability to make good decisions about the monetization of our companies, the ongoing support of our companies, our inability to unilaterally control our companies, fluctuations in the market prices of any of our companies, are publicly traded, and the effective regulatory and economic conditions generally and other uncertainties in our filings with the SEC. Many of these factors are beyond our ability to predict or control. As a result of these and other factors, our past financial performance should not be relied on as an indication of future performance.

During the course of today's call, words such as expect, anticipate, believe, and intend will be used in our discussion of goals or events in the future. Management cannot provide any assurance that future results will be as described in our forward-looking statements. We encourage you to read Safeguard's filings with the SEC, including our Form 10-K, which describe in detail the risks and uncertainties associated with managing our business. The company does not assume any obligation to update any forward-looking statements made today.

With that, I would now like to introduce Eric.

**Eric Salzman**
Thanks, Matt. Thank you for joining our call this afternoon to discuss Safeguard's Q4 and full-year 2022 results. The last three quarters have presented a number of challenges to Safeguard's portfolio companies. We've seen a broad decline in public tech company valuations, a sharp drop-off in investments to VC stage companies, and a pull back in M&A by both strategic and financial buyers.

Driven in part by rising interest rates, recessionary fares, and a shift away from a growth-at-all-cost mindset, public and private valuations have declined meaningfully during this period, and investor sentiment has shifted from prioritizing revenue growth to prioritizing profitability. This is further evidenced by many of the recently announced layoffs at leading tech companies.

Naturally, this change has had a direct impact on many of SFE's companies, particularly those that are currently rasing capital or are in the middle of M&A processes. Safeguard's portfolio companies are leaders in their respective fields, and over the past few years, they have been investing in products, sales, marketing, and operations to capture market share and scale their businesses. These companies are all, by and large, sub-$30 million in revenues and have not yet reached the revenue levels to be profitable.

Historically, the path for most venture-backed companies to maximize equity value was to focus on growth and market share rather than finding the fastest path to profitability. The objective was to achieve attractive growth rates or other value-creation milestones, raise new capital every two or three years, and build a market-dominant company.

Under this playbook, companies do not usually raise enough capital to fully fund their business plans to cash flow break even in a single capital raise but rather rely on raising enough capital to fund themselves until the next value-creation event where they can raise more money, ideally at higher valuation.

Profitability becomes a focus once these companies have achieved revenue scale or market dominance. Over the past nine months, we've seen dramatic changes in both investor and M&A buyer sentiment, which has made it much harder for companies to raise additional capital or sell themselves. These circumstances are exacerbated for companies that are carrying significant venture debt.

As it relates to Safeguard's companies, these macro factors have negatively impacted us since some of our companies have not posted consistent revenue growth, are not yet profitable, and, in several cases, carry significant debt. We continue to work closely with every one of our companies to implement operating cost reductions, extend their cash flow runways, and create faster paths to profitability.

We are looking at a range of options to support these companies, including operational and management changes, capital structure modifications, deciding which companies we will support with additional capital and which we will not support, because the risk return does not justify it, and, therefore, we would face substantial dilution in our ownership interest.

To get more granular, of our eight remaining companies, we believe two have sufficient liquidity to reach cash flow break-even. The other six companies need to raise additional capital to execute their business plans or sell themselves. This is not easy to do in a tough market environment where EBITDA-negative companies are generally out of favor. Of these six companies, two have been pursuing dual path capital raises and M&A, two are pursuing capital raises only, following M&A discussions in 2022 that did not result in actionable deals, one of our companies is currently pursuing M&A only, and one company is about to launch an M&A process this month.

Three of the six companies carry significant debt, which negatively impacts their ability to raise capital or sell themselves in the current environment. For these companies that carry large debt loads, if they cannot secure capital and/or restructure their debt, Safeguard's equity positions in these companies are at risk as lenders could force the sale of the company to satisfy the loans or foreclose on its collateral.

We may also be asked to contribute capital in these situations to defend our position or face substantial dilution if we don't. We will make these decisions on a case-by-case basis with Safeguard shareholder value as our top priority. Note that capital is still available for companies with compelling business models operating in large markets and posting consistent and robust revenue growth. For example, Moxe was able to complete a growth equity round in June of 2022 due in large part to its strong revenue growth, large addressable market, high barriers to entry, and the strength of its business model.

Now, I would like to provide more detail on the status of these six companies. Obviously, we cannot share the names of the companies, but we'll try to provide you with enough detail to have an understanding of where each of them stands. One company is in discussions to merge in a stock-for-stock deal with another private company that operates in an adjacent space. There is a nonbinding term sheet signed between the companies, and we just kicked off the diligence and documentation phase. While there is a strong business case to be made for the merger, it is too early to assess whether a final transaction can be completed.

While the deal would be a stock-for-stock merger and would not generate cash to Safeguard at close, we view the potential merger as beneficial to our position because together the companies would have greater scale, more resources, the opportunity for substantial cost savings, and a more comprehensive product offering.

One company has been in the market trying to raise capital after exploring an M&A process last year that did not yield an actionable result. We believe that the difficulty this company has had raising capital is due to its high debt load and cash flow burn. While this company recently received two equity financing term sheets from outside parties, the term sheets require substantial modifications to the loan, which may or may not be acceptable to the lender. We are working with the company, the other investors, and the senior lender on a range of options, but we expect Safeguard's interest in this company to be negatively impacted in any restructuring.

One other company has been in the market pursuing a dual path capital raise in M&A. The M&A has not resulted in any term sheets, while the capital raise track has resulted in one financing term sheet. While this company does not have excessive cash flow burn, its debt load is high, and its capital structure is complicated due to several prior rounds in preferred fundings. We are working with the company, the other investors, and the senior lender on a range of options but would expect Safeguard's ownership position to be negatively impacted in any restructuring.

Another company has been in the market pursuing a dual path capital raise in M&A. The M&A track has resulted on one term sheet for a stock-for-stock merger with a similar-sized private company. Those discussions are at an early stage. On the financing track, there is interest from a strategic investor who would want to invest alongside a lead investor. This is another company with a complicated capital structure which would likely have to be restructured for either the merger or the capital raise to occur.

One company has been pursuing a capital raise process following M&A discussions last year that did not result in an actionable outcome. The company is in the middle of a business model transition, and Safeguard is considering using its capital to support this company through the transition. And, finally, the last company will soon be launching an M&A process. It is too soon for us to assess the likelihood of an outcome with that process, but the company had received inbound interest from a strategic party in the past.

Given this macroenvironment and the fact that we may decide to use Safeguard's capital to support our companies and defend certain of our positions, we have set our 2023 guidance for follow-on deployments at $4 million to $6 million. Note that during 2021 and 2022, we provided a total of $8.4 million in capital to Trice, Aktana, Prognos, Syapse, meQuilibrium, and Clutch. In the aggregate, we expect to get a positive return on those deployments well in excess of our cost of capital.

Taking a step back, there are two key questions we ask ourselves. Number one, what else can we be doing to support our companies and address the current market conditions? And, number two, are these temporary or permanent setbacks for our companies? On the first question, we continue to be active with every company on strategy, operations, strategic positioning, and in banker discussions. We and all of our co-investors are taking a very hands-on approach with our companies.

In situations where companies face liquidity crises, we will use Safeguard's capital judiciously but also aggressively when the opportunity to drive a better risk, reward outcome for Safeguard is available. This can take the form of leading what's called play-to-pay rounds, partnering with lenders, and/or making operational and management changes, as needed. However, if we don't see the chance to make substantial gains on our new deployment of capital, we will choose to not participate in the transaction.

I will address the next question of temporary versus permanent in two ways. First, from an evaluation standpoint, we view the current market environment as more temporary than permanent as sentiment in markets swing from growth to profitability over different multiyear business cycles. When the interest rates are effectively zero, fiscal policy is loose. When the economy is growing, investors have an economic incentive to invest for growth.

Basically, that's been the situation for the past 10 years. With the 10-year Treasury rate currently at 4 percent and recessionary concerns heightened, investor sentiment has shifted from growth, profitability, and value. Though we view the valuation environment as temporary, as long as our companies can secure the capital to fund their business plans to cash flow breakeven, we get through the difficult cycle.

In situations where our companies can't secure the liquidity to reach cash flow break-even, survive the current cycle, or achieve its next meaningful value creation point, it will likely result in a negative outcome for our ownership interest. What does that mean for 2023? Given the current environment, it is difficult to forecast meaningful exits that generate cash to Safeguard this year. Of course, the environment could change, and we are working with our co-investors to improve all outcomes.

Furthermore, with eight positions left, we are subject to the concentration risk of a small portfolio and exposed to single-company outcomes, which, in the current environment, could lead to near-term volatility or suboptimal results for some of our positions. We continue to believe that there is value in our companies, and we are working a number of different strategies to maximize value and achieve exits for Safeguard.

Now, let me comment on public comps and trading multiples. We regularly track the public trading comps of our peers and their revenue growth rates to help our investors triangulate on what our portfolio could be worth using these same metrics. As of March 7, the tech-enabled healthcare peers to our portfolio were trading at 3.5 times 2023 consensus revenues. In 2023, consensus revenue growth for these tech-enabled healthcare peers was 11 percent.

As of March 7th, the MarTech, marketing technology peers, which is relevant for Clutch, were trading at 2.9 times 2023 consensus revenues. And 2023 consensus revenue growth for these MarTech peers was 10 percent.

I'd now like to make a few comments on the Houlihan Lokey process. We continue to work with Houlihan Lokey on different strategic alternatives to maximize shareholder value. We are in discussions with a couple of parties that could achieve many of our goals, including allowing the portfolio to run off in the ordinary course and significantly lowering the cost of managing and monetizing the remaining portfolio companies. However, these discussions are still preliminary, and there are no assurances that a transaction will occur.

At this time, I'll hand the call over to our CFO, Mark Herndon.

**Mark Herndon**
Thanks, Eric. Safeguard's net loss for the year ended December 31, 2022, was $14.3 million, or $0.87 per share, as compared to net income for the year ended December 31, 2021, of $27 million, or $1.36 per share. Safeguard's fourth quarter of 2022 resulted in a net loss of $4.9 million, or $0.30 per share, as compared to the net loss of $8.6 million, or $0.51 per share, in the comparable period of 2021.

This year's results were primarily impacted by a $4.9 million gain resulting from Lumesis' exit during the third quarter. Our results for this year reflected generally decreasing operating expenses throughout the year as corporate expenses decreased sequentially each quarter. However, we also experienced declines in the fair value of Bright health stock that totaled $3.7 million. Those 1.3 million shares were valued at $0.8 million at the end of 2022, and we have since liquidated substantially all of that position.

We continued with our open market stock repurchases during the fourth quarter, resulting in the repurchase of approximately 258,000 shares, or $0.9 million, at an average price of $3.41 per share. As we disclosed previously, the $3 million authorization of this program was completed in January. In total, this program repurchased 736,577 shares at an average price of $4.09 per share.

Safeguard ended the 2022 year with $19.3 million of cash, cash equivalents, and restricted cash, and we continue to have no debt obligations. Our general and administrative expenses were $1 million for the fourth quarter of 2022, which was 9 percent lower than the $1.1 million reported in the comparable quarter of 2021.

For the full year of 2022, our general and administrative expenses were $4.8 million as compared to $7.2 million for the full year 2021, a 33 percent decline. This annual decline was largely attributable to the absence of severance charges of $0.8 million and LTIP expenses of $0.7 million that occurred in 2021 but did not recur in 2022.

Corporate expenses for the quarter, which represent general and administrative expenses, excluding stock-based compensation, severance expenses, and nonrecurring and other items, were $0.7 million as compared to $0.8 million in the comparable quarter of 2021, a 13 percent decline. For the full year of 2022, these corporate expenses were $3.2 million as compared to $3.9 million for the full year of 2021, an 18 percent decline.

On a sequential basis, this quarter represents a 6.7 percent decline in our corporate expenses. We generally expect that the quarterly level of corporate expenses has stabilized at this approximate value. As a result, we have established an expectation for corporate expenses in 2023 of $3 million to $3.2 million.

These declines that we have experienced this year with respect to both general and administrative costs and corporate expenses have been the result of reductions in the cash-based employee compensation costs, professional fees, and insurance expenses. The corporate expense measure also continues to benefit from director fees being paid entirely in equity as well as a significant portion of management's compensation being paid in equity.

With respect to our ownership interests, we have an aggregate carrying value at December 31, 2022, of $15.4 million as compared to $26.5 million at 2021's year end. This annual decrease was primarily the result of the application of the equity method of accounting as we recorded our share of the losses from our remaining companies as well as the $3.7 million decline in the fair value of Bright health shares and the exit of Lumesis.

Those decreases were partially offset by increases due to our $5.7 million aggregate deployments to Prognos, Syapse, Clutch, meQuilibrium, and Trice during the year and a dilution gain of $5.3 million from Moxe that occurred in the second quarter. Our equity method loss for the 2022 year also included approximately $0.8 million of gain resulting from the collection of escrows and the resolution of contingencies related to a variety of prior transactions.

I would also like to remind everyone that we report our share of losses from the Equity Methods company on a one-quarter lag. So, this quarter's share of losses reflects the third quarter of 2022. Our share of the losses in our Equity Methods interest for the three months ended December 31, 2022, was $4.1 million as compared to $3.6 million for the comparable period in 2021. And we have four companies where our Equity Methods losses are limited due to the carrying value being reduced to zero previously or as of this year end.

Also, with respect to our ownership interests, the third-party debt of this group of eight companies was approximately $209 million versus $206 million at September 30, 2022. Cash at this same group of eight companies has decreased to about $71 million from the $90 million last quarter. This decrease was primarily related to the quarterly burn at about three companies.

In terms of revenue performance, we reported an 8.7 percent increase in our group of eight companies to $141 million for the trailing 12-month period ended September 30, 2022, which reflects the one quarter lag. We continue to see our fastest organic growth from Moxe and meQuilibrium.

Now, at this point, we'd like to begin the Q&A segment of the call, so I'll ask the operator to open the phones for a few questions and provide the instructions.

**Operator**
Thank you. Ladies and gentlemen, at this time, we will be conducting a question-and-answer session. If you would like to ask a question, you may press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key.

Our first question comes from the line of Matt Burmeister, a private investor. Please proceed with your question.

**Matt Burmeister**
Hi. Thanks for taking my question. Can you buy back shares under the 2015 repurchase program that has approximately $15 million left?

**Eric Salzman**
I'll start, and, Matt, if you want to add to it. So, the plan is authorized. We need Board approval for a specific amount. And then, if this were done on a 10b5 1 plan, we would, then, have a pricing grid that we would establish and provide to our broker to execute. So, a slightly longer answer to a short question is, yes, with Board approvals and other steps to put in place.

**Matt Burmeister**
Considering where the stock price is at, how come that hasn't been done yet.

**Eric Salzman**
It's a good question. So, if you know, which you probably do, so it took us roughly two years to complete the $3 million stock repurchase plan, which was started, I believe, March. Maybe it was--.

**Mark Herndon**
--It was March 2022, yeah. It was a little--.

**Eric Salzman**
--Yeah. So, it was, yeah, about a year to finish that $3 million. So, the volume of our stock is quite limited, but in that plan, we bought under the maximum average daily trading volume that was allowed. So, the reason why we have not at this point gone to the Board and

announced a follow-on or additional stock plan is, as you could tell from the vast majority of the time we spent on the prepared remarks, talked about the macroenvironment, the liquidity needs of the portfolio, and some of the decisions we'll be making regarding follow-ons versus buybacks versus other use of capital.

So, it is a topic that we discuss among the management team and at every Board meeting. At this point in the, given the macroeconomic situation, we felt it would be prudent for us to not look to authorize an additional plan at this moment.

**Matt Burmeister**
Yeah, $20 million cash approximately to, we're estimating on the high level 6 distributed to portfolio, and then you've got roughly 4 on corporate expense. That 10 million delta, it just seems like way too much cash to just be sitting on the sideline. That's unfortunate to hear.

Next question is, though, is there anything preventing Safeguard from executing another Dutch auction to repurchase shares?

**Eric Salzman**
So, there's, the, well, I' should say two things first of all, and Matt can weigh in. In order to do a, authorize a stock buyback, whether that's a 10b-5-1 plan or a Dutch option, we need an open window. So, we can't have material on non-public information. So, that's a criteria that has to be met.

But, just to go back to your first question, if you just do the simple math that you did, if you take a couple of years of operating expenses and, as you said, the follow-on investments, and you deduct that from the cash, again, the cash number that was, Mark shared was as of Q4 2022, there is some additional cash. But, it's not double-digit additional cash.

We will evaluate it and make a decision because, as you know, we've, since joining, I believe we returned roughly $45 million or so to shareholders in the last 18 months or so. So, that is something that's kind of high priority for us. We have to obviously balance that against the liquidity needs of the portfolio.

**Matt Burmeister**
Okay. On the Q1 2022 earnings call, you mentioned a large strategic buyer wanting to wait to perform due diligence until 2023. Has that process started?

**Eric Salzman**
So, the process, as you heard in probably more detail than anybody wanted for our M&A, yes, it has started. We've shared a fair amount of detail with each situation on the call today, six companies that are active in either M&A and/or capital raise. So, yes, diligence has started, and the update is what we provided this afternoon.

**Matt Burmeister**
Okay, MedCrypt raised $25 million in a Series B at the end of 2022. I know Safeguard invested $750,000 in the initial seed round in 2016. What is our diluted ownership percent interest in the company? And do you expect to receive any proceeds from our ownership interest?

**Mark Herndon**
Yeah. So, as a result of that investment, we reported an observable price change or a gain that's included within the other line item in our results this year. But, we have a fairly small ownership percentage. I don't think we've disclosed it in total, but it's not nearly to the extent of our other companies. So, it's a very small percentage.

It's included in that other category within our press release table. We do, we have seen the positive updates from MedCyrptwhen we saw the round, and we're pleased with that. But, it's just not a really large position for us, and we do not have a timetable for when that could be monetized at this point.

**Matt Burmeister**
Okay, yeah. I'm just very disappointed an M&A deal hasn't gotten done recently. And you guys mentioned this being bad timing for the M&A market. However, I do want to give an example. HNI just announced an M&A deal with acquired Kimball. Both of these are office furniture companies. If the M&A market is as bad as you suggested, how can M&A deals occur in a boring industry such as furniture while we can't get deals done in our much more interesting health tech companies?

**Eric Salzman**
I think you answered the question with your question. The boring furniture companies, I would guess, I'm not familiar specifically with their P&Ls, are probably generating EBITDA. And, as we indicated in our remarks, it's a very difficult environment to sell companies that are not generating EBITDA. And that has been borne out through the M&A experience that we've been having with the vast majority of our companies which are in M&A processes. So, we continue to work with the companies and push these companies and position them in the best light to sell themselves.

But, you can't force the buyer if there's no transaction. And we do have a number of conversations going on and discussions going on, which are encouraging. But, at this point in time, there's not an LOI signed per se that we could share. We shared information about one term sheet being signed. And we'll continue to share that information each quarter. But, the facts and circumstances of every company and its status is really driven by what's happening at that company, so--

**Matt Burmeister**
--Yeah, and I'm a longtime shareholder, so I've seen and heard the can get kicked down the road as far as timeline for monetizing the entire portfolio. The process started back in 2018.

Shortly after that, it was thought it would only be a two-year time span. I'm curious as to what your current estimated timeline is for portfolio runoff?

**Eric Salzman**
Sure. So, I want to just clarify one point in your question. I just wanted to make sure that it's clear to you and to our other investors. As we indicated, there are six companies that are in one form or another of sales process or capital raise processes and bankers are such, like RBC, Piper, known investment banks.

So, it is not for a lack of working with these companies taking them to market that hasn't resulted in the dearth of exits in the last 12 months or so, so just to clarify that it isn't that we as investors, Board members, and management teams aren't looking, working to sell these companies. There is alignment to do that. The market is quite difficult, and the results are what we've reported. So, that is on just on that, I just wanted to clarify that piece.

**Matt Burmeister**
So, there's no timeline you could share for estimated?

**Eric Salzman**
The, yeah. No, the timeline, I would say, based on our latest runoff model, so what we do is we prepare a runoff model of the company, of all of our companies in the ordinary course, what our follow-on expectations are, what our operating costs are, etc. So, as of this point in time, we are looking, that will take into, I'm sorry, yeah, into 2025.

And also, just to put it in perspective, we've gone from 24 positions in 2018, I think around that when the Board launched this strategy, to 8 positions currently. So, while the last 12 months have been limited to Limis' exit, there has been significant reduction in the number of companies in the portfolio and the return of cash, either through deleveraging back in 2018 to the self-tender and the stock buyback. So, we have gone from 24 to 18. When I joined, I believe we had 16 or 17, and we're down to 8 during that tenure.

**Matt Burmeister**
Okay. Thank you. Best of luck.

**Operator**
Our next question comes from the line of Jason Stankowski with Clayton. Please proceed with your question.

**Jason Stankowski**
Hi, guys. How are you?

**Eric Salzman**
Hey, Jason.

**Jason Stankowski**
Hey. Curious if, obviously, I'm sure you're as disappointed as all the shareholders are that we have bought back a lot of stock, but then when the stock is now $3.00, the decision is to husband cash. It's a bummer that that's the message. Are you -- not withstanding the doom and gloom out there and the difficulties, you have put a decent amount to work over the last few years, which hopefully is in a bit of a senior position in the stack in a few of the investments, are you hopeful that $3.00 is still realizable through the 2025 runoff? Or are you somewhat regretting the decision to have even bought back the shares we bought back earlier this year and the price?

**Eric Salzman**
Well, I mean, I think anyone who is looking at the market peaking in November of 2021-ish to where we are today would have said, gee, we should have liquidated anything you had that was liquid, and kind of being a seller, not a buyer.

**Jason Stankowski**
Yeah, I'm talking about going forward.

**Eric Salzman**
So, (inaudible) is helpful. Right, so on a go-forward basis, as you rightly pointed out, we paid roughly $4.00 a share on the $3 million on average, the average price for the $3 million plan, stocks 3-ish or so, was down. It's been down the last couple days. Our runoff value, when we, which would be then present value, net present value, those cash flows to today, exceeds the stock price.

**Jason Stankowski**
Okay, okay. And then, in terms of looking at any buyback or other capital allocation, is the M&A materially impacted if you were to, even if it was a $5 million reauthorization to be nibbling on the stock sort of as we go along this process, does that impact the options that you're looking at in the M&A process? Or is that not a material sort of factor in the discussions that you've kind of gotten to the short strokes on?

**Eric Salzman**
We are referring to the (inaudible) M&A process?

**Jason Stankowski**
Yes, yes, yes.

**Eric Salzman**
Okay. Yeah, I just wanted to understand. Yeah. So, I just want to, so, first of all, as we indicated, with three companies carrying relatively large debt loads and us being incredibly active in working with the companies and the lenders on what the restructure would look like,

our husbanding of cash, just to use the phrase, is, in the best case scenario is a temporary move to see how these situations resolve, and then we can make a capital allocation decision at that point in time.

So, I don't want you or other investors to think that this is, somehow, we're looking to just sort of sit on extra cash for the sake of sitting on extra cash. We're balancing it, obviously, against kind of alternatives that we know, and then certain situations or risks that we're just, that we don't know and can't assess. So, that is on the, that's on, just on the husbanding of cash or the short-term capital allocation decisions.

On the Houlihan Lokey process, what we're trying to do in that process is we're trying to optimize for a handful of things. We're trying to reduce our public company costs, we want to reduce the portfolio management costs, we want to allow the portfolio to run off in the ordinary course, and we want to see if there's any value for the listing, the shell, or for the NOLs and what happens to the NOLs and different types of transactions.

So, the two discussions that are underway address some of these goals, and obviously, the cash that we have on balance sheet would impact anything, whether we would use it to return to shareholders, use it in the portfolio, if there were to be a transaction, whether that cash survives the transaction. So, those are all factors that we have to consider when we're thinking about that.

**Jason Stankowski**
Okay. My, I appreciate that laying out of the goals. That's helpful. I was just, my more direct question was, if you get to the conclusion on, if you get to a conclusion, does the net cash in the company like sort of drive a potential, if you have two people that you're talking to, if you were able to just give out $10 million tomorrow, would that drive those discussions, those parties off the table? That's what I was trying, how critical is the cash level at the company to the negotiations on the strategic transactions of Houlihan Lokey, or not at all? Just, that was my question mostly.

**Eric Salzman**
Okay. No, I got it, Jason. In one conversation, cash is a factor. It's not the driving factor. In another, the conversations, we mentioned, we're having two discussions, it's not much of a, it's not as much of a factor. But, cash is an asset, and we're looking at what the best use of that is, as I said, whether there is a transaction. And there's no assurance that there would be a transaction. As you know, we've been working on this for several quarters.

**Jason Stankowski**
Okay. And then, the last one is, when you mentioned the $4 million to $6 million range of deployment for 2023, and the other caller asked about a buyback or other uses of capital, is the, and then you go sort of onto this conversation about sort of rescue financing and other opportunistic situations with our over-levered companies, etc. Is that, are those transactions,

those kind of rescue, help, whatever you want to call those transactions, are those what's contemplated in the $4 million to $6 million number?

Or is the $4 million to $6 million number sort of a baseline of things you know are already kind of in the works, and then the other capital is set aside for maybe more of an extraordinary transaction? How should we think about the follow-on deployment? Are there two buckets for you? Or is there just one where you're thinking follow-on is follow-on, and that's kind of a $4 million to $6 million range?

**Eric Salzman**
Yes, it's the latter. Follow-ons, follow-ons.

**Jason Stankowski**
It's the latter, okay.

**Eric Salzman**
Yeah, capital use--

**Jason Stankowski**
--Regardless of the form.

**Eric Salzman**
Yeah, and the form is definitionally, in this environment, going to tilt more towards aggressive, play-to-play, top of cap stack, liquidation preferences, etc. But, Jason, just one thing. I just wanted to just go through the math again. Because I think, again, just simple math. We have $19 million of cash, and we spend, just take like if you were in this situation, if you are in our seat, you'd say, "Okay, let's assume the high end, just to see what our liquidity looks like." That's 13. Two years of burn. That's 7 without any assumption for any follow-ons beyond that.

So, I've indicated to, in answer to the last question, there is single-digit millions of "excess cash" from what we see, and the decision on what to do with it is not a decision that we're going to make 12 months from now. That's the main point I want you and the other investors to understand.

**Jason Stankowski**
Right. No, I appreciate that. I guess, clearly, your, last time you were in a window, you felt it was appropriate to put a 10b-5 in place with a grid and $3 million of a buyback. And if you feel that the situation is not going to deteriorate massively from here, that it's pretty bad, it might not hurt to put some amount back out. It's probably not very costly, and it's all set up, and it would just signal your continued, at least at these levels, feeling, the Board's feeling that the return of capital through a buyback was still a good allocation of capital. But, I get the math. That's helpful.

**Eric Salzman**
Yeah. I mean, listen, Jason. I think we understand the point, and we take that point to heart, but we also need an open window.

**Jason Stankowski**
Yeah, that's correct. Understood.

**Eric Salzman**
In one hand, so if we say we're in conversations, preliminary conversations with two parties, or discussions, then the question is, we don't need to get into the legal of whether we have an open window or we don't have an open window. But, the window is another factor that matters, obviously, in order to launch a program.

**Jason Stankowski**
That's right. And maybe an MOU is not a big deal at your portfolio companies or, versus an LOI, etc., that balancing. But, discussions might be material enough to make you not be in a window for your own company versus portfolio, etc. I get it. And then, I think I asked you a quarter or two ago, you're kind of involved in two discussions. I think one of the things that would be helpful to understand and just get a revised sort of commitment on is the timeline. And I think the other caller mentioned it a little bit. And you made a good point. We've gone from, whatever, 20 companies to 8, and the environment has changed pretty materially.

But, with regard to the Houlihan Lokey process and sort of really ratcheting down our expenses and maximizing our shareholder value in a real strategic way and taking some tough steps in that line versus seeing whether one of these things work, is there something you can say that you hope that that will be done by June? Is it by September? Is it by year end? I mean, how long should investors logically wait for picking one or the other lanes in order to start optimizing what we can control at some point?

**Eric Salzman**
Yeah. No, it's a good question. I would say somewhere between the inside and outside of what you provided, somewhere between June and end of year.

**Jason Stankowski**
Okay.

**Eric Salzman**
And we've had, as a Board and as a management team, we've spent several sessions on strategic alternatives and exploring what it looks like under different scenarios. So, that is something that we have done a lot of work on.

**Jason Stankowski**

Okay. Yeah. No, I appreciate all the work, and I know there's only so many scenarios that make sense, and there's only so long you can shake the trees until at some point, you've got to say "Okay, well, that's not going to happen, and we can't waste time and resources and be staffed up to do this type of stuff." So, appreciate all the hard work, and hopefully, we can make some hay out of the unfortunate leverage that some of these portfolio companies have put on themselves and help them with their liquidity needs, as they say.

**Eric Salzman**
Thanks, Jason.

**Operator**
There are no further questions in the audio queue. Do you have any questions that came in over the Web?

**Eric Salzman**
No. No test questions at this time.

**Operator**
Would you like to give some closing remarks?.

**Eric Salzman**
Okay. Well, yeah, I will. Thanks, Doug. So, thank you for joining our call today and for your continued interest in Safeguard. Please feel free to follow up with us with any additional questions. We are happy to engage with shareholders and discuss with shareholders, subject to NNPI, and try to provide as clear and transparent insight into both the portfolio and the actions that we're taking. So, thanks a lot, and have a good evening.

**Operator**
Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time, and have a wonderful day.