

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the Quarterly Period Ended September 30, 2023**

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 ID 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, par value \$0.10	SFE	The NASDAQ Stock Market LLC

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 whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer   
Non-accelerated filer

Accelerated filer

Smaller reporting company

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**Number of shares outstanding as of October 30, 2023**  
**Common Stock 16,575,618**



**SAFEGUARD SCIENTIFICS, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
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**SAFEGUARD SCIENTIFICS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share data)

	(Unaudited) September 30, 2023	December 31, 2022
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 15,660	\$ 13,331
Restricted cash	25	25
Marketable securities	—	5,956
Ownership interests	—	860
Prepaid expenses and other current assets	593	1,251
Total current assets	16,278	21,423
Right-of-use asset, net	1,055	1,290
Ownership interests and advances	14,839	14,545
Other assets	255	434
Total Assets	\$ 32,427	\$ 37,692
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 103	\$ 16
Accrued compensation and benefits	204	507
Accrued expenses and other current liabilities	782	865
Lease liability - current	474	429
Total current liabilities	1,563	1,817
Lease liability - non-current	888	1,249
Other long-term liabilities	50	50
Total Liabilities	2,501	3,116
Commitments and contingencies (Note 9)		
Equity:		
Preferred stock, \$0.10 par value; 1,000 shares authorized	—	—
Common stock, \$0.10 par value; 83,333 shares authorized; 21,573 shares issued and outstanding at September 30, 2023 and December 31, 2022	2,157	2,157
Additional paid-in capital	801,124	804,752
Treasury stock, at cost; 5,063 and 5,478 shares at September 30, 2023 and December 31, 2022, respectively	(44,018)	(48,410)
Accumulated deficit	(729,312)	(723,898)
Accumulated other comprehensive loss	(25)	(25)
Total Equity	29,926	34,576
Total Liabilities and Equity	\$ 32,427	\$ 37,692

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
General and administrative expense	\$ 1,313	\$ 1,360	\$ 3,684	\$ 3,740
Operating loss	(1,313)	(1,360)	(3,684)	(3,740)
Other income (loss), net	1,661	(1,012)	1,486	(2,979)
Interest income	198	230	721	476
Equity income (loss), net	386	(1,022)	(3,937)	(3,147)
Net income (loss) before income taxes	932	(3,164)	(5,414)	(9,390)
Income tax benefit (expense)	—	—	—	—
Net income (loss)	<u>\$ 932</u>	<u>\$ (3,164)</u>	<u>\$ (5,414)</u>	<u>\$ (9,390)</u>
Net income (loss) per share:				
Basic	\$ 0.06	\$ (0.19)	\$ (0.33)	\$ (0.57)
Diluted	\$ 0.06	\$ (0.19)	\$ (0.33)	\$ (0.57)
Weighted average shares used in computing income (loss) per share:				
Basic	16,285	16,281	16,167	16,405
Diluted	16,285	16,281	16,167	16,405

See Notes to Consolidated Financial Statements.

**SAFEGUARD SCIENTIFICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited – In thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities:</b>		
Net cash used in operating activities	\$ (2,490)	\$ (2,660)
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of ownership interests	2,300	6,534
Acquisitions of ownership interests	(3,000)	—
Advances and loans to ownership interests	(250)	(5,045)
Purchases of marketable securities	(8,530)	(5,952)
Proceeds from maturities in marketable securities	14,650	—
Net cash (used in) provided by investing activities	5,170	(4,463)
<b>Cash Flows from Financing Activities:</b>		
Repurchases of Company common stock	(75)	(2,060)
Tax withholdings related to equity-based awards	(276)	(523)
Net cash used in financing activities	(351)	(2,583)
Net change in cash, cash equivalents and restricted cash	2,329	(9,706)
Cash, cash equivalents and restricted cash at beginning of period	13,356	24,764
Cash, cash equivalents and restricted cash at end of period	<u>\$ 15,685</u>	<u>\$ 15,058</u>

See Notes to Consolidated Financial Statements.

**SAFEGUARD SCIENTIFICS, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited – In thousands, except share data)

	<u>Total</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	
				<u>Shares</u>	<u>Amount</u>		<u>Shares</u>	<u>Amount</u>
<b>Balance - December 31, 2022</b>	\$ 34,576	\$ (723,898)	\$ (25)	21,573	\$ 2,157	\$ 804,752	5,478	\$ (48,410)
Net loss	(3,484)	(3,484)	—	—	—	—	—	—
Repurchases of common stock	(75)	—	—	—	—	—	25	(75)
Restricted stock awards, forfeitures and shares repurchased for tax withholdings, net	207	—	—	—	—	(1,899)	(193)	2,106
Stock-based compensation expense	168	—	—	—	—	168	—	—
<b>Balance - March 31, 2023</b>	<u>\$ 31,392</u>	<u>\$ (727,382)</u>	<u>\$ (25)</u>	<u>21,573</u>	<u>\$ 2,157</u>	<u>\$ 803,021</u>	<u>5,310</u>	<u>\$ (46,379)</u>
Net loss	(2,862)	(2,862)	—	—	—	—	—	—
Restricted stock awards, forfeitures and shares repurchased for tax withholdings, net	60	—	—	—	—	(1,882)	(212)	1,942
Stock-based compensation expense	173	—	—	—	—	173	—	—
<b>Balance - June 30, 2023</b>	<u>\$ 28,763</u>	<u>\$ (730,244)</u>	<u>\$ (25)</u>	<u>21,573</u>	<u>\$ 2,157</u>	<u>\$ 801,312</u>	<u>5,098</u>	<u>\$ (44,437)</u>
Net income	932	932	—	—	—	—	—	—
Restricted stock awards, forfeitures and shares repurchased for tax withholdings, net	61	—	—	—	—	(358)	(35)	419
Stock-based compensation expense	170	—	—	—	—	170	—	—
<b>Balance - September 30, 2023</b>	<u>\$ 29,926</u>	<u>\$ (729,312)</u>	<u>\$ (25)</u>	<u>21,573</u>	<u>\$ 2,157</u>	<u>\$ 801,124</u>	<u>5,063</u>	<u>\$ (44,018)</u>

See Notes to Consolidated Financial Statements.

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

	Total	Accumulated Deficit	Accumulated Other Comprehensive Loss	Common Stock		Additional Paid-in Capital	Treasury Stock	
				Shares	Amount		Shares	Amount
<b>Balance - December 31, 2021</b>	\$ 50,566	\$ (709,635)	\$ (25)	21,573	\$ 2,157	\$ 806,638	5,068	\$ (48,569)
Net loss	(6,709)	(6,709)	—	—	—	—	—	—
Repurchases of common stock	(779)	—	—	—	—	—	148	(779)
Restricted stock awards, forfeitures and shares repurchased for tax withholdings, net	303	—	—	—	—	(1,019)	(122)	1,322
Stock-based compensation expense	168	—	—	—	—	168	—	—
<b>Balance - March 31, 2022</b>	\$ 43,549	\$ (716,344)	\$ (25)	21,573	\$ 2,157	\$ 805,787	5,094	\$ (48,026)
Net income	483	483	—	—	—	—	—	—
Repurchases of common stock	(945)	—	—	—	—	—	221	(945)
Restricted stock awards, forfeitures and shares repurchased for tax withholdings, net	65	—	—	—	—	(489)	(54)	554
Stock-based compensation expense	143	—	—	—	—	143	—	—
<b>Balance - June 30, 2022</b>	\$ 43,295	\$ (715,861)	\$ (25)	21,573	\$ 2,157	\$ 805,441	5,261	\$ (48,417)
Net loss	(3,164)	(3,164)	—	—	—	—	—	—
Repurchases of common stock	(337)	—	—	—	—	—	84	(337)
Restricted stock awards, forfeitures and shares repurchased for tax withholdings, net	48	—	—	—	—	(994)	(110)	1,042
Stock-based compensation expense	265	—	—	—	—	265	—	—
<b>Balance - September 30, 2022</b>	\$ 40,107	\$ (719,025)	\$ (25)	21,573	\$ 2,157	\$ 804,712	5,235	\$ (47,712)

See Notes to Consolidated Financial Statements.



**SAFEGUARD SCIENTIFICS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**1. General**

The accompanying unaudited interim Consolidated Financial Statements of Safeguard Scientifics, Inc. (“Safeguard” or the “Company”) were prepared in accordance with accounting principles generally accepted in the United States of America and the interim financial statement rules and regulations of the SEC. In the opinion of management, these statements include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Consolidated Financial Statements. The interim operating results are not necessarily indicative of the results for a full year or for any interim period. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations relating to interim financial statements. The Consolidated Financial Statements included in this Form 10-Q should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-Q and with the Company’s Consolidated Financial Statements and Notes thereto included in the Company’s 2022 Annual Report on Form 10-K.

***Liquidity***

As of September 30, 2023 the Company had \$15.7 million of cash and cash equivalents.

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 September 30, 2023 will be sufficient to fund operations past one year from the issuance of these Consolidated Financial Statements.

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

**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.

**Comprehensive Income (loss)**

During the three months and nine months ended September 30, 2023 and 2022, there were no items of comprehensive income (loss).

**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.

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

**2. Ownership Interests and Advances**

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(Unaudited - In thousands)	
<b>Equity Method:</b>		
Companies	\$ 10,583	\$ 8,749
Private equity funds	97	97
	<u>10,680</u>	<u>8,846</u>
<b>Other Method:</b>		
Companies, fair value	-	860
Companies, fair value measurement alternative	2,555	1,067
Private equity funds, fair value measurement alternative	250	250
	<u>2,805</u>	<u>2,177</u>
Advances to companies	1,354	4,382
	<u>\$ 14,839</u>	<u>\$ 15,405</u>

The Company recorded a \$0.2 million impairment during the nine months ended September 30, 2023 related to an Other ownership interest. There were no impairments recorded during the nine months ended September 30, 2022.

As of September 30, 2023, the Company held ownership interests accounted for using the equity method in 5 non-consolidated companies. Certain of the Company's ownership interests as of September 30, 2023 included the following:

<b>Company Name</b>	<b>Safeguard Primary Ownership as of September 30, 2023</b>	<b>Accounting Method</b>
Clutch Holdings, Inc.	41.7%	Equity
InfoBionic, Inc.	5.5%	Other
meQuilibrium	30.2%	Equity
Moxe Health Corporation	19.3%	Equity
Prognos Health Inc.	19.4%	Equity
Syapse, Inc.	11.0%	Equity

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

***Summarized Financial Information***

The following table summarizes the statement of operations data for the companies accounted for under the equity method for the three and nine months ended September 30, 2023 and 2022, respectively. These results have been compiled from the respective companies' financial statements, reflect certain historical adjustments, and are reported on a one quarter lag basis. Results of operations of the companies are excluded for periods prior to their acquisition, subsequent to their disposition and subsequent to the discontinuation of the equity method of accounting. Historical results are not adjusted when the Company exits, writes-off or discontinues the equity method of accounting.

	<b>Three Months Ended September</b>		<b>Nine Months Ended September</b>	
	<b>30,</b>		<b>30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>(Unaudited - In thousands)</b>			
<b>Results of Operations:</b>				
Revenue	\$ 18,713	\$ 34,170	\$ 89,110	\$ 109,460
Gross profit	\$ 13,525	\$ 19,741	\$ 62,130	\$ 67,314
Net loss	\$ (14,643)	\$ (41,071)	\$ (63,971)	\$ (106,258)

**3. Acquisitions of Ownership Interests**

The following is a summary of additional deployments during the nine month period ended September 30, 2023:

The Company deployed \$3.0 million to Prognos Health during the three months ended June 30, 2023. The Company had previously deployed an aggregate of \$14.6 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.

The Company funded \$0.3 million of convertible loans to Trice Medical during the three months ended March, 31 2023. During the three months ended September 30, 2023, Trice Medical completed a recapitalization transaction in which Safeguard declined to participate that resulted in Safeguard retaining a small, subordinated debt position and a de minimis ownership interest. The Company had previously deployed an aggregate of \$12.0 million. Trice Medical is focused on orthopedic diagnostics using fully integrated camera-enabled technologies to provide clinical solutions to physicians.

During the three months ended September 30, 2023, InfoBionic completed a recapitalization transaction, in which Safeguard declined to participate, that reduced our ownership position to approximately 5% and resulted in a \$1.7 million observable price change gain to reflect the fair value of the ownership interest. InfoBionic provides a remote patient monitoring platform delivering on-demand, actionable monitoring data and analytics directly to physicians.

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

#### 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. Marketable securities consist of U.S. Treasury Bills and are carried at amortized cost, which approximates fair value at September 30, 2023. The Company did not have any Level 2 or Level 3 financial assets or liabilities measured at fair value on a recurring basis as of September 30, 2023 or December 31, 2022.

	Carrying Value	Fair Value Measurement at September 30, 2023		
		Level 1	Level 2	Level 3
		(Unaudited - In thousands)		
Cash and cash equivalents	\$ 15,660	\$ 15,660	\$ —	\$ —
Restricted cash	\$ 25	\$ 25	\$ —	\$ —

	Carrying Value	Fair Value Measurement at December 31, 2022		
		Level 1	Level 2	Level 3
		(Unaudited - 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	\$ —	\$ —

#### 5. Stock-Based Compensation

Stock-based compensation expense was recognized in the Consolidated Statements of Operations as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(Unaudited - In thousands)			
General and administrative expense	\$ 238	\$ 560	\$ 808	\$ 1,136
	\$ 238	\$ 560	\$ 808	\$ 1,136

Stock-based compensation consists of time based awards to employees, liability based awards to employees to be settled in stock, performance based awards to employees, other non-employee grants and liability based awards to Directors for quarterly and annual services. During the nine months ended September 30, 2023 and 2022, the Company awarded 307 thousand and 142 thousand restricted stock awards, respectively to non-employee directors for compensation. The Company also issued 240 thousand shares for employee services during the nine months ended September 30, 2023, respectively, based on the terms of service agreements.

#### 6. Income Taxes

The Company recorded no consolidated income tax benefit (expense) for the three and nine months ended September 30, 2023 and 2022. The Company has recorded a valuation allowance to reduce its net deferred tax asset to an amount that is more likely than not to be realized in future years. Accordingly, the tax provision that would have been recognized in the three and nine months ended September 30, 2023 was offset by changes in the valuation allowance. During the three and nine months ended September 30, 2023, the Company had no material changes in uncertain tax positions.

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

**7. Net Income (Loss) Per Share**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>(Unaudited - In thousands, except per share data)</b>				
<b>Basic:</b>				
Net income (loss)	\$ 932	\$ (3,164)	\$ (5,414)	\$ (9,390)
Weighted average common shares outstanding	16,285	16,281	16,167	16,405
Net income (loss) per share	<u>\$ 0.06</u>	<u>\$ (0.19)</u>	<u>\$ (0.33)</u>	<u>\$ (0.57)</u>
<b>Diluted:</b>				
Net income (loss) for dilutive share computation	<u>\$ 932</u>	<u>\$ (3,164)</u>	<u>\$ (5,414)</u>	<u>\$ (9,390)</u>
Number of shares used in basic per share computation	16,285	16,281	16,167	16,405
Unvested restricted stock and DSU's	—	—	—	—
Employee stock options	—	—	—	—
Weighted average common shares outstanding	<u>16,285</u>	<u>16,281</u>	<u>16,167</u>	<u>16,405</u>
Net income (loss) per dilutive share	<u>\$ 0.06</u>	<u>\$ (0.19)</u>	<u>\$ (0.33)</u>	<u>\$ (0.57)</u>

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 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 September 30, 2023 and 2022, options to purchase 8 thousand and 18 thousand shares of common stock, respectively, a price of \$10.37 and a range of \$10.37 to \$17.11, respectively, were excluded from the calculations.
- At September 30, 2023 and 2022, unvested restricted stock and performance-based stock units convertible into 0.3 million and 0.2 million shares of stock, respectively, were excluded from the calculations.

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

**8. 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 September 30, 2023 and December 31, 2022, all of the Company's assets were located in the United States.

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

**9. Commitments and Contingencies**

In March 2019, the Company entered into a sublease of its prior corporate headquarters office space beginning in June 2019. 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 September 30, 2023 follows:

	<b>Operating lease payments</b>	<b>Expected sublease receipts</b>
	<b>(Unaudited - In thousands)</b>	
2023 (three months ending December 31)	\$ 152	\$ 141
2024	613	573
2025	619	590
2026	207	199
2027	—	—
2028	—	—
Thereafter	—	—
Total future minimum lease payments	1,591	\$ 1,503
Less imputed interest	(230)	
Total operating lease liabilities	<u>\$ 1,361</u>	

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 September 30, 2023 which related to one of the Company's private equity fund interests.

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) certain specified vesting thresholds (some of which have already been met and paid) or (ii) specified events. In the first case, the bonus pool will be an amount equal to 1.0% of incremental proceeds from the last threshold met and up to 1.3% at certain 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 zero compensation expense during each of the three and nine months ended September 30, 2022 and 2023, respectively. The Company did not make any payments during the three and nine months ended September 30, 2022 or 2023 and has no amounts accrued under the LTIP as of September 30, 2023.

The Company has agreements with certain remaining 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 employment and severance agreements for remaining employees was approximately \$0.9 million at September 30, 2023 and up to 156,250 common shares.

In June 2011, the Company's former ownership interest, 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.





## 10. 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. The Company has not repurchased any shares under such authorization during 2022 or the nine months ended September 30, 2023.

In March 2022, the Company's Board of Directors replaced a previously existing share repurchase plan that was authorized in May 2021 with a newly authorized \$3.0 million share repurchase 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. The Company completed the 2022 Plan in January by purchasing an additional 25,096 shares, resulting in an average price of \$4.09 for the 2022 Program.

## Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

### Cautionary Note Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q 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" in Safeguard's Annual Report on Form 10-K and updated, as applicable, in "Factors that May Affect Future Results" and Item 1A. "Risk Factors" below. 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.

## 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.

## 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 September 30, 2023 and 2022, respectively. The ownership percentages 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).

<b>Safeguard Primary Ownership as of September 30,</b>			
<b>Company Name</b>	<b>2023</b>	<b>2022</b>	<b>Accounting Method</b>
Clutch Holdings, Inc.	41.7%	41.7%	Equity
InfoBionic, Inc.	5.5%	25.2%	Other
meQuilibrium	30.2%	31.5%	Equity
Moxe Health Corporation	19.3%	19.3%	Equity
Prognos Health Inc.	19.4%	28.4%	Equity
Syapse, Inc.	11.0%	11.0%	Equity

Three months ended September 30, 2023 versus the three months ended September 30, 2022

	Three Months Ended September 30,		
	2023	2022	Variance
	(In thousands)		
General and administrative expense	\$ (1,313)	\$ (1,360)	\$ 47
Other income (loss), net	1,661	(1,012)	2,673
Interest income	198	230	(32)
Equity income (loss), net	386	(1,022)	1,408
	<u>\$ 932</u>	<u>\$ (3,164)</u>	<u>\$ 4,096</u>

*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 did not fluctuate significantly as compared to the third quarter of 2022. However, certain professional expenses were higher while stock based compensation amounts were lower by \$0.3 million. General and administrative expense includes stock based compensation of \$0.2 million and \$0.6 million for each of the three months ended September 30, 2023 and 2022, respectively.

*Other Income (loss), net.* Other income (loss), net increased \$2.7 million for the three months ended September 30, 2023 compared to the prior year quarter. During the three months ended September 30, 2023, the Company recorded a \$1.7 million gain resulting from the observable price change at InfoBionic. During the three months ended September 30, 2022, the Company recorded an unrealized loss of \$1.0 million related to the decline in the fair value of Bright Health common stock.

*Interest Income.* Interest income decreased during the three months ended September 30, 2023 as compared to the prior year period primarily attributable to a lower average balance of advances to ownership interests.

*Equity Income (loss), net.* Equity income (loss), net decreased \$1.4 million for the three months ended September 30, 2023 compared to the prior year period. The components of equity income (loss), net for the three months ended September 30, 2023 and 2022 were as follows:

	Three Months Ended September 30,		
	2023	2022	Variance
	(In thousands)		
Gains on sales of ownership interests, net	\$ 180	\$ 5,020	\$ (4,840)
Share of income (loss) of our equity method companies, net	206	(6,042)	6,248
	<u>\$ 386</u>	<u>\$ (1,022)</u>	<u>\$ 1,408</u>

During the three months ended September 30, 2023, the Company recorded \$0.2 million of gains related to the resolution of contingencies and the collection of escrow amounts from prior exit transactions. The Company recorded a gain of \$4.7 million during the three months ended September 30, 2022 with respect to the Lumesis sale where the Company received \$5.3 million in cash proceeds, excluding holdbacks and escrows. The change in our share of loss of our equity method companies for the three months ended September 30, 2023 as compared to the three months ended September 30, 2022 of \$6.2 million was due primarily to three companies (Trice Medical, Syapse, and meQuilibrium) that did not contribute any amount of equity method loss for the three months ended September 30, 2023 due to their carrying value being previously reduced to zero. The third quarter of 2023 also benefited from favorable results at Clutch Holdings and Prognos Health as compared to the comparable prior quarter.

Nine months ended September 30, 2023 versus the nine months ended September 30, 2022

	Nine Months Ended September 30,		
	2023	2022	Variance
	(In thousands)		
General and administrative expense	\$ (3,684)	\$ (3,740)	\$ 56
Other income (loss), net	1,486	(2,979)	4,465
Interest income	721	476	245
Equity income (loss), net	(3,937)	(3,147)	(790)
	<u>\$ (5,414)</u>	<u>\$ (9,390)</u>	<u>\$ 3,976</u>

*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 did not fluctuate significantly as compared to the nine months ended September 30, 2022. However, certain professional expenses were higher while stock based compensation amounts were lower by \$0.3 million. General and administrative expense includes stock based compensation of \$0.8 million and \$1.1 million for each of the nine months ended September 30, 2023 and 2022, respectively.

*Other Income (loss), net.* Other income (loss), net increased \$4.5 million for the nine months ended September 30, 2023 compared to the prior year quarter. During the nine months ended September 30, 2023, the Company recorded a \$1.7 million gain resulting from the observable price change at InfoBionic and a \$0.2 million impairment on an Other ownership interest. During the nine months ended September 30, 2022, the Company recorded an unrealized loss of \$3.2 million related to the decline in the fair value of Bright Health common stock.

*Interest Income.* Interest income increased during the nine months ended September 30, 2023 as compared to the prior year period primarily attributable to a higher market interest rates on marketable securities.

*Equity Income (loss), net.* Equity income (loss), net decreased \$0.8 million for the nine months ended September 30, 2023 compared to the prior year period. The components of equity income (loss), net for the nine months ended September 30, 2023 and 2022 were as follows:

	Nine Months Ended September 30,		
	2023	2022	Variance
	(In thousands)		
Gains on sales of ownership interests	\$ 610	\$ 5,406	\$ (4,796)
Unrealized dilution gains	584	5,285	(4,701)
Share of loss of our equity method companies, net	(5,131)	(13,838)	8,707
	<u>\$ (3,937)</u>	<u>\$ (3,147)</u>	<u>\$ (790)</u>

The Company recorded \$0.6 million of gains on sales of ownership interests during the nine months ended September 30, 2023 from a secondary sale of a subordinated promissory note issued by Aktana and related to various escrow received or contingencies resolved. The unrealized dilution gain for the nine months ended September 30, 2023 was the result of Prognos Health, who raised additional equity capital that diluted the Company's interest. The unrealized dilution gain for the nine months ended September 30, 2022 was the result of Moxe Health, who raised additional equity capital that diluted the Company's interest. The change in our share of loss of our equity method companies for the nine months ended September 30, 2023 compared to the prior year period of \$8.7 million was due primarily to a \$5.7 million decrease applicable to three companies (Trice Medical, Syapse, and meQuilibrium) whose amount of equity method loss for the nine months ended September 30, 2023 decreased significantly due to their carrying value being reduced to zero. The nine months ended September 30, 2023 also benefited from lower operating losses at Prognos Health as compared to the comparable period.

***Income Tax Benefit (Expense)***

Income tax benefit (expense) was \$0.0 million for the three and nine months ended September 30, 2023 and 2022. 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 income tax provision that would have been recognized in the nine months ended September 30, 2023 and 2022 was offset by changes in the valuation allowance.

***Liquidity and Capital Resources***

As of September 30, 2023, we had \$15.7 million of cash and cash equivalents.

In January 2018, Safeguard announced that we will not deploy any capital into new opportunities and will focus on supporting our existing ownership interests and maximizing monetization opportunities to return value to shareholders. In that context, we have, are and will consider initiatives including, among others: the sale of individual ownership interests, the sale of certain ownership interests in secondary market transactions, or a combination thereof, as well as other opportunities to maximize shareholder value.

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 year ended December 31, 2022 and the nine months ended September 30, 2023, we did not repurchase any shares under this authorization. In March 2022, the Company's Board of Directors replaced a previously existing share repurchase plan that was authorized in May 2021 with a newly authorized \$3.0 million share repurchase 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. 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 September 30, 2023 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:

	Nine Months Ended September 30,		
	2023	2022	Variance
	(In thousands)		
Net cash used in operating activities	\$ (2,490)	\$ (2,660)	\$ 170
Net cash (used in) provided by investing activities	5,170	(4,463)	9,633
Net cash used in financing activities	(351)	(2,583)	2,232
	<u>\$ 2,329</u>	<u>\$ (9,706)</u>	<u>\$ 12,035</u>

#### Net Cash Used In Operating Activities

Net cash used in operating activities decreased for the nine months ended September 30, 2023 compared to the prior year period. The activity during the nine months ended September 30, 2023 was primarily the result of various non-cash adjustments to net loss, including \$3.9 million of equity loss. The activity during the nine months ended September 30, 2022 was primarily the result of various non-cash adjustments to net loss, including \$3.1 million of equity loss and a \$3.2 million unrealized loss on the decrease in fair value of Bright Health common stock.

#### Net Cash (Used in) Provided by Investing Activities

Net cash (used in) provided by investing activities increased by \$9.6 million for the nine months ended September 30, 2023 compared to the prior year period. During the nine months ended September 30, 2023, the Company funded an aggregate of \$3.3 million to Prognos Health and Trice Medical as compared to aggregate of \$5.0 million to Syapse, Inc., Prognos Health and Clutch Holdings during the nine months ended September 30, 2022. During the nine months ended September 30, 2023, the Company received cash proceeds of \$0.8 million from the sale of its ownership interest in BHG, \$0.4 million from the secondary sale of a subordinated promissory note issued by Aktana and \$1.0 million from various escrows from prior transactions. During the nine months ended September 30, 2022, the Company received \$5.3 million of cash proceeds from the Lumesis transaction and various other amounts resulting from the resolution or expiration of escrow contingencies.

#### Net Cash Used In Financing Activities

Net cash used in financing activities decreased by \$2.2 million for the nine months ended September 30, 2023 compared to the prior year. The decrease was primarily the result of lower share repurchases in 2023 as the Company completed the 2022 Plan.

### Contractual Cash Obligations and Other Commercial Commitments

The following table summarizes our contractual obligations and other commercial commitments as of September 30, 2023, by period due or expiration of the commitment.

	Payments Due by Period				
	Total	2023 (remainder)	2024 and 2025	2026 and 2027	After 2027
	(In millions)				
Contractual Cash Obligations:					
Operating leases (a)	\$ 1.6	0.2	1.2	0.2	—
Total Contractual Cash Obligations (b)	<u>\$ 1.6</u>	<u>\$ 0.2</u>	<u>\$ 1.2</u>	<u>\$ 0.2</u>	<u>\$ —</u>

- (a) In 2015, we entered into an agreement for the lease of our former principal executive offices which expires in April 2026. In March 2019, we entered into a sublease for these offices which is expected to result in future aggregate sublease receipts of \$1.5 million through April 2026.
- (b) The maximum aggregate exposure under employment and severance agreements for remaining employees was approximately \$0.9 million at September 30, 2023 (not reflected in the table above) and up to 156,250 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 operations.

## Factors That May Affect Future Results

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 some of 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, including to an outsourced management service provider. 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.***

Some of our companies may 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 that one or more of our companies is unable to satisfy its debt obligations, or 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 constitute a large percentage of our expenses and we intend to delist our common stock from trading on NASDAQ and seek to terminate the registration of our common stock under the Exchange Act, which could negatively impact the trading volume and price of our common stock.***

We are currently a public company and are subject to the listing standards of NASDAQ 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 constitute a significant portion of our expenses. We intend to delist our common stock from NASDAQ and seek to deregister our common stock under the Exchange Act, which could preclude certain shareholders from owning our common stock, negatively impact the trading volume of our common stock, cause the price of our common stock to decline, and limit the type and amount of information about our business, operations, finances and results that is publicly available. However, such transaction is subject to shareholder approval and we will continue to face the costs and burdens of being a public company until such time as our common stock is delisted from NASDAQ and deregistered under the Exchange Act.

***Subject to shareholder approval, our board of directors has approved a plan to effectuate a reverse/forward stock split to reduce the number of record holders of our common stock and terminate the registration of our common stock under the Securities Exchange Act of 1934, as amended (the "Exchange Act").***

On October 5, 2023, we announced a proposed reverse/forward stock split transaction. If the proposed reverse/forward stock split is effected, we intend to terminate the registration of our common stock under the Exchange Act. Following deregistration, we will no longer file annual reports on Form 10-K (except for Form 10-K for the year ending December 31, 2023), quarterly reports on Form 10-Q, and current reports on Form 8-K. Accordingly, there will be significantly less information regarding Safeguard available to shareholders and potential investors. In addition, we will no longer be subject to the provisions of the Sarbanes-Oxley of 2002 Act and certain of the liability provisions of the Exchange Act, although we will still be subject to the antifraud provisions of the Exchange Act and any applicable state securities laws. Following deregistration, our executive officers, directors and 10% shareholders will no longer be required to file reports relating to their transactions in our common stock with the SEC. In addition, our executive officers, directors and 10% shareholders will no longer be subject to the recovery of short-swing profits provision of the Exchange Act, and persons acquiring 5% of our common stock will no longer be required to report their beneficial ownership under the Exchange Act. In addition, following the effective time of the reverse/forward stock split, we plan to delist our common stock from NASDAQ. Any trading in our common stock after the deregistration and delisting would only occur in privately negotiated sales or potentially on the OTC Markets, if one or more brokers chooses to make a market for our common stock there and complies with applicable regulatory requirements; however, there can be no assurances regarding any such trading. The lack of public information and increased illiquidity will make trading in our shares of common stock more difficult, which may cause the value of our common stock to decrease. Information concerning this proposed transaction is set forth in our preliminary proxy statement, which was filed with the SEC on Schedule 14A on October 5, 2023, as amended on October 20, 2023. Shareholders are urged to read the preliminary proxy statement carefully.

***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 3. *Quantitative and Qualitative Disclosures About Market Risk***

There have been no material changes to the information we previously disclosed under Item 7A of Part II of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 10, 2023.

#### **Item 4. *Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of September 30, 2023 are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 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 Chief Executive Officer and Chief 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.

(b) 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.



**PART II****OTHER INFORMATION****Item 1. Legal Proceedings**

On June 21, 2023 Hilary Musser filed a complaint in the Court of Common Pleas in Delaware County, Pennsylvania. The lawsuit names the Company, Bonfield VII, Ltd. And Robert E. Keith, a former director of the Company, as defendants. The lawsuit alleges, among other things, that in the early 2000s, in the midst of divorce proceedings between the claimant and Warren Musser and other litigation involving the Mussers and the Company, the defendants and Mr. Musser acted together to deprive the claimant of certain assets. The claimant is seeking compensatory damages, including interest, costs and punitive and delay damages. We believe that the claims set forth in the complaint are without merit. The final outcome of this matter, however, cannot be predicted with complete certainty, and our failure to successfully defend against these allegations could have a material adverse effect on our business, financial condition and results of operation.

**Item 1A. Risk Factors**

In addition to the other information set forth in this report, you should carefully consider the risk factors described below and in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides information about purchases of equity securities by the Company and affiliated purchasers of the Company, during the quarter ended September 30, 2023, which equity securities are 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)
July 1, 2023 - July 31, 2023	5,297	\$ 1.44	—	\$ 14,636,135
August 1, 2023 - August 31, 2023	5,297	\$ 1.23	—	\$ 14,636,135
September 1, 2023 - September 30, 2023	5,298	\$ 1.13	—	\$ 14,636,135
Total	15,892	\$ 1.27	—	

- (a) During the third quarter of 2023, the Company repurchased an aggregate of 16 thousand shares of its 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 July 2015, our Board of Directors authorized the Company to repurchase shares of its outstanding common stock with an aggregate value of up to \$25.0 million. These repurchases may be made in open market or privately negotiated transactions, including under plans complying with Rule 10b5-1 of the Exchange Act, based on market conditions, stock price, and other factors. In March 2022, the Company's Board of Directors replaced a previously existing share repurchase plan that was authorized in May 2021 with a newly authorized \$3.0 million share repurchase 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. The share repurchase programs does not obligate the Company to acquire any specific number of shares. 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 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

(a) Exhibits.

The following is a list of exhibits required by Item 601 of Regulation S-K to be filed as part of this Report. For exhibits that previously have been filed, the Registrant incorporates those exhibits herein by reference. Documents which are incorporated by reference to filings by parties other than the Registrant are identified in a footnote to this table.

<b>Exhibit Number</b>	<b>Description</b>
31.1 †	<a href="#">Certification of Eric C. Salzman pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934.</a>
31.2 †	<a href="#">Certification of Mark A. Herndon pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934.</a>
32.1 ‡	<a href="#">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.</a>
32.2 ‡	<a href="#">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.</a>
101	The following materials from Safeguard Scientifics, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language); (i) Consolidated Balance Sheets (unaudited); (ii) Consolidated Statements of Operations (unaudited); (iii) Consolidated Statements of Comprehensive Income (Loss) (unaudited); (iv) Condensed Consolidated Statements of Cash Flows (unaudited); (v) Consolidated Statement of Changes in Equity (unaudited); and (vi) Notes to Consolidated Financial Statements (unaudited).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

† Filed herewith

‡ Furnished herewith

\* This exhibit relates to management contracts or compensatory plans, contracts or arrangement in which directors and/or executive officers of the Registrant may participate. Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10) of Regulation S-K.

**SIGNATURES**

Pursuant to the requirements 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.

Date: November 2, 2023

SAFEGUARD SCIENTIFICS, INC.

/s/ Eric C. Salzman

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Eric C. Salzman

*Chief Executive Officer*

Date: November 2, 2023

/s/ Mark A. Herndon

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Mark A. Herndon

*Senior Vice President and Chief Financial Officer*

## CERTIFICATION

I, Eric C. Salzman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 2, 2023

/s/ Eric C. Salzman

Eric C. Salzman

Chief Executive Officer

## CERTIFICATION

I, Mark A. Herndon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 2, 2023

/s/ Mark A. Herndon

Mark A. Herndon

Senior Vice President and Chief Financial Officer

**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 Quarterly Report of Safeguard Scientifics, Inc. ("Safeguard") on Form 10-Q for the nine months ended September 30, 2023 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: November 2, 2023

/s/ Eric C. Salzman  
Eric C. Salzman  
Chief Executive Officer

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**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 Quarterly Report of Safeguard Scientifics, Inc. (“Safeguard”) on Form 10-Q for the nine months ended September 30, 2023 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: November 2, 2023

/s/ Mark A. Herndon

Mark A. Herndon

Senior Vice President and Chief Financial Officer