Safeguard Scientifics
Third Quarter 2023 Earnings
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<u>Presenters</u>
Eric Salzman, CEO
Mark Herndon, CFO
Matt Barnard, General Counsel

<u>Q&A Participants</u>
John Power – Redwood Fund
Sherry Rubinstein – Private Investor

Operator
Greetings and welcome to the Safeguard Scientifics' Third Quarter 2023 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star, zero, on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Matt Barnard, General Counsel. Please proceed sir.

Matt Barnard
Good afternoon and thank you for joining us for this presentation of Safeguard Scientifics' Third Quarter 2023 Financial Results. Joining me on today's call and webcast are Eric Salzman, Safeguard's Chief Executive Officer, and Mark Herndon, Safeguard's Chief Financial Officer. Following our prepared remarks, we will open up the call to your questions. As always, today's presentation includes forward-looking statements. Reliance on forward-looking statements involve certain risks and uncertainties, including but not limited to the uncertainty of the outcomes of corporate strategic transaction, if any, the uncertainty of our efforts to execute on and implement reverse and forward splits of our common stock so that we can seize the registration of our common stock under the Securities Exchange Act of 1934 as amended and delist our shares of common stock from trading on NASDAQ, the certainly the future performance of our companies, our ability to make good decisions about the monetization of our companies, the ongoing support of our companies, our inability to (inaudible) our companies, fluctuations in the market prices of any of our companies that are publicly traded, and the effects of regulatory and economic conditions generally, and other uncertainties described in our filings with the SEC.

Many of these factors are beyond our ability to predict or control. As a result of these and other factors or past financial performance should not be relied on as indication of future performance. During the course of today's call, or such as expect, anticipate, believe and intend will be used in our discussion of goals or events in the future. Management cannot provide any assurance that future results will be as described in our forward-looking statements. We encourage you to read Safeguard's filings with the SEC, including our form 10-Q, which describe in detail the risks and uncertainties associated managing our business. The company does not assume any obligation to update any forward looking statements made today.

With that, I would now like to introduce Eric.

Eric Salzman
Thanks, Matt. Thanks for joining us this afternoon for our Q3 2023 Earnings Call. Today, we will walk you through the rationale and key elements of our go dark transaction, our thought process around a potential Q4 2023 dividend, a brief update on our remaining portfolio companies, and then Mark will run through the financials, and we'll open up the call to questions. And we'll start with our go dark transaction.

We found our definitive proxy this afternoon which details the various elements of our plan to delist from NASDAQ and become a non-reporting company. As explained in the proxy, we've concluded that the costs of being public have become too burdensome and the benefits very limited in light of our strategy to monetize our remaining ownership interests and return maximum value to our shareholders. The process to become a non-reporting company requires a shareholder vote to approve a series of stock splits and we set the shareholder meeting date for December 15th.

The intention of the stock splits is to reduce the number of shareholders of record to fewer than 300. Once we have fewer than 300 shareholders of record, Safeguard is no longer required to be a reporting company for SEC purposes, meaning we will not have to file 10-Ks and 10-Qs, thereby reducing our expenses significantly. The stock splits will create a relatively small number of fractional shares, which we intend to cash out at $1.65 per share. Details of how we arrived at this number is described in the proxy. Based on our current estimates, we expect the total cost of cashing out these fractional shares to be approximately $10,000.

As part of our plan to delist from NASDAQ and become a non-reporting company, we also intend to make changes to our management structure to further reduce the costs to operate the business. We expect to transition Safeguard's general and administrative functions to an external service provider to be selected by the Board. Our remaining officers and employees, the four of us, are expected to provide transition services to Safeguard on an as needed basis. The Board has narrowed the search process for an external service provider to three and we expect to have this in place by January 1st, 2024. Taken together, we believe these steps will substantially reduce the operating costs to manage and monetize the remaining companies in the portfolio.

As disclosed in the proxy, we anticipate annual cost savings of approximately $1.5 million in cash and a reduction in annualized stock-based compensation of approximately 1.2 million. Reducing our expected operating costs frees up more of our balance sheet cash to return to shareholders via a dividend, subject to Board approval. We refer to this extra cash as excess cash, and it is defined as cash on hand, less the estimated amounts required to be retained to pay the cost of the transaction, to port Safeguard's operations in the portfolio companies, as well as covered liabilities and contingencies. Subject to Board approval, we intend to pay out this excess cash as a cash dividend in late December after the shareholder vote.

We would not delist from NASDAQ until after just after the December 15 shareholder meeting. And assuming we move forward with the go dark transaction, any trading and or common stock after delisting will only occur in privately negotiated sales. We will be exploring whether Safeguard shares can trade on one of the OTC markets, but there can be no assurances of that. We are required to file a 2023 10-K, which will be our last SEC filing. Post the filing of the 10-K, we expect the size of the Board to drop from the full current four members to two, with these two coming from our existing Board.

From an information perspective, while we are not required to do so, we currently intend to provide quarterly business updates and expect to provide an annual audit to shareholders. Any future distributions after the potential dividend will be dependent on actual cash exits, any changes to the estimates of the cost to operate (inaudible) liquidations, as well as any other contingencies. We estimate exit proceeds from our remaining positions at between $25 million and $45 million. The monetization process is expected to take two years but could be longer. We are working with the Board to finalize all operational elements required to consummate this transaction.

Now, let me turn to the portfolio. As we disclosed last quarter, we expect nearly all of the exit proceeds from the remaining portfolio to come from those companies that we categorize as bucket one companies. Consistent with what we said last quarter, the bucket one companies are Prognos, meQuilibrium, Clutch and Moxe. We have also added InfoBionic to bucket one as it recently completed a recap and capital raise. As you recall from last quarters call, we mentioned that one of our companies was in the midst of a potential recap and capital raise and if this were to happen, we would expect that he would move to bucket one. This is what happened with InfoBionic. We continue to have Board seats at Prognos, meQuilibrium, Moxe and Clutch, and are actively engaged with management and co-investors to drive value creation and exits. Post recap and given our reduced ownership interest, we have retained an observer see at InfoBionic.

Let me provide some further clarifications on the $25 million to $45 million and future exit proceeds. First, the $25 million to $45 million are estimated future exit values and are not discounted. Second, the inclusion of InfoBionic in bucket one does not have any impact on this range, nor does it represent the difference between the low and the high. And thirdly, the ~~2~~$25 million to $45 million is expected to be generated exclusively from bucket one companies. All other remaining positions are bucket two, and we expect de-minimis proceeds from them.

On the M&A front, while the market has improved somewhat compared to earlier this year, it continues to be challenging for venture stage companies. For Safeguard, one of our bucket one companies recently hired an investment banker and expects to launch a process in January 2024. There are no immediate plans for the other four companies, but we continue to work closely to position them for exits or recaps that could generate proceeds to Safeguard as expeditiously as possible. We also have had discussions with a couple of secondary buyers for one or more of our positions, but these discussions have not resulted in any transactions.

Regarding Q3 performance, our companies have experienced varied results, for example, meeting or exceeding revenue plans but coming in under bookings, meeting or exceeding EBITDA plans, but missing revenues. And for three of the five companies, Q4 represents an important quarter due to the business's seasonality. The Q3 performance was taken into account when determining the $25 million to $45 million of exit values.

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

Mark Herndon

Thanks, Eric. Safeguard reported net income for the quarter ended September 30th, 2023, of $0.9 million or $0.06 per share, as compared to a net loss in the comparable 2022 third quarter of $3.2 million or $0.19 per share. The year-to-date period ended September 30th, 2023, was a net loss of $5.4 million or $0.33 per share, as compared to $9.4 million or $0.57 per share for 2022. We ended the quarter with $16.7 million of cash, cash equivalents and restricted cash and we continue to have no debt obligations.

Our general and administrative expenses were $1.3 million for the third quarter of 2023 versus $1.4 million for 2022, a decrease of 3.5%. Similarly, our general administrative expenses were $3.7 million for both the year-to-date periods, a decrease of 1.5%. Corporate expenses for the quarter, which represent general and administrative expenses, excluding stock-based compensation, severance expenses and non-recurring and other items were $0.9 million and $0.8 million on a rounded basis for each of the third quarters of 2023 and '22. The year-over-year increase was 9.8%.

The corporate expenses for the nine months ended September 30th, 2023, were $2.4 million as compared to $2.5 million in the comparable 2022 period. That's 3.2% decrease. The increase during the quarter was due primarily to legal and other professional fees. We continue to expect the--the quarterly level of corporate expenses has generally stabilized at this approximate value before we implement any cost structure changes. However, this quarter's additional expenses has pushed annual estimate of corporate costs back up to our original range.

With respect to our ownership interest, we have an aggregate carrying value at September 30th of $14.8 million, as compared to $15.4 million at December 31st, 2022. There were no deployments this quarter. However, there was an increase at InfoBionic resulting from their recapitalization transaction, which allowed InfoBionic to raise cash and convert certain liabilities. Because we did not participate in a transaction, our ownership levels dropped to approximately 5%. This transaction also resulted in recording a $1.7 million non-cash observable price change gain that is reported in other income.

This quarter's activity also included the application of the equity method accounting at our other remaining interests. However, the impact was less than prior periods due to several entities carrying value being previously reduced to zero and year-to-date lower operating losses at the other. Our results under the equity method for the three months ended September 30th, 2023, resulting in a $0.4 million of equity income as compared to a $1 million equity loss for the comparable period 2042. This change is predominantly the result of several companies reaching zero carrying value during late 2022 or '23. At that point, we generally cease recording losses for those entities.

I'd also like to remind everyone that we report our share of the losses in the equity (inaudible) companies on a one quarter lag, so this quarter's share of losses reflects the second quarter of 2023. Excuse me. Also, with respect to our ownership interests, this quarter's third-party debt for the remaining six companies was approximately $88 million versus $135 million last quarter. This decrease is due primarily to the recapitalization transaction at InfoBionic. Cash at this same group of six companies is down to approximately $41 million.

In terms of revenue performance, we reported a 10.3% increase in this group of six companies from a trailing 12 month period into June 30th, 2023, due to the one quarter lag. This increase was most favorably impacted by Clutch, which was largely offset by decreases at Prognos. Also, we noted in our filings that our share count as of today, the filing date, was approximately 16.6 million shares. Looking forward, we expect for that share count to increase as we continue to settle director fees using shares. An exact number will depend on the share price when those shares are issued early next year, but we are estimating that the share count will grow to approximately 16.7 to 16.8 million shares by the time we file the final 10-K we referred to earlier.

Finally, I'd like to reiterate some points made by Eric and answer questions that we've already received from shareholders who have had questions about the preliminary proxy that's now definitive, that was filed earlier today, about how this will impact them and address the mechanics of what will happen to their shares. The proposed stock splits will not have an impact on any shareholder whose share is equal to or above the stock split number. For example, if the final ratio is based on the highest amount of the proposed range, 100 shares, any shareholder holding 100 shares or more will not be impacted by the share splits. Shareholders who are less than that amount would be cashed out if they hold their shares directly as a registered shareholder.

On the other hand, shareholders will hold less than that amount in a street name may or may not be cashed out. Street name shareholders should contact their bank or brokers for more information. We also encourage shareholders to review the Q&A portion of the proxy which provides further details and examples of the impact you should expect as a result of the proposed stock splits. As we address in the proxy document, the cash requirements expected to repurchase these fractional shares that may result from these stock splits was estimated to be only about $10,000. As a result, most shareholders will not experience any significant impact of the splits and should continue to be able to hold their shares in their brokerage account as we continue to wait for portfolio exits to fund future distributions.

Now, we will turn to the Q&A segment of the call. So operator, (inaudible). And I do see that we've had a couple that have come in on the web too, and we will address those in a moment as well. So I'll let you give those instructions first.

Operator
Thank you. We will now conduct a question and answer session. If you would like to ask a question, please press star, one, on your telephone keypad. A confirmation tone will indicate your line is in a question queue. You may press star, two, if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your headset before pressing the star keys. Once again, that's star, one, to ask a question. One moment while we poll for our first question.

Mark Herndon
Yeah, and while she's accumulating questions there, Eric, why don't we address the couple that we know already? So the first question was just logistically, do we anticipate this to be the last earnings call before the planned delisting? And I would say that, yes, we will make ourselves available as as necessary for questions and comments, as we try to be on a regular basis, but this is the last planned conference call before then. And I think we talked about a timing, the special meeting would occur in the middle of December and a delisting if that ends up being the case as a result of the votes, would be shortly thereafter. Matt, do you want to add anything to that?

Matt Barnard
I think that's right, Mark.

Eric Salzman
Okay. We can go to the second question, which was related to, you previously mentioned considering a year-end dividend being roughly half of the year-end cash balance. So just to address how we're thinking about sizing the dividend and coming up with what we determine as excess cash. So the Board will estimate the year-end or make a decision. Basically, we'll take our September 30th cash, less what will spend the net outflows this quarter. From that we would deduct the stock split and transaction costs of $1.2, which is on page 10 of the proxy. From the remaining number, we would set aside estimated cost to operate as a no- reporting company, cost to support the portfolio, cover liabilities, contingencies, and an ultimate wind down.

We indicated that's roughly a two-year process, could be longer. And the net of this number would represent the excess cash that the Board would consider returning as a dividend. Last quarter, that was our preliminary estimate, what we said, and we are currently half of year-end cash, or up to half of year-end cash. And we are currently working with the Board to arrive at the number that balances returning as much cash as possible without putting the remaining portfolio or operations at risk. So we're doing that analysis now and we continue to be working with the Board, but the goal is to find that balance where we're returning as much cash as possible. We do not want a (inaudible) to keep excess cash unnecessarily but on the other hand, we want to make sure that they're sufficient to cover both the significantly reduced costs of operating, as well as any other contingencies.

Mark Herndon
Yeah. And Eric, I'm going to skip to the next question. I'll let you handle the first half of it, but there's a couple of questions in here that would talk about, I'll call it the mechanics of how things will operate in 2024. And so let me broadly cover those for a minute. The company, Safeguard, we will continue to have Board seats on our remaining portfolio companies, right, where we have them now, so nothing changes there. What is being worked out right now is exactly who would sit as our representative on those Boards, right? That could be the external service provider, it could be someone else, but we're working through that now.

And I will say, well, one of the one of the aspects related to this is just cost. I mean, obviously, as we've talked about, one of the reasons for this transaction is to reduce costs. So while we haven't put out a formal number for 2024, we've talked about reducing the cost by, what the number, cash by $1.5 million dollars, right? So if you compare that to the $3.2-ish million, where we're at this year, then that's going to be in that ballpark, would be an early estimate of expenses for 2024. That said, there's a variety of things that remain to be in play, including a service provider. While multiple firms have been considered, and we're in discussions with them, we have not settled on a firm or therefore a firm price there. So there is a number of estimates involved with continuing to figure out exactly how much the cost will be in 2024, but we expect that it will be substantially less when we don't have the full time management team here working with the company.

Eric, you want to address the first half (inaudible)?

Eric Salzman
Yeah, sure. I'll make one more--just comment on the cost. So obviously, there are a number of benefits to outsourcing the general administrative activities to a service provider, one of which is, as time passes, the needs of the portfolio or the company go down, then there's an ability to scale down the cost of an external service provider in a way that is, frankly, almost impossible, or very difficult in our current form. So when you think about the go forward costs, it's the savings that kind of Mark indicated and we indicated in the proxy, but if you look beyond that,

it would be reasonable to expect that the annual operating cost 12 months out, 18 months out, etc., should should come down as there are fewer portfolio companies and fewer activities.

Another question we have is on the remaining bucket one portfolio companies, are there any that have not been out in market for a sale process? So we have five of our bucket one companies, two have not been in a sale process ever, since my involvement. The third has not been in a sale process in at least the past 12 plus months, and the other two have. So that answers that question.

Board seats we talked about. Can you provide any additional color on the portfolio companies, perhaps the companies most promising for exit values? You know what I would say, as we indicated, I think it was on last quarter, we talked about the definition of what we're using for a bucket one company is well capitalized. It's on executing on its business plan, while navigating kind of the risks and opportunities and it does not have an excessive debt level, which has impacted negatively a couple of our other other companies, as you know. So I would call one out over the other. I think we're optimistic and constructive on all of those companies and we'll be working closely with them to maximize the exits over the next two years.

Matt Barnard
Okay. Let me pause there for a second. And then, operator, have any questions come up in the queue.

Operator
Yes. We have a question from John Power with Redwood Fund. Please proceed.

John Power
Thank you, operator. Appreciate your time, gentlemen. And my question was regarding the excess cash, which you've covered a couple of minutes ago in your comment. So no questions at this time. Thank you.

Eric Salzman
Okay. Thank you.

Operator
Once again, ladies and gentlemen, to ask a question, that's star, one, on your telephone keypad at this time.

Eric Salzman
We have a question on the web, that is, can you go into more detail as to the $25 million lower bound of proceeds? Is a $25 million split fairly equally between the five companies? So I'll just calling to bid on the methodology of how we came up with that number. So basically, we took the low end revenue estimates, right, so projected revenues for each of those five companies between now and an exit. The low end of that, we applied kind of low end revenue multiples,

low meaning if you look at the market, either public markets across cycle, and then that would get your your enterprise value, subtract out your net debt, and you would run that remaining value through the waterfall and each company has its own preferred stack, and option pool, etc., to come up with Safeguard's proceeds. That would be the future value of Safeguard's proceeds, which is the $25 million at the lower bound.

So that's how we came up with it. It's not equally weighted among the five because of the way that the cap structures work in different companies and the preferred payouts facts work. It wouldn't be equal; the revenues aren't equal. Multiples are not dramatically different on the low end across the companies, but revenues would differ, and the CAP staff would differ. So you wouldn't get the same resulting value for Safeguard.

Another question is how much--oh, I'm sorry, Mark. Go ahead.

Mark Herndon
Yeah. Let me add, there's a couple questions in here asking about specific debt values and revenue values for different cuts of the portfolio. Trying to avoid giving you a specific number on the fly, because I want to be accurate, but obviously, there does remain the debt on the portfolio and our five. It is substantially less than the number that we quoted for the six companies because that other one is this just a high debt entity, but I was not intending to provide that data at this moment. We can look into putting that out there at a later time, perhaps.

Eric Salzman
I mean, I'd add to it just, if you look at the bucket one companies and you adjust it for the cash from the InfoBionic transaction that we mentioned earlier, there is slightly more cash than debt, if you just summed it up. Which which as Mark said, it's significantly de-levered compared to, let's call it in prior quarters. Some of that de-levering happened because of a recapitalization by InfoBionic, where there was a recap or recast of some debt to equity. But if you kind of zoom out overall, the bucket one companies today have more cash than debt, slightly.

Another question. The two companies that have not been out in sale process, is one of them the one that just hired a banker? Yes. Are share repurchases possible still considering no portfolio companies are under M&A discussions until 2024? Mark, do you want to talk a bit about how we thought about share repurchases versus dividend, as well as the goal, or Matt, to get to the fewer than 300 shareholders so we would be non-reporting?

Mark Herndon
Yeah, and there's a variety of things embedded in that question, right? I mean, there's the concept of, and I think what the questioner is getting at is, is the traditional I'll call a window open about material nonpublic information. And that's something, we would address that sort of at the time that we're trying to make a decision about whether to do a repurchase or not. I'm sorry. I lost my place here.

What we then thought about in terms of repurchases is just to do a large repurchase like we did last time requires, generally, more cash than we have available at this time. And we also experienced the at the market purchases, where that had a limited impact because we were just accumulating shares at a slow pace because of the low volume of the traded stock. So part of our evaluation is simply picking those couple considerations in and trying to figure out the most expedient way to get cash value back to shareholders was to pay a dividend to all the shareholders, and that's the path and the direction that we've been talking about here for a couple quarters.

Eric Salzman
We have another question on, you said revenue multiple at the low end or about the same, about what revenue multiple ranges are using for the low in proceeds across the five companies? I would say that it's low single digit revenue multiples.

Mark Herndon
What else?

Eric Salzman
So we're reading this in real-time as it comes in over the web. So that's why we're--

Mark Herndon
Yeah. The next question, I'll just let Eric think for a second. The next question is about, again, the dividend amount. And I understand how people are eager to think about exactly how much that value will be. And we're trying to be careful, because obviously, the Board has to make a judgment decision there, and it will be ultimately a matter of judgment. The factors that we are thinking about, yes, are continuing to hold enough funds to operate the more limited scale operations of the company for a period of time to get them to completion, as well as holding back amounts for any kind of contingency that we could think of that would exist, including potentially funding a company, although we don't expect any funding of companies.

We've also talked about, I know the metric has been put out there about 50% of year-end cash after a couple of adjustments, but we still don't know exactly how much cash we're going to have at the end of the year, right? We don't think it'll be substantially different than where we're at, but we don't know. So those are the parameters that I would provide to you without actually telling you a number or a value of what a dividend could be, but we're discussing a range of options with the Board on that front.

Eric Salzman
Yeah, and I'll just add a couple of comments to it. So firstly, one of the design parameters in the reserving the cash, or let's call it the hold back cash, is that needs to be sufficient to cover the operation in this portfolio one down, regardless of when the next exit occurs. So we're not coming up with a cash number that assumes, oh, in June of next year, X million is going to come

in to help cover it. So we're coming up with a quantum of cash that will cover a complete operation support, wind down, contingencies, etc., so that's how we're thinking about it from that standpoint. One of the questions that came--

Mark Herndon
In that context, part of that question, and maybe as I read it a little closer now, that should they be assuming that distributions in the future, or rather, monetization in the future would flow for the most part down to distributions? And the math that we just outlined would say, yes, but it's hard when you're when you're looking out to the future. Some other contingency may arise that the Board at that time would need to consider, so I don't want to pin them in on that but if it's designed perfectly, then it should be in that ballpark.

Eric Salzman
That is the goal, as Mark said. Another question, I think we're up to question number 12. Can you speak a bit about the confidence level of the two year monetization timeframe given there now four bucket one companies who don't have real time timeline? There was another question that related to that around front-end weighted versus back-end weighted proceeds based on our estimates. I think given the fact that we have one company go into market, we have no companies in the market now of our bucket one companies to five, and we have one going to market in January. And if you look over a, call it a 27, 28 month period, by the time you start, 24 month period, June 1, I think he would just assume that those exits would be occurring, at least in the second half of that period, more than the first half where we're sitting today.

No, things do change. As I indicated, we have been having some conversations with some secondary buyers around seeing if there's a bid for any of our positions. We've also been working with one of our companies around a potential recapitalization, the proceeds of which could be used to take us out. So we're working all possible angles to monetize the investments, but from hiring a banker and going out, I would say it would be the second part of the, call it, 24 months or second half.

Mark Herndon
And while Eric's looking at another question there, the next question, we've had another question come in about revenue rates, about which companies are growing the fastest, and I'll add more to what we said earlier. Similar to what we've seen last quarter, or the last few quarters, Moxe and meQuilibrium, as well as Clutch, all three of them on a trailing 12 month basis have experienced growth, good growth. And that period ended June 30th, and then I think I would refer to Eric comments, we've had sort of varied results since then. Some of the September numbers are still it's kind of shaking out, but each of those three have had over 20% growth.

Eric Salzman

Question 14, given we're not control shareholders in any these portfolio companies, can we drive monetization timelines? It's a great question. It's one that we've been working with for the last three years. And what I can say is that in each of our companies, we have very good alignment, in terms of among ourselves in management and the other investors, in terms of how long we want to be in the investment, right? So our co-investors are similarly--the hold periods have been long, relatively long, so there's alignment to exit.

The decision to exit is really less of a, are management and the stakeholders aligned to exit. It's really more of the opportunity, salability, valuation, and just the company, is the company putting up the types of metrics needed to attract buyers in a reasonable way. So it's less of an issue about how to drive monetization timelines because there's alignment.

Mark Herndon
Yeah. And Eric, while you were talking, we had another question come in about the range of proceeds, particularly the low end of the proceeds in respect to InfoBionic moving into bucket one. And I will tell you, we made the full range estimate last quarter, right, when things were in flux with the one company, and we've updated it again this quarter from a bottoms up analysis. And as you might expect, there's not a perfect level of precision on any of these and things vary within the portfolio, even from the estimates. And we still have come up with the same range. Moving InfoBionic in there, yes, I would say may give you more confidence at one end of the range, but it's not something in and of itself that's going to move the range significantly or move within the range significantly.

Eric Salzman
Yeah, and I'll add to that. Yeah, yeah and I'll add to that. When we did this analysis last quarter, we had some probability waiting for the InfoBionic achieving a recap and instead of outcomes, so it wasn't necessarily in that zero last quarter, and a big number this quarter, there was a number that reflected the probability of the recap getting done. And the second thing I would say is, with a 5% ownership stake, which is what we have, it moves the needle given where our stock price is and what we're trying to do, but it doesn't swing as much as some of the other companies where we have larger ownership stakes.

Mark Herndon
We'll pause here for a second. Operator, were there any other questions on the line?

Operator
We have a question from Sherry Rubenstein, a private investor. Please proceed.

Sherry Rubenstein
Hello? Hello? Am I on?

Eric Salzman
Yes, you are. Hi. How are you?

Sherry Rubenstein
Oh, hi. I'm really new to this. I don't quite understand. I only have 83 shares, so I'll be cashed out. What does that mean, exactly?

~~Eric Salzman~~Mark Herndon
If you end up being cashed out, then your brokerage account would simply receive a check, cash, and the price run in the proxy is $1.65 per share.

Sherry Rubenstein
$1.65 per share. Well, because right now, it's only $0.98 cents.

~~Eric Salzman~~Mark Herndon
Correct. Yes, the cash out price is at a premium to today's traded price.

Sherry Rubenstein
So am I best to wait then until you cash me out, or?

~~Eric Salzman~~Mark Herndon
Well, I need to avoid giving individual investment advice.

Sherry Rubenstein
Oh, okay. So I should have to ask my broker that. So right now, if I sold it, I would be getting $0.98 cents. If I wait, when are you cashing out?

~~Eric Salzman~~Mark Herndon
Well, if this transaction is approved by shareholders, we would expect it to occur around December 15th.

Sherry Rubenstein
December 15th. Okay. So possibly, then I could get $1.65 a share if I just wait until then? Is that correct?

~~Eric Salzman~~Mark Herndon
That is correct.~~ That is correct.~~

Sherry Rubenstein
Okay. And they receive the check because it's a brokerage. I have E-Trade. Is that the way it works, or should I call them?

~~Eric Salzman~~Mark Herndon
Yes, that would all be handled through your brokerage account.

Sherry Rubenstein
Oh, okay. All right. Then I will give them a call. Thank you for all the information. It's just confusing to me. I'm sorry.

~~Eric Salzman~~Mark Herndon
You're welcome. Yep, I understand.

Operator
There are no audio questions left in queue. I will turn it back to management for closing comment.

Eric Salzman
Yeah, we have one more, question number 18. At what point would you expect to have clarity on whether Safeguard will continue to trade OTC or not? So as we said, we're starting to work with OTC depending on, there are different levels within OTC, you need a market maker and so forth. So we have every incentive to try to make that happen or make that work. So we'll do everything we can to see if we can get market makers, to see if it can trade on one of the OTC levels. There's no assurance that it will.

Obviously keep in mind that if we're a non-reporting company, so will not be filing the equivalent of 10-Ks or 10-Qs, then it's going to trade differently than a proper NASDAQ listed company with Ks and Qs, although our current recent training has been quite limited, or episodic if you will. So we'll do everything we can to try to achieve that. At this point, we can commit to trying. We can't commit to having it done subject to things that we're working on.

Okay. It looks like that was the last question. So just to wrap up, I want to thank you for joining us on our call today. Please contact us if you have any questions. We'll either answer the questions directly or we'll put you in touch with (inaudible) or whoever else to try to help you understand the transaction and address any questions or concerns you have. Thanks a lot. Have a good evening.

Operator
Thank you. This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a great day.