PARAGON TECHNOLOGIES
101 Larry Holmes Drive, Suite 500
Easton, PA 18042

Telephone: (610) 252-3205
www.PGNTGROUP.com
info@pgntgroup.com
SIC Codes: 3530 and 5045

Quarterly Report

For the period ending September 30, 2023
(the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

1,716,745	as of	September 30, 2023
1,716,745	as of	December 31, 2022

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control:

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: ☐ No: ☒

PARAGON TECHNOLOGIES, INC.
Quarterly Report
For the Three and Nine Months Ended September 30, 2023

1). Name and address(es) of the issuer and its predecessors (if any)

The name of the issuer is Paragon Technologies, Inc. ("Paragon" or the "Company")

The Company was originally incorporated in Pennsylvania on June 18, 1958 as SI Handling Systems, Inc.

On April 5, 2000, SI Handling Systems, Inc. changed its name to Paragon Technologies, Inc.

The Company changed its state of incorporation from Pennsylvania to Delaware on November 21, 2001.
The Company is active and in good standing in Delaware.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the Issuer's principal executive office:

101 Larry Holmes Drive, Suite 500
Easton, PA 18042

The address(es) of the issuer's principal place of business:

☒ Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below

2). Security Information

Transfer Agent:

Name:	Broadridge Shareholder Services
Phone, toll free:	(877) 830-4936
Phone, toll:	(720) 378-5591
Email:	Kayur.Patel@broadridge.com
Address:	P.O. Box 1342, Brentwood, NY 11717

Publicly Quoted or Traded Securities:

Trading symbol:	PGNT		
Exact title and class of securities outstanding:	Common Stock		
CUSIP:	69912T108		
Par or stated value:	$1.00 per share		
Total shares authorized:	4,000,000	as of	September 30, 2023
Total shares outstanding:	1,716,745	as of	September 30, 2023
Total number of shareholders of record:	159	as of	September 30, 2023

Other classes of authorized or outstanding equity securities: **none**

2). Security Information *(Continued)*

***Security Description*:**

a) For common equity, describe any dividend, voting and preemption rights.

The Company's authorized capital stock consists of 4,000,000 shares of common stock, $1.00 par value per share. The holders of common stock are entitled to receive such dividends, if any, as may be declared from time to time by the Company's Board of Directors out of legally available funds. Holders of common stock are entitled to one vote for each share held of record on all matters to be voted on by the stockholders, including the election of directors. There is no cumulative voting with respect to the election of directors. Directors are elected by a plurality of the votes cast by the holders of common stock. Except as otherwise required by law or the Company's certificate of incorporation, as amended, or bylaws, as amended, all other matters brought to a vote of the holders of common stock are determined by the affirmative vote of the holders of a majority in voting power of the shares of common stock present in person or by proxy and entitled to vote.

In the event of the Company's liquidation, dissolution or winding up, the holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of the Company's known debts and other liabilities. Holders of common stock have no preemptive, conversion, subscription or other rights, and there are no redemption or sinking fund provisions applicable to the common stock. All shares of common stock contain a restrictive legend because the shares are not registered with the Securities and Exchange Commission.

b) For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

Not applicable

c) Describe any other material rights of common or preferred stockholders.

See above

d) Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

Not applicable

3). Issuance History

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒

Date of Transaction	Transaction Type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or canceled)	Class of Securities	Value of shares issued ($/share) at issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to.	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing	Exemption or Registration Type.
Shares Outstanding as of Second Most Recent Fiscal Year End: **Date**: December 31, 2020	**Opening Balance**: Common: 1,704,745 Preferred: 0								
March 29, 2022	New Issuance	4,000 (1)	Common Stock	$5.99	No	Hesham M. Gad	Director Compensation	Restricted, control security held by an officer and director of the Company (2)	Unregistered (3)
March 29, 2022	New Issuance	4,000 (1)	Common Stock	$5.99	No	Jack H. Jacobs	Director Compensation	Restricted, control security held by director of the Company (2)	Unregistered (3)
March 29, 2022	New Issuance	4,000 (1)	Common Stock	$5.99	No	Samuel S. Weiser	Director Compensation	Restricted, control security held by director of the Company (2)	Unregistered (3)
Shares Outstanding on Date of This Report: **Date**: September 30, 2023	**Ending Balance:** Common: 1,716,745 Preferred: 0								

(1). *On March 29, 2022, a stock grant of 4,000 shares was made to each Director of the Company for a total of 12,000 shares issued.*

(2). *All shares of common stock issued by the Company contain a restrictive legend since the shares are not registered with the Securities and Exchange Commission. Common stock must be held by non-affiliates for one year for the restrictive legend to be removed. Affiliates remain subject to the restrictions under Rule 144 promulgated under the Securities Act of 1933, as amended (the Securities Act), as long as they are affiliates of the Company and for 90 days thereafter.*

(3). *Issued pursuant to an exemption from the registration requirements of the Securities Act, as provided by Rule 701, Regulation D and/or Section 4(a)(2) of the Securities Act, as applicable.*

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐

4). Issuer's Business, Products, and Services

A. Summary of the issuer's business operations

Principal Business

Paragon Technologies, Inc. (Paragon) is composed of three business segments: Automation, Distribution, and Real Estate Investment. In addition, Paragon may also invest its cash balance in marketable securities through a Board-approved program.

- Our automation business, SI Systems, LLC (SI Systems), supplies material handling and order processing solutions with two major product lines: Production-Assembly Systems (PAS) and Order Fulfillment Solutions (OFS).
- Our distribution business, SED International de Colombia, S.A.S. (SEDC), distributes IT equipment, consumer electronics, and appliances to businesses, retailers, and e-tailers. Additionally, SEDC also provides business services such as printing, electronic document management, electronic invoicing, and storage solutions.
- Ohana Homes Services, LLC, invests in and operates real estate.
- Paragon also invests in marketable securities under the Investment Management Policy approved by the Board and carried out by Mr. Sham Gad, the Company's Executive Chairman and Chief Executive Officer.

For detailed information regarding the Company's business activities, please see "Note 1 – Description of Business and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements included in this report, which is incorporated herein by reference.

Foreign Currency Exchange Fluctuations

The Company is exposed to foreign currency exchange rate risk resulting from its operations in Colombia. Certain of the Company's revenues and expenses have been, and are expected to continue to be, subject to the effect of foreign currency fluctuations, and these fluctuations may have a material adverse impact on the Company's operating results and asset values and could reduce stockholders' equity. The Company's financial results could be affected by factors such as changes in the foreign currency exchange rate or differing economic conditions in the Colombian markets as compared with the markets in the United States. The Company's earnings are affected by translation exposures from currency fluctuations in the value of U.S. dollar as compared to the Colombian peso.

B. List of subsidiaries, parents, or affiliated companies

The Company has the following wholly-owned subsidiaries:

(1) SI Systems, LLC, which owns 100% of Innovative Automation, Inc.;
(2) Ohana Home Services, LLC; and
(3) ARK Investments, LLC, which owns 80% of SEDC.

C. The issuer's principal products or services

For information regarding our principal products or services and their markets, please see "Note 1 – Description of Business and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements included in this report, which is incorporated herein by reference.

5). Issuer's Facilities

Paragon Technologies, Inc.
101 Larry Holmes Drive, Suite 500
Easton, PA 18042

SI Systems leases a facility located at 101 Larry Holmes Drive in Easton, Pennsylvania. On May 1, 2020, the lease was modified in which the square footage was reduced to 5,628 square feet. The lease term is for six years, through April 30, 2026, with fixed monthly payments of $9,063 in year one and in each subsequent year the monthly payment increases by $250.

SI Systems believes that its Easton, Pennsylvania facility is adequate for its current operations. SI Systems' operations experience fluctuations in workload due to the timing and receipt of new orders and customer job completion requirements. Currently, SI Systems' facility is adequate to handle these fluctuations. In the event of an unusual demand in workload, SI Systems supplements its internal operations with outside subcontractors that perform services for SI Systems in order to complete contractual requirements for its customers. SI Systems will continue to utilize internal personnel and its own facility and, when necessary and/or cost effective, outside contractors to complete contracts in a timely fashion in order to address the needs of its customers.

On February 14, 2020, SI Systems executed a lease for warehouse space located at 1855 Weaversville Road in Allentown, Pennsylvania. The commencement date was March 15, 2020. The area covered by the lease is 4,989 square feet. The initial term is six years and there is a renewal term of one independent and successive period of five years. The lease requires fixed monthly payments of $3,198 in year one and in each subsequent year the monthly payment increases by approximately 2.00%.

On January 1, 2019, SEDC entered into a five-year lease agreement for a 44,530 square foot facility in Tocancipá (Cundinamarca), Colombia to serve as its new sales and administrative office and distribution facility. The monthly payment in local currency is COL$52,000,000, equivalent of approximately $12,828 USD as of September 30, 2023.

The lease for an SI Systems office in Las Vegas, Nevada at a cost of $2,400 per month ended August 30, 2022. Another six months was added through February 28, 2023 at a cost of $2,114 per month including capitalized expense. In February 2023, SI Systems entered into a 13 month lease for a smaller space (ending April 30, 2024) at a cost of $735 per month.

Ohana Home Services, LLC owns four residential properties in Las Vegas, Nevada, which are rented out.

6). Officers, Directors, and Control Persons

The following information is as of September 30, 2023 unless otherwise indicated.

Names of All Officers, Directors, and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Hesham M. Gad	Director, Executive Chairman, Chief Executive Officer. Owner of >5%	C/O Paragon Technologies 101 Larry Holmes Drive Suite 500 Easton, PA 18042	481,835	Common Stock	28.1%	
Donna Van Allen & Van Allen Investments (1)	Owner of >5%	Winter Springs, FL	292,001	Common Stock	17.0%	Donna Van Allen Winter Springs, FL
Kevin Ting (1)	Owner of >5%	Mission Viejo, CA	90,774	Common Stock	5.3%	
Janet M. Reaser (2)	Treasurer (Principal Financial Officer)	C/O Paragon Technologies 101 Larry Holmes Drive Suite 500 Easton, PA 18042	None	--	--	
Jack H. Jacobs	Director	C/O Paragon Technologies 101 Larry Holmes Drive Suite 500 Easton, PA 18042	9,740	Common Stock	0.6%	
Samuel S. Weiser	Director	C/O Paragon Technologies 101 Larry Holmes Drive Suite 500 Easton, PA 18042	4,000	Common Stock	0.2%	

(1) Share information as of March 29, 2023.

(2) Ms. Reaser was appointed as the Company’s Treasurer, assuming the responsibilities of principal financial officer of the Company, effective as of October 9, 2023. Michael Dudrear, who previously served as the Company’s Chief Financial Officer, held no shares of common stock as of September 30, 2023.

Name, Other Positions or Offices with the Company and Principal Occupation for Past Five Years	Director Since	Age (as of September 30, 2023)
Hesham M. Gad …………………………………………………………………………...	2010	45

Hesham M. Gad has been Chief Executive Officer of the Company since June 2014, Executive Chairman of the Company's Board of Directors since March 2012, and a director of the Company since 2010. From 2013 to 2017, Mr. Gad served as Chairman and CEO of SED International Holdings, Inc., a multinational distributor of IT and computing products.

Mr. Gad is the author of "The Business of Value Investing: Six Essential Elements to Buying Companies Like Warren Buffett." Mr. Gad is a graduate of the University of Georgia and the Stanford University Graduate School of Business Executive Program. Mr. Gad currently serves as an advisory Board Member on Serving Our Kids, a non-profit organization in Nevada which is dedicated to helping food insecure children improve their overall health, nutrition, and educational lifestyle.

Jack H. Jacobs …………………………………………………………………………	2012	78

Jack H. Jacobs is the Melcher Family Senior Fellow of Politics and Professor of Humanities and Public Affairs at the United States Military Academy at West Point, where he has been teaching since 2005, and a principal of The Fitzroy Group, Ltd., a firm that specializes in the development of residential real estate in London and invests both for its own account and in joint ventures with other institutions, for over 20 years. He has served as an on-air military analyst for NBC News since 2002, where he was an Emmy nominee in 2010 and 2011. He was also a member of the team that produced the segment "Iraq: The Long Way Out," which won the 2011 Murrow Award. Colonel Jacobs was a co-founder and Chief Operating Officer of AutoFinance Group Inc., one of the firms to pioneer the securitization of debt instruments, from 1988 to 1989; the firm was subsequently sold to KeyBank. He was a Managing Director of Bankers Trust Corporation, a diversified financial institution and investment bank, where he ran foreign exchange options worldwide and was a partner in the institutional hedge fund business.

6). Officers, Directors, and Control Persons *(Continued)*

Name, Other Positions or Offices with the Company and Principal Occupation for Past Five Years	Director Since	Age (as of September 30, 2023)
Jack H. Jacobs *(Continued)* …………………………………………………………………………….	2012	78

Colonel Jacobs' military career included two tours of duty in Vietnam where he was among the most highly decorated soldiers, earning three Bronze Stars, two Silver Stars, and the Medal of Honor, the nation's highest combat decoration. He retired from active military duty as a Colonel in 1987. Colonel Jacobs previously served as a member of the Board of Directors of Resonant Inc. (formerly Nasdaq: RESN) from 2018 to March 2022, when it was acquired by a subsidiary of Murata Manufacturing Co., Ltd. From 2016 to November 2022, Colonel Jacobs served as a member of the Board of Directors of Datatrak International, Inc. (OTCMKTS: DTRK); from July 2018 to October 2020, he served as a member of the Board of Directors of Ballantyne Strong, Inc. (NYSE American: BTN); from 2007 to 2012, he served as a member of the Board of Directors of Xedar Corporation, a public company; from June 2006 to 2009, he was a director of Visual Management Systems, a private company; and he was a director of BioNeutral Group, Inc., a public company, until 2009. From October 17, 2013 to October 28, 2013, Colonel Jacobs served on the board of SED International Holdings, Inc. He was previously a director of Premier Exhibitions, Inc. Colonel Jacobs is a member of the Board of Trustees of the USO of New York. He is the author of the book "If Not Now, When?: Duty and Sacrifice in America's Time of Need." Colonel Jacobs received a Bachelor of Arts and a Master’s degree from Rutgers University.

Samuel S. Weiser ……………………………………………………………………………………………..	2012	63

Samuel S. Weiser serves as an advisor to Sentinel Group Holdings, LLC, the successor to Axess Equity Partners, LLC, a privately held business focused on sourcing unique private equity, real estate and investment funds catering to family offices and high net worth investors, where he has served since July 2020. Mr. Weiser is also Founder, President and Chief Executive Officer of Foxdale Management LLC, a consulting firm that provides operational consulting, strategic planning, and litigation support services in securities related disputes, which has been operating since 2003. Through Foxdale, he has served, since May 2020, as the Chief Financial Officer for WR Group Inc., a consumer products company focused on health and beauty industry segments. He also serves as the Chief Financial Officer of Altsmark, a software solution firm for the private capital sector, since January 2021. He is also the Founder and CEO of JMP OppZone Services, LLC, a fund administration and business support services firm focused exclusively on supporting investment activities in designated Opportunity Zones which were created as part of the Tax Cuts and Jobs Act of 2017 to drive investment into depressed areas of the country. JMP began operations in May 2019. From August 2009 until April 2015, he was a member of the Board of Directors and from August 2014 until April 2015 was Executive Chairman of Premier Exhibitions, Inc., a provider of museum quality touring exhibitions then listed on Nasdaq. In addition, Mr. Weiser served as President and Chief Executive Officer of Premier Exhibitions, Inc. from November 2011 until June 2014. Mr. Weiser was a member of SED International Holdings, Inc.'s Board of Directors from October 2013 until October 2014. Previously, Mr. Weiser served as a member and Chief Operating Officer of Sellers Capital LLC, an investment management firm, from 2007 to 2010. From 2005 to 2007, he was a Managing Director responsible for the Hedge Fund Consulting Group within Citigroup Inc.'s Global Prime Brokerage Division. Mr. Weiser also served as Chairman of the Managed Funds Association, a lobbying organization for the hedge fund industry, from 2001 to 2003 and was formerly a partner in Ernst and Young. He received his B.A. in Economics from Colby College and a M.A. in Accounting from George Washington University.

The directors of the Company hold their positions until the next Annual Meeting of Stockholders.

6). Officers, Directors, and Control Persons *(Continued)*

The names, ages, and offices with the Company of its executive officers are as follows:

Name	Age*	Office
Hesham M. Gad	45	Executive Chairman, Chief Executive Officer, Paragon Technologies
Janet M. Reaser	53	Treasurer (Principal Financial Officer), Paragon Technologies

* As of September 30, 2023.

Ms. Reaser is an accounting professional with over 30 years' experience in general accounting, financial operations, and business analysis for both publicly held and privately held companies. From 2014 to 2017, Ms. Reaser held the position of Accounting Manager of Akrion Systems, LLC. Akrion Systems is a leading supplier of advanced wafer surface preparation solutions used in the fabrication of microelectronic devices. From 2007 to 2014, Ms. Reaser was the Assistant Controller of Dancker, LLC, a leading interior solutions provider for architectural, furniture, technology, and logistical solutions for organizations across corporate, government, education, and healthcare markets. Ms. Reaser holds a B.S in Accounting from Fairleigh Dickinson University. Ms. Reaser has served as the Company's second-most senior financial executive for the past six years, most recently as Controller for the past three years, and was appointed as Treasurer of the Company, assuming the responsibilities of principal financial officer of the Company, effective as of October 9, 2023. Ms. Reaser also serves as Director of Finance and Treasurer of SI Systems, LLC.

7). Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

   The executive officers and directors of the Company **have not**, in the past 10 years, been the subject of a conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses).

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

   The executive officers and directors of the Company **have not**, in the past 10 years, been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended, or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities.

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated;

7). Legal/Disciplinary History (*Continu*ed)

The executive officers and directors of the Company **have not**, in the past 10 years, been the subject of a finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated.

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

The executive officers and directors of the Company **have not**, in the past 10 years, been the subject of the entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

The Company has no information regarding beneficial owners of more than 5% of its common stock other than Mr. Gad, the Chief Executive Officer and the Executive Chairman of the Company's Board of Directors.

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

On July 27, 2023, the Company filed litigation in Delaware to enforce its rights to inspect books and records of a company in which it has invested. On October 20, 2023, the court ruled in favor of the Company. On October 25,2023, the defendant company filed a notice of exceptions to appeal the court's decision in favor of the Company. On October 9, 2023, the Company filed litigation against the same company and its directors to enforce the Company's right to nominate director candidates at the company's annual meeting of shareholders and to obtain an exemption from the company's poison pill.

There have been **no material pending legal proceedings**, other than ordinary routine litigation incidental to the business or as otherwise disclosed in this report, to which the issuer or any of its subsidiaries is a party or of which any of their property is a subject.

8). Third Party Service Providers

Name, address, telephone number, and e-mail address of each of the following outside providers:

Securities Counsel:

Name:	Derek D. Bork
Firm:	Thompson Hine LLP
Address 1:	3900 Key Center, 127 Public Square
Address 2:	Cleveland, Ohio 44114-1291
Phone:	(216) 566-5500
Email:	Derek.Bork@thompsonhine.com

Accountant or Auditor:

Name:	Danielle Preston
Firm:	RSM US LLP
Address 1:	518 Township Line Rd, Suite 300
Address 2:	Blue Bell, PA 19422
Phone:	(215) 641-8600
E-mail:	Danielle.Preston@rsmus.com

Investor Relations:

None.

Other Means of Investor Communications (Twitter, Discord, LinkedIn, Facebook, etc.):

None.

8). Third Party Service Providers *(Continued)*

Other Service Providers:

Name:	Jose Luis Salgado
Firm:	RSM Colombia
Nature of Services:	Statutory Auditor: Colombia
Address 1:	Avenida Calle 26 N 69D – 91
Address 2:	Of. 303 / 306 / 702A Torre Peatonal
Address 3:	Centro Empresarial Arrecife
Address 4:	Bogotá, Colombia
Phone:	+57 (1) 410 4122
E-mail:	jose.salgado@rsmco.co

Name:	Carlos Rodríguez
Firm:	Jiménez, Higuita, Rodríguez
Nature of Services:	Colombia Value-Added Tax Service
Address 1:	Calle 93b No. 12-18 piso 4
Address 2:	Bogotá, Colombia
Phone:	+57 (1) 432 2099
E-mail:	carlos.rodriguez@jhrcorp.co

9). Financial Statements

A. The following financial statements were prepared in accordance with:

☐ IFRS
☒ U.S. GAAP

B. The following financial statements were prepared by:

Name:	Janet M. Reaser
Title:	Treasurer (Principal Financial Officer)
Relationship to Issuer:	Treasurer (Principal Financial Officer)

Describe the qualifications of the person or persons who prepared the financial statements:

Ms. Reaser serves as the Company's Director of Finance. Ms. Reaser has more than 30 years' experience in general accounting, financial operations, and business analysis for both publicly held and privately held companies. Ms. Reaser has served as the Company's second-most senior financial executive for the past six years, most recently as Controller for the past three years. For additional information regarding Ms. Reaser, see Item 6.

The following unaudited financial statements for the three and nine months ended September 30, 2023 include:

Consolidated Balance Sheets (Unaudited)
September 30, 2023 and December 31, 2022

(In Thousands, except Share Data)	September 30, 2023	December 31, 2022
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 4,522**	$ 5,299
Trade Accounts Receivables, net	**19,961**	14,752
Contract Assets	**21**	83
Prepaid Expenses and Other Current Assets	**7,194**	4,266
Inventories		
Raw Materials	**268**	280
Finished Goods	**19,251**	18,889
Total Current Assets	**51,217**	43,569
Property and Equipment		
Real Estate	**3,294**	3,294
Machinery and Equipment	**654**	572
Software	**669**	541
Land	**14**	12
Leasehold Improvements	**277**	230
Capital Additions in Process	**-**	25
Total Property and Equipment	**4,908**	4,674
Accumulated Depreciation	**(1,981)**	(1,529)
Property and Equipment, Net	**2,927**	3,145
Other Assets		
Marketable Securities	**1,984**	1,343
Operating Lease Right of Use Assets, net	**516**	976
Intangible Assets, net	**230**	280
Deferred Tax Asset	**976**	875
Total Other Assets	**3,706**	3,474
Total Assets	**$ 57,850**	$ 50,188

See Accompanying Notes to Consolidated Financial Statements

Consolidated Balance Sheets (Unaudited)
September 30, 2023 and December 31, 2022

(In Thousands except Share Data) *Liabilities and Stockholders' Equity*	September 30, 2023	December 31, 2022
Current Liabilities		
Accounts Payable	**$ 14,791**	$ 13,936
Contract Liabilities	**2,173**	2,353
Accrued Salaries, Wages, and Commissions	**349**	408
Accrued Product Warranties	**33**	46
Income Taxes Payable	**647**	1,769
Accrued Other Liabilities	**4,511**	3,221
Operating Lease Liabilities	**271**	599
Bank Loan, Line of Credit, net	**11,967**	8,334
Promissory Note	**563**	750
Total Current Liabilities	**35,305**	31,416
Long-Term Liabilities		
Operating Lease Liabilities, net of current	**250**	382
Promissory Note, net of current	**-**	375
Total Long-Term Liabilities	**250**	757
Total Liabilities	**35,555**	32,173
Commitments and Contingencies (Notes 1 and 9)		
Stockholders' Equity		
Common Stock, $1 par value; authorized 4,000,000 shares; issued and outstanding 1,716,745	**1,717**	1,717
Additional Paid-in Capital	**3,560**	3,560
Retained Earnings	**15,260**	13,816
Accumulated Other Comprehensive Loss	**(1,269)**	(3,869)
Total Paragon Technologies, Inc. and Subsidiaries Stockholders' Equity	**19,268**	15,224
Noncontrolling Interest in Subsidiary	**3,027**	2,791
Total Stockholders' Equity	**22,295**	18,015
Total Liabilities and Stockholders' Equity	**$ 57,850**	$ 50,188

See Accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Income and Comprehensive Income (Unaudited)
For the Three and Nine Months Ended September 30, 2023 and 2022

(In Thousands, except Share and Per Share Data)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net Sales	**$ 30,045**	$ 34,498	**$ 88,361**	$ 105,773
Cost of Sales	**27,642**	30,671	**79,919**	95,384
Gross Profit on Sales	**2,403**	3,827	**8,442**	10,389
Operating Expenses				
Selling, General, and Administrative Expenses	**1,974**	1,501	**4,997**	4,753
Product Development Costs	**-**	3	**-**	12
Total Operating Expenses	**1,974**	1,504	**4,997**	4,765
Operating Income	**429**	2,323	**3,445**	5,624
Other Income (Expense)				
Interest Income	**59**	18	**139**	33
Interest Expense	**(212)**	(332)	**(815)**	(669)
Realized Gain (Loss) on Investment, Marketable Securities	**424**	693	**313**	650
Unrealized Gain (Loss) on Investment, Marketable Securities	**(882)**	139	**(493)**	(26)
Gain on sales of fixed assets	**-**	-	**1**	-
Grant Income	**3**	-	**11**	18
Total Other Income (Expense)	**(608)**	518	**(844)**	6
Income (Loss) Before Taxes and Noncontrolling Interest	**(178)**	2,841	**2,601**	5,630
Income Tax Expense	**50**	904	**921**	1,991
Net Income (Loss) Before Noncontrolling Interest	**(228)**	1,937	**1,680**	3,639
Net Income Attributable to Nonconcontrolling Interest	**49**	132	**236**	422
Net Income (Loss) Attributable to Paragon Technologies, Inc. and Subsidiaries	**$ (277)**	$ 1,805	**$ 1,444**	$ 3,217
Basic and Diluted Income per Share	**$ (0.16)**	$ 1.05	**$ 0.84**	$ 1.88
Weighted Average Shares Outstanding	**1,716,745**	1,713,852	**1,716,745**	1,713,852
Dilutive Effect of stock options	**-**	-	**-**	-
Weighted Average Shares Outstanding Assuming Dilution	**1,716,745**	1,713,852	**1,716,745**	1,713,852
Net Income (Loss)	**$ (228)**	$ 1,937	**$ 1,680**	$ 3,639
Other Comprehensive Income (Loss)				
Foreign Currency Translation	**957**	(1,167)	**2,600**	(1,578)
Comprehensive Income	**$ 729**	$ 770	**$ 4,280**	$ 2,061

See Accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2023 and September 30, 2022

	Nine Months Ended	
(In Thousands)	**September 30, 2023**	**September 30, 2022**
Cash Flows from Operating Activities		
Net Income	**$ 1,680**	$ 3,639
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation of Property and Equipment	**414**	349
Amortization of Intangible Assets	**50**	50
Change in Right of Use Assets	**460**	801
Realized (Gain) Loss on Investments	**(313)**	(650)
Unrealized (Gain) Loss on Investments	**493**	26
Stock-based Compensation	**-**	72
Deferred Taxes	**(101)**	85
(Increase) Decrease in Assets		
Trade Accounts Receivables, net	**(5,209)**	(597)
Contract Assets	**62**	(42)
Inventories	**(350)**	(448)
Prepaid Expenses and Other Current Assets	**(2,928)**	441
Increase (Decrease) in Liabilities		
Accounts Payable	**855**	(9,089)
Contract Liabilities	**(180)**	1,228
Operating Lease Liabilities	**(459)**	(798)
Accrued Salaries, Wages, and Commissions	**(59)**	(66)
Income Tax Payable	**(1,122)**	(399)
Accrued Product Warranties	**(13)**	(24)
Accrued Other Liabilities	**1,292**	8
Net Cash Provided by (Used in) Operating Activities	**(5,429)**	(5,414)
Cash Flow from Investing Activities		
Purchases of Property and Equipment	**(140)**	(109)
Proceeds from Sale of Property and Equipment	**1**	-
Purchases of Investments	**(2,648)**	(2,492)
Proceeds from Sale of Investments	**1,825**	2,725
Net Cash Provided by (Used in) Investing Activities	**(962)**	124
Cash Flow from Financing Activities		
Borrowings of Bank Loan, Line of Credit, net	**3,633**	8,564
Borrowings (Repayments) of Promissory Note(s)	**(563)**	(187)
Net Cash Provided by (Used in) Financing Activities	**3,070**	8,377

See Accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2023 and September 30, 2022

	Nine Months Ended	
(In Thousands)	September 30, 2023	September 30, 2022
Effect of Exchange Rate on Cash and Cash Equivalents	**$ 2,544**	$ (1,530)
Increase (Decrease) in Cash and Cash Equivalents	**(777)**	1,557
Cash and Cash Equivalents at Beginning of Period	**5,299**	3,875
Cash and Cash Equivalents at End of Period	**$ 4,522**	$ 5,432
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Period for Interest Expense	$ 861	$ 582
Income Taxes	$ 460	$ 301

Supplemental Disclosure of Noncash Operating, Investing, and Financing Activities
Operating Leases (Note 1)

See Accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

For the Nine Months Ended September 30, 2023, and the Years Ended December 31, 2022 and 2021

(In Thousands, except Shares and Per Share Data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholders' Equity
Balance at January 01, 2021	1,704,745	$ 1,705	$ 3,500	$ 5,732	$ (739)	$ 1,604	$ 11,802
Net Income	-	-	-	3,351	-	720	4,071
Distribution	-	-	-	-	-	(100)	(100)
Foreign Currency Translation	-	-	-	-	(1,166)	-	(1,166)
Balance at December 31, 2021	1,704,745	$ 1,705	$ 3,500	$ 9,083	$ (1,905)	$ 2,224	$ 14,607
Net Income	-	-	-	4,733	-	567	5,300
Foreign Currency Translation	-	-	-	-	(1,964)	-	(1,964)
Stock Grant to Directors	12,000	12	60	-	-	-	72
Balance at December 31, 2022	1,716,745	$ 1,717	$ 3,560	$ 13,816	$ (3,869)	$ 2,791	$ 18,015
Net Income	**-**	**-**	**-**	**1,444**	**-**	**236**	**1,680**
Foreign Currency Translation	**-**	**-**	**-**	**-**	**2,600**	**-**	**2,600**
Balance at September 30, 2023	**1,716,745**	**$ 1,717**	**$ 3,560**	**$ 15,260**	**$ (1,269)**	**$ 3,027**	**$ 22,295**

See Accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Note 1 – Description of Business and Summary of Significant Accounting Policies

Description of Business

Paragon Technologies, Inc. (Paragon) and its subsidiaries (collectively, the Company) engage in diverse business activities including Automation, Distribution and Real Estate Investment.

Automation

SI Systems, LLC (SI Systems) is a leading automation equipment manufacturer offering equipment, software, and services for automated material handling and order processing applications to distribution centers, manufacturers, and warehouses worldwide. SI Systems' solutions, which include complete order fulfillment, assembly, and product advancing systems, increase productivity, reduce errors and provide safety enhancements.

SI Systems has two major product lines: Production & Assembly (PAS) and Order Fulfillment Solutions (OFS). The PAS product line consists of Towline conveyance which is used in manufacturing of heavy industrial products and in warehouses to move large products. The OFS product line represents technologies composed of patented A-Frame and Mobile-Matic robotic picking systems. The OFS solutions support automated picking solutions that increase customers' productivity by reducing warehousing labor, increasing picking speed and significantly improving fulfillment accuracy.

SI Systems' markets are diverse with customers in a wide range of industries. SI Systems distributes its products directly and through supply chain partners as well as integration partners.

Approximately 66% of SI Systems' business revenue was derived from new material handling system sales during the most recent three calendar years. The system sales are generally large contracts and SI Systems' dependence on these contracts can cause large and unexpected fluctuations in sales. Various external factors affect customers' decision-making process on capital investment in their current production or distribution sites. SI Systems believes that its business is not subject to seasonality. Since the Company recognizes revenue using a cost-to-cost method based on the continuous transfer of control to the customer over time for its systems contracts, fluctuations in SI Systems' sales and earnings occur with increases or decreases in major installations.

Distribution

SED International de Colombia, S.A.S. (SEDC) is one of the largest electronics distribution companies in Colombia with four (4) business units: Value, Transactional, Consumer Electronics, and Integrated Services.

The Value Business Unit focuses on enterprise sales and business projects, selling more specialized products with higher margins. The top products distributed by the Value unit include servers, workstations, storage, networking, high end printers, high-end audio visual and power protection systems from the top 27 worldwide brands such as Hewlett Packard, Lenovo, Dell, Samsung, LG, Epson, Hitachi, and others.

The Transactional Business Unit distributes IT equipment to consumer resellers (both retailers and e-tailers), as well as direct to small and medium businesses. The top products distributed by the Transactional Business Unit include notebook computers, desktop computers, printers, projectors, gaming, and accessories.

The Consumer Electronics Business Unit sells consumer electronics and home appliances to the same customer segment as the Transactional Business Unit.

Finally, the Integrated Services Business Unit provides services such as managed services, printing, electronic documents management, electronic invoicing, and high-capacity storage solutions to businesses.

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Real Estate Investment

Ohana Home Services, LLC (Ohana), a wholly owned subsidiary of Paragon, acquires residential real estate for income and capital appreciation purposes. Ohana intends to lease its real estate to generate positive cash flow for the foreseeable future and may seek to monetize its real estate holdings during favorable market conditions.

Other Investments

Paragon invests in businesses and securities under the Investment Management Policy. The Investment Management Policy sets forth the parameters and restrictions under which a portion of Paragon's cash balance may be invested in marketable securities, including U.S. Treasuries, equities of publicly traded companies, bonds, money market instruments, and other securities. Investment decisions under the parameters of the Investment Management Policy are made by Hesham Gad, Executive Chairman and Chief Executive Officer.

Concentrations of Credit Risk

In the nine months ended September 30, 2023 and 2022, the Company had one customer that individually accounted for 12.4% and 9.4% of sales, respectively.

As of September 30, 2023 and 2022, no customer individually accounted for greater than 10.0% of total trade accounts receivables.

The Company maintains its bank deposit accounts which, at times, may exceed insured limits at regulatory insured agencies. Investment balances are held in broker accounts and may be in excess of SIPC (Securities Investor Protection Corporation) limits.

Principles of Consolidation

The consolidated financial statements include the accounts of Paragon Technologies, Inc. and its wholly owned subsidiaries SI Systems, LLC (SI Systems); Ohana Home Services, LLC (Ohana); and ARK Investments, LLC (ARK). ARK owns 80% of SED International de Colombia, S.A.S. (SEDC).

Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The judgments made in assessing the appropriateness of the estimates and assumptions utilized by management in the preparation of the consolidated financial statements are based on historical and empirical data and other factors germane to the nature of the risk being analyzed. Materially different results may occur if different assumptions or conditions were to prevail. Estimates and assumptions are mainly utilized to establish the appropriateness of the inventory reserve, warranty reserve, deferred tax valuation allowance, and revenue recognition on fixed price contracts.

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash on deposit, amounts invested on an overnight basis with a bank or broker/dealer, and other highly-liquid investments purchased with an original maturity of three months or less.

Trade Accounts Receivables and Allowance for Doubtful Accounts

Trade accounts receivables are stated at outstanding balances, less an allowance for doubtful accounts. For SI Systems, the allowance for doubtful accounts is determined by a specific identification of individual accounts. The Company writes off receivables upon determination that no further collections are probable. For SEDC, an allowance for doubtful accounts has been established based on collection experience and an assessment of the collectability of specific accounts. The overall determination of the allowance also considers credit insurance coverage and deductibles. SEDC maintains credit insurance, which protects the Company from credit losses exceeding certain deductibles (subject to certain terms and conditions). The allowance for doubtful accounts as of September 30, 2023 and December 31, 2022 was $476,946 and $384,747, respectively.

Inventories

For SI Systems, inventories primarily consist of materials purchased or manufactured for stock and for SEDC, inventories consist of finished goods. Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. Certain SEDC vendors allow for either return of goods within a specified period (usually 45 to 90 days) or for credits related to price protection. However, for certain other vendors and inventories, the Company is not protected from the risk of inventory loss. Therefore, in determining the net realizable value of inventories, the Company identifies slow moving or obsolete inventories that (a) are not protected by vendor agreements from risk of loss and (b) are not eligible for return under various vendor return programs. Based upon these factors, the Company estimates the net realizable value of inventories and records any necessary adjustments as a charge to cost of sales. If inventory return privileges were discontinued in the future, or if vendors were unable to honor the provisions of certain contracts which protect SEDC from inventory losses, including price protections, the risk of loss associated with obsolete, slow moving, or impaired inventories would increase.

Marketable Securities

Unrealized gains and losses for equity securities are included in earnings. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings.

The approximate fair values of equity securities were as follows:

	Equity Securities			
(In Thousands)	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Loss	Fair Value
September 30, 2023:	**$ 2,473**	**$ 2**	**$ (491)**	**$ 1,984**
December 31, 2022:	$ 1,614	$ 50	$ (321)	$ 1,343

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Marketable Securities *(Continued)*

Fair value accounting guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used were as follows:

	Total Marketable Securities			
(In Thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023:	**$ 1,984**	**$ 1,984**	**$ -**	**$ -**
December 31, 2022:	$ 1,343	$ 1,343	$ -	$ -

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Property and Equipment

Property and equipment acquired in business combinations are recorded at fair value; additions are recorded at cost. Property and equipment are depreciated on the straight-line method over the estimated useful lives of individual assets. The Company capitalizes costs incurred to develop commercial software products or enhancements to software products where such enhancement extends the life of the products. The ranges of lives used in determining depreciation rates for machinery and equipment and software is generally three to seven years and 15 years for real estate. Maintenance and repairs are charged to operations; betterments and renewals are capitalized. Upon sale or retirement of machinery and equipment, the cost and related accumulated depreciation are removed from the accounts and the resultant gain or loss, if any, is credited or charged to earnings.

Leases

The Company reports on its operating leases in accordance with Accounting Standards Codification (ASC) 842 which includes Accounting Standards Update (ASU) 2016-02, *Leases*, and all the related amendments which requires all leases longer than 12 months to be recorded as assets and liabilities on balance sheet.

ASC 842 provides practical expedients for an entity's ongoing accounting. The Company elected the short-term lease recognition exemption for all leases that qualify. A short-term lease is one with a term of 12 months or less, including any optional periods that are reasonably certain of exercise. For those leases that qualify, the exemption allows the Company to not recognize right-of-use (ROU) assets or lease liabilities, including not recognizing ROU assets or lease liabilities for existing short-term leases at transition. Short-term lease costs are recognized as rent expense on a straight-line basis over the lease term consistent with the Company's prior accounting. The Company also elected the practical expedient to not separate lease and non-lease components for all current lease categories.

The Company leases certain office, factory, and warehouse space, land, and other equipment, principally under non-cancelable operating leases.

The Company determines if an arrangement is a lease at inception of the contract. The Company's key decisions in determining whether a contract is or contains a lease include establishing whether the supplier has the ability to use other assets to fulfill its service or whether the terms of the agreement enable the Company to control the use of a dedicated asset during the contract term. In the majority of the Company's contracts where it must identify whether a lease is present, it is readily determinable that the Company controls the use of the assets and obtains substantially all of the economic benefit during the term of the contract.

ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The Company's lease payments are typically fixed or contain fixed escalators. The Company has elected to not separate lease and non-lease components for all of its current lease categories; therefore, all consideration is included in the lease liabilities.

For the Company's leases that do not include an implicit rate, the Company uses its incremental borrowing rates based on the information available at the commencement date in determining the present value of future payments. The Company's incremental borrowing rates are based on the term of the lease, the economic environment of the lease, and the effect of collateralization.

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Leases *(Continued)*

The Company's lease terms range from one to six years and may include options to extend the lease or terminate the lease after the initial non-cancelable term. The Company does not include options in the determination of the lease term for the majority of leases as sufficient economic factors do not exist that would compel it to continue to use the underlying asset beyond the initial non-cancelable term.

Lease related assets and liabilities are separately identified on the consolidated balance sheets as operating lease right of use assets, net and operating lease liabilities.

The components of lease expense for the three month periods ended September 30 were as follows:

(In Thousands)	2023	2022
Lease Expenses		
Operating Lease Cost	**$ 176**	$ 244
Short-Term Lease Cost	**1**	-
Total	**$ 177**	$ 244

The components of lease expense for the nine month periods ended September 30 were as follows:

(In Thousands)	2023	2022
Lease Expenses		
Operating Lease Cost	**$ 555**	$ 802
Short-Term Lease Cost	**3**	2
Total	**$ 558**	$ 804

Other information related to leases for the nine months ended September 30 were as follows:

(In Thousands)	2023	2022
Supplement Cash Flow Information		
Cash Used for Operating Activities related	**$ 586**	$ 710
Operating Lease Right of Use Assets Obtained		
Operating Leases	**$ 10**	$ 21
Weighted Average Remaining Lease Terms (Years)		
Operating Leases	**2.1**	2.2
Weighted Average Discount Rate		
Operating Leases	**5.1%**	5.4%

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Leases *(Continued)*

Future undiscounted cash flows for each of the next five years and a reconciliation to the lease liabilities recognized on the consolidated balance sheets are as follows as of September 30, 2023 (In Thousands):

2023	$	122
2024		207
2025		172
2026		53
2027		1
Total Lease Payments	**$**	**555**
Interest		(34)
Present Value of Lease Liabilities	**$**	**521**

Intangible Assets

As a result of the acquisition of SEDC in 2017, intangible assets of a trade name and customer relationships were recognized at fair value, both of which have a useful life of ten years. The details of the intangible assets and the related amortization are shown in Note 5.

Long-Lived Assets

The Company reviews the recovery of the net book value of long-lived assets whenever events and circumstances indicate that the net book value of an asset may not be recoverable. In cases where undiscounted expected future cash flows are less than the net book value, an impairment loss is recognized equal to an amount by which the net book value exceeds the fair value of assets. There were no impairments recognized in the nine months ended September 30, 2023 or 2022.

Foreign Currency Translation

The financial statements of the foreign operations are measured in their local currency and then translated to U.S. dollars. All consolidated balance sheets accounts have been translated using the current rate of exchange at the consolidated balance sheets date or historical rates of exchange, as applicable. Results of operations have been translated using the average monthly exchange rates. Translation gains or losses resulting from the changes in exchange rates from year to year are accumulated in a separate component of stockholders' equity and are reported in the consolidated statements of comprehensive income. Realized foreign currency transaction gains and losses are included in the accompanying consolidated statements of operations.

Revenue and Cost Recognition

The primary revenue sources for SI Systems are fixed price systems contracts, sales of parts or equipment, and individual support service contracts. SI Systems recognizes revenue using the following steps:

A. Identification of the contract with a customer;

B. Identification of the performance obligations in the contract;

C. Determination of the transaction price;

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Revenue and Cost Recognition *(Continued)*

D. Allocation of the transaction price to the performance obligations in the contract; and

E. Recognition of revenue when, or as, performance obligations are satisfied.

Revenue on a significant portion of SI Systems' contracts is recognized using a cost to cost method based on the continuous transfer of control to the customer over time. SI Systems transfers control for the system contracts, in two ways: (1) SI Systems' performance creates or enhances an asset that the customer controls as the customized asset is created or enhanced for the Towline brand and (2) SI Systems has an enforceable right to payment for both the Towline and Dispensing brands. The entire contract is the performance obligation. Typically, the Company would not sell the design, implementation, and installation individually. In addition, the warranty would not be sold separately and it is not a service agreement. The customer would not benefit from the individual good or service on its own. There is no alternative use for the customer.

The Company accounts for system contracts on an over time basis, electing an input method of estimated costs as a measure of performance completed. The selection of the measurement of progress using estimated costs was based on a thorough consideration of alternatives of various output and input measures, including contract milestones and labor hours. However, the Company has determined that other input and output measures are not an appropriate measure of progress as they do not accurately align with the transfer of control on its customized product solutions. The selection of costs incurred as a measure of progress aligns the transfer of control to the overall production of the customized system.

For systems contracts accounted for over time using estimated costs as a measure of performance completed, the Company relies on the estimates around the total estimated costs to complete the contract (Estimated Costs at Completion). Total Estimated Costs at Completion include direct labor, material, and subcontracting costs. Due to the nature of the efforts required to be performed to meet the underlying performance obligation, determining Estimated Costs at Completion may be complex and subject to many variables. The Company has a standard and disciplined quarterly process in which management reviews the progress and performance of open contracts in order to determine the best estimate of Estimated Costs at Completion. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion, the project schedule, identified risks and opportunities, and the related changes in estimates of costs. The risks and opportunities include management's judgment about the ability and cost to achieve the project schedule, technical requirements, and other contract requirements. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of work to be performed, the availability and cost of material, and performance by subcontractors, among other variables. Based on this analysis, any quarterly adjustment to net sales or cost of sales, and the related impact on operation income, are recorded as necessary in the period they become known. When estimates of total costs to be incurred on a contract exceed estimates of total revenue to be earned, a provision for the entire loss on the contract is recorded in the period in which the loss is determined.

Payment terms for system contracts include an initial payment at the time the contract is executed, with future payments dependent upon the completion of certain contract phases or targeted milestones. In the event of contract cancellation, SI Systems is entitled to payment for all work performed through the point of cancellation. Likewise, in the event of contract cancellation prior to earning revenue equal to or greater than the initial payment, SI Systems is generally not required to refund the unused portion.

For SI Systems' revenue for sales of parts or equipment, the contract is the customer purchase order that outlines the transaction price. The performance obligation is the shipment of the products ordered by the customer, which aligns with SI Systems' standard sales terms that title to the goods transfers to the customer upon shipment of the items. Based on the simplified nature of these contracts, total revenue related to the sale is attributable to the satisfaction of the performance obligation, which occurs upon shipment.

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Revenue and Cost Recognition *(Continued)*

SI Systems offers its Order Fulfillment customers support contracts. The support contracts cover a customer's single distribution center or warehouse where SI Systems' products are installed. As part of its support contracts, SI Systems provides analysis, consultation, and technical information to the customer's personnel on matters relating to the operation of its Order Fulfillment System and related equipment and/or peripherals. For SI Systems' revenue for individual support services, the contract is the customer purchase order that outlines the transaction price. Support contracts are prepaid and typically cover a one-year period. Revenue is recognized ratably over the course of the contract term. SI Systems is entitled to payment regardless of what level of support is required and regardless of the outcome. The performance obligation is related to the promise to have a resource available. SI Systems' software support service (in the form of availability to the customer) is provided over the life of the contract and revenue is recognized accordingly.

SEDC recognizes revenue from contracts with customers under ASC 606. The primary revenue source for SEDC revenue is distribution of IT hardware products.

SEDC recognizes revenue using the following steps:

A. Identification of the contract with a customer;

B. Identification of the performance obligations in the contract;

C. Determination of the transaction price;

D. Allocation of the transaction price to the performance obligations in the contract; and

E. Recognition of revenue when, or as, performance obligations are satisfied.

SEDC's revenues primarily result from the sale of various technology products and services. SEDC recognizes revenue as control of products is transferred to customers, which generally happens upon shipment. Products sold by SEDC are delivered via shipment from SEDC's facilities or by electronic delivery of keys for non-hardware products. SEDC considers customer purchase orders, which in some cases are governed by master agreements, to be the contracts with a customer. All revenue is generated from contracts with customers. The Company considers shipping as costs to fulfill the sales of products. Shipping revenue is included in net sales when control of the product is transferred to the customer, and the related shipping costs are included in cost of sales. Shipping is not considered a separate performance obligation, but is part of the product sales.

For SEDC's integrated services contracts, the performance obligation is to lease equipment and related technology (e.g., antivirus software) for a specified number of months per the contract. The customer is invoiced monthly, and revenue and the related cost are recognized in the same month. Therefore, there is no contract asset or liability related to the integrated services.

Taxes imposed by governmental authorities on the Company's revenue producing activities with customers, such as value added tax, are pass through amounts and are not recorded in the consolidated statements of operations.

The Company disaggregates its revenue from contracts with customers by geographic location, major product lines, and timing of revenue recognition. See details in the tables following.

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Disaggregation of Total Net Sales for the Three Months Ended September 30, 2023

(in Thousands)	Automation	Distribution	Real Estate	Total
Primary Geographical Market				
North America	$ 1,395	$ -	$ 47	**$ 1,442**
Latin America	(5)	28,608	-	**28,603**
Europe and Asia	-	-	-	**-**
	$ 1,390	**$ 28,608**	**$ 47**	**$ 30,045**
Major Goods/Service Lines				
Material Handling Systems	$ 739	$ -	$ -	**$ 739**
Software Support	280	-	-	**280**
Parts and Equipment	371	-	-	**371**
Transactional	-	18,562	-	**18,562**
Consumer Electronics	-	3,571	-	**3,571**
Value	-	5,935	-	**5,935**
Services	-	540	-	**540**
Residential Real Estate Rental Income	-	-	47	**47**
	$ 1,390	**$ 28,608**	**$ 47**	**$ 30,045**
Timing of Revenue Recognition				
Goods Transferred at a Point in Time	$ 370	$ 28,537	$ -	**$ 28,907**
Goods and Services Transferred over Time	1,020	71	47	**1,138**
	$ 1,390	**$ 28,608**	**$ 47**	**$ 30,045**

Disaggregation of Total Net Sales for the Three Months Ended September 30, 2022

(in Thousands)	Automation	Distribution	Real Estate	Total
Primary Geographical Market				
North America	$ 3,094	$ -	$ 44	**$ 3,138**
Latin America	-	31,359	-	**31,359**
Europe and Asia	1	-	-	**1**
	$ 3,095	**$ 31,359**	**$ 44**	**$ 34,498**
Major Goods/Service Lines				
Material Handling Systems	$ 2,171	$ -	$ -	**$ 2,171**
Software Support	291	-	-	**291**
Parts and Equipment	633	-	-	**633**
Transactional	-	21,482	-	**21,482**
Consumer Electronics	-	4,240	-	**4,240**
Value	-	4,885	-	**4,885**
Services	-	752	-	**752**
Residential Real Estate Rental Income	-	-	44	**44**
	$ 3,095	**$ 31,359**	**$ 44**	**$ 34,498**
Timing of Revenue Recognition				
Goods Transferred at a Point in Time	$ 633	$ 31,227	$ -	**$ 31,860**
Goods and Services Transferred over Time	2,462	132	44	**2,638**
	$ 3,095	**$ 31,359**	**$ 44**	**$ 34,498**

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Revenue and Cost Recognition *(Continued)*

Disaggregation of Total Net Sales for the Nine Months Ended September 30, 2023

(in Thousands)	Automation	Distribution	Real Estate	Total
Primary Geographical Market				
North America	$ 5,960	$ -	$ 136	**$ 6,096**
Latin America	26	82,239	-	**82,265**
Europe and Asia	-	-	-	**-**
	$ 5,986	**$ 82,239**	**$ 136**	**$ 88,361**
Major Goods/Service Lines				
Material Handling Systems	$ 3,754	$ -	$ -	**$ 3,754**
Software Support	859	-	-	**859**
Parts and Equipment	1,373	-	-	**1,373**
Transactional	-	53,730	-	**53,730**
Consumer Electronics	-	10,366	-	**10,366**
Value	-	16,582	-	**16,582**
Services	-	1,561	-	**1,561**
Residential Real Estate Rental Income	-	-	136	**136**
	$ 5,986	**$ 82,239**	**$ 136**	**$ 88,361**
Timing of Revenue Recognition				
Goods Transferred at a Point in Time	$ 1,373	$ 82,011	$ -	**$ 83,384**
Goods and Services Transferred over Time	4,613	228	136	**4,977**
	$ 5,986	**$ 82,239**	**$ 136**	**$ 88,361**

Disaggregation of Total Net Sales for the Nine Months Ended September 30, 2022

(in Thousands)	Automation	Distribution	Real Estate	Total
Primary Geographical Market				
North America	$ 6,057	$ -	$ 128	**$ 6,185**
Latin America	5	99,554	-	**99,559**
Europe and Asia	29	-	-	**29**
	$ 6,091	**$ 99,554**	**$ 128**	**$ 105,773**
Major Goods/Service Lines				
Material Handling Systems	$ 3,898	$ -	$ -	**$ 3,898**
Software Support	878	-	-	**878**
Parts and Equipment	1,315	-	-	**1,315**
Transactional	-	68,820	-	**68,820**
Consumer Electronics	-	14,647	-	**14,647**
Value	-	14,882	-	**14,882**
Services	-	1,205	-	**1,205**
Residential Real Estate Rental Income	-	-	128	**128**
	$ 6,091	**$ 99,554**	**$ 128**	**$ 105,773**
Timing of Revenue Recognition				
Goods Transferred at a Point in Time	$ 1,315	$ 99,103	$ -	**$ 100,418**
Goods and Services Transferred over Time	4,776	451	128	**5,355**
	$ 6,091	**$ 99,554**	**$ 128**	**$ 105,773**

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Contract Balances

(in Thousands)	September 30, 2023	December 31, 2022
Trade Account Receivables, net	**$ 19,961**	$ 14,752
Contract Assets	**21**	83
Contract Liabilities	**2,173**	2,353

Contract assets consist of amounts formerly classified as costs and estimated earnings in excess of billings where the Company does not yet have an unconditional right to bill. Contract liabilities consist of amounts formerly classified as billings in excess of costs and estimated earnings and unearned support contract revenue.

Payment terms on system contracts are typically tied to implementation milestones associated with progress on contracts while revenue recognition is over time based on a cost to cost method of measuring performance. The Company may recognize a contract asset or contract liability, depending on whether revenue has been recognized in excess of billings or billings in excess of revenue. The Company does not record a financing component to contracts when it expects, at contract inception, that the period between the transfer of a promised good or service and related payment terms is less than a year, applying practical expedients available under the accounting standards.

SI Systems records advance payments for unearned support contracts in the consolidated balance sheets as a contract liability that is in excess over amounts recognized as revenue at the end of each period. Revenue on individual support contracts is deferred and recognized on a straight-line basis over the one-year term of each individual support contract.

Revenue recognized during the three and nine months ended September 30, 2023, which was previously included in contract liabilities as of December 31, 2022, was $106,000 and $1,929,000, respectively.

Revenue recognized during the three and nine months ended September 30, 2022, which was previously included in contract liabilities as of December 31, 2021, was $324,000 and $1,395,000, respectively.

There were no impairment losses recognized on customer receivables or contract assets during the nine months ended September 30, 2023 and 2022. SI Systems' contract costs include all direct material, subcontract and labor costs, and those indirect costs related to contract performance, including but not limited to costs such as indirect labor, supplies, tools, repairs, and depreciation. Selling, general, and administrative costs are charged to expense as incurred.

Product Development Costs

The Company expenses product development costs as incurred. Our development projects are primarily related to sales, predominantly software related, and generally involved customization to customer's operating requirements.

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Accrued Product Warranty

SI Systems products are warranted against defects in materials and workmanship for varying periods of time depending on customer requirements and the type of system sold, with a typical warranty period of one year. SI Systems provides an accrual for estimated future warranty costs and potential product liability claims based upon a percentage of cost of sales, typically one and one-half percent of the cost of the system being sold. A detailed review of the liability needed for products still in the warranty period is performed each quarter.

A roll-forward of warranty activities is as follows:

(in Thousands)	Beginning Balance January 1	Additions (Reductions) Included in Cost of Sales	Claims	Ending Balance September 30
2023:	**$ 46**	**$ (13)**	**$ -**	**$ 33**
2022:	82	(24)	-	58

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Income tax expense is the tax payable or refundable for the period, plus or minus the change during the period in deferred tax assets and liabilities.

Tax benefits for uncertain tax positions are recognized when it is more-likely-than-not that the position will be sustained upon examination based on its technical merits. The Company classifies interest and penalties related to unrecognized tax benefits as a component of income tax expense. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

SI Systems is subject to U.S. Federal income tax, as well as income tax of multiple state jurisdictions. With few exceptions, the Company is no longer subject to U.S. Federal, state, and local income tax examinations by tax authorities for years before 2019.

SEDC is no longer subject to income tax examinations for tax years ended before December 31, 2016. However, management and its tax advisors estimate that no significant differences may result from such contingent examinations that justify any additional accrual to cover the possibility of any expenses deemed as not allowed by the local tax authority.

Stock-Based Compensation

The Company currently does not have a stock-based compensation plan in place. If a new plan is put in place then the Company will record the associated stock-based compensation expense over the requisite service period. Restricted stock awards that are service-based are recorded as equity and amortized into compensation expense on a straight-line basis over the vesting period. The Company's previous stock-based compensation plans and related compensation expense are discussed more fully in Note 6.

Note 1 - Description of Business and Summary of Significant Accounting Policies *(continued)*

Earnings Per Share

Basic and diluted earnings per share for the three and nine months ended September 30, 2023 and 2022 are based on the weighted average number of shares outstanding.

Note 2 – Segment Information

Segment Information for the nine months ended September 30, 2023 was as follows:

	2023					
(in Thousands)	Automation	Distribution	Real Estate	Investments	Eliminations	Consolidated
Net Sales to Unaffiliated Customers	$ 5,986	$ 82,239	$ 136	$ -	$ -	$ 88,361
Gross Profit	2,518	5,788	136	-	-	8,442
Operating Income (Loss)	886	2,687	(128)	-	-	3,445
Foreign Currency Transaction Loss	-	(922)	-	-	-	(922)
Interest Expense	-	(815)	-	-	-	(815)
Interest Income	2	40	-	97	-	139
Depreciation and Amortization	(54)	(245)	(165)	-	-	(464)
Investment Loss	-	-	-	(180)	-	(180)
Income Tax Expense	(259)	(662)	-	-	-	(921)
Total Assets at September 30, 2023	7,102	46,086	2,678	1,984	-	57,850

Note 2 – Segment Information (continued)

Segment Information for the nine months ended September 30, 2022 was as follows:

	2022					
(in Thousands)	Automation	Distribution	Real Estate	Investments	Eliminations	Consolidated
Net Sales to Unaffiliated Customers	$ 6,091	$ 99,554	$ 128	$ -	$ -	$ 105,773
Gross Profit	2,875	7,386	128	-	-	10,389
Operating Income (Loss)	1,488	4,270	(134)	-	-	5,624
Foreign Currency Transaction Gain	-	899	-	-	-	899
Interest Expense	-	(669)	-	-	-	(669)
Interest Income	6	15	-	12	-	33
Depreciation and Amortization	(47)	(187)	(165)	-	-	(399)
Investment Gain	-	-	-	624	-	624
Income Tax Expense	556	1,435	-	-	-	1,991
Total Assets at September 30, 2022	9,454	42,267	2,837	1,266	-	55,824

Note 3 – Financing Arrangements

During 2023 and 2022, the Company had a $750,000 line of credit facility with its principal bank to be used primarily for working capital purposes. The line of credit facility contains various nonfinancial covenants and is secured by all of the Company's trade accounts receivables and inventories. The availability on the line of credit was $750,000 as of September 30, 2023. Interest on the line of credit facility is based on the Wall Street Journal Prime Rate plus 1.00%. The outstanding borrowings were $0 as of September 30, 2023 and December 31, 2022.

SEDC currently maintains short-term working capital lines of credit at nine local banks.

Below is a detail of these lines of credit as of September 30, 2023 and December 31, 2022:

September 30, 2023			Line of Credit		Borrowings		Availability	
Bank Name	Currency	Rate	in 000 Pesos	in USD	in 000 Pesos	in USD	in 000 Pesos	in USD
Davivienda	Local	7.37%	$ 10,000,000	$ 2,466,846	$ 8,261,968	$ 2,038,100	$ 1,738,032	$ 428,746
Bancoomeva	Local	TBD	5,000,000	1,233,423	-	-	5,000,000	1,233,423
Bancolombia	Local	7%	18,584,400	4,584,485	9,838,476	2,427,000	8,745,924	2,157,485
BBVA	Local	7.18%	10,000,000	2,466,846	7,977,491	1,967,924	2,022,509	498,922
Scotiabank	Local	TBD	15,000,000	3,700,268	-	-	15,000,000	3,700,268
Agrario	Local	6.67%	3,445,696	850,000	3,428,456	845,747	17,240	4,253
de Bogota	Local	7.17%	10,337,088	2,550,000	10,337,088	2,550,000	-	-
AV Villas	Local	TBD	5,500,000	1,356,765	-	-	5,500,000	1,356,765
de Occidente	Local	7.13%	9,000,000	2,220,161	8,669,511	2,138,634	330,489	81,527
			$ 86,867,184	**$ 21,428,794**	**$ 48,512,990**	**$ 11,967,405**	**$ 38,354,194**	**$ 9,461,389**

December 31, 2022			Line of Credit		Borrowings		Availability	
Bank Name	Currency	Rate	in 000 Pesos	in USD	in 000 Pesos	in USD	in 000 Pesos	in USD
Davivienda	Local	TBD	$ 6,000,000	$ 1,247,349	$ -	$ -	$ 6,000,000	$ 1,247,349
Bancoomeva	Local	TBD	5,000,000	1,039,458	-	-	5,000,000	1,039,458
Bancolombia	Local	IBR+4.28%	30,000,000	6,236,747	18,838,674	3,916,401	11,161,326	2,320,346
BBVA	Local	11.54%	8,000,000	1,663,133	1,158,645	240,873	6,841,355	1,422,260
Scotiabank	Local	16.85%	10,000,000	2,078,916	10,000,000	2,078,916	-	-
de Bogota	Local	IBR+4.3%	9,000,000	1,871,024	1,049,603	218,204	7,950,397	1,652,820
AV Villas	Local	TBD	5,000,000	1,039,458	-	-	5,000,000	1,039,458
de Occidente	Local	IBR+1.5%	11,050,000	2,297,202	9,042,687	1,879,898	2,007,313	417,304
			$ 84,050,000	**$ 17,473,287**	**$ 40,089,609**	**$ 8,334,292**	**$ 43,960,391**	**$ 9,138,995**

SEDC also had an accounts receivables factoring credit agreement with one local bank, AV Villas, as of September 30, 2023 and December 31, 2022. Below are the details of the respective agreements.

September 30, 2023		AR Factoring Agreement		Borrowings		Availability	
Bank Name	Rate	in 000 Pesos	in USD	in 000 Pesos	in USD	in 000 Pesos	in USD
AV Villas	TBD	**$ 5,000,000**	**$ 1,233,423**	**$ -**	**$ -**	**$ 5,000,000**	**$ 1,233,423**

December 31, 2022		AR Factoring Agreement		Borrowings		Availability	
Bank Name	Rate	in 000 Pesos	in USD	in 000 Pesos	in USD	in 000 Pesos	in USD
AV Villas	TBD	$ 20,000,000	$ 4,157,831	$ -	$ -	$ 20,000,000	$ 4,157,831

Indicador Bancario de Referencia ("IBR") and Depósitos a Término Fijo ("DTF") are market reference rates in the Colombian financial market. These rates are published daily by the Banco de la República. The rates that are TBD have no current borrowing activity. The rates are established at time of borrowing.

Note 3 – Financing Arrangements *(continued)*

In January 2021, Ohana entered into purchase agreements for two residential properties in Las Vegas, Nevada, one for a purchase price of $900,000 and another for a purchase price of $894,000, consisting of an initial down payment of $150,000 and $144,000, respectively, and a promissory note for each in the amount of $750,000 each bearing an interest rate of 0.0%. For one of the properties, the promissory note was to be repaid in eight equal installments of $93,750, with the first payment due on the first day of January 2022 and payments continuing the same day of each consecutive quarter, until October 1, 2023. The note was fully repaid as of October 1, 2023. For the second property, a promissory note is to be repaid in eight equal installments of $93,750, with the first payment due on the first day of January 2023 and payments continuing the same day of each consecutive quarter, until October 1, 2024.

Future payments on these promissory notes are as follows for the years ended December 31:

2023:	$	187,500
2024:		375,000
	$	**562,500**

Note 4 – Uncompleted Contracts

Costs and estimated earnings and billings on uncompleted contracts were as follows:

(in Thousands)		**September 30, 2023**		**December 31, 2022**
Costs and Estimated Earnings and Billings on Uncompleted Contracts	**$**	**7,963**	$	6,023
Billings To-Date		**(10,115)**		(8,293)
	$	**(2,152)**	**$**	**(2,270)**
Uncompleted Contracts on Balance Sheet under the following captions:				
Contract Assets	**$**	**21**	$	83
Contract Liabilities		**(2,173)**		(2,353)
	$	**(2,152)**	**$**	**(2,270)**

Note 5 – Intangible Assets

Intangible assets were as follows:

	September 30, 2023		
(in Thousands)	Acquisition Expense	Accumulated Amortization	Net Book Value
Trade Name	**$ 537**	**$ 353**	**$ 184**
Customer Relations	**135**	**89**	**46**
	$ 672	**$ 442**	**$ 230**

	December 31, 2022		
(in Thousands)	Acquisition Expense	Accumulated Amortization	Net Book Value
Trade Name	$ 537	$ 313	$ 224
Customer Relations	135	79	56
	$ 672	$ 392	$ 280

Note 6 – Stock Options and Nonvested Stock

2012 Equity Incentive Plan

On July 27, 2012, the Board of Directors of the Company adopted the Paragon Technologies, Inc. 2012 Equity Incentive Plan (the Plan). Under the Plan, the Board of Directors could grant restricted stock, stock options, stock appreciation rights, and other equity-based awards to employees, directors, and consultants of the Company. Initially, there were 200,000 shares of the Company's common stock available for grant under the Plan. The Plan was administered by the Board of Directors. The Plan had a term of ten years. On September 18, 2013, the Board of Directors increased the number of shares of common stock available for grant under the Plan to 350,000 shares.

During the nine months ended September 30, 2022, an aggregate of 12,000 shares were granted under the Plan to the Company’s three directors. Stock-based compensation expense recognized during the nine months ended September 30, 2022, was $71,880 for these director stock grants. All of the stock-based compensation expenses were a component of selling, general, and administrative expenses.

The Plan expired July 27, 2022. No new incentive plan has been proposed or adopted by the Board.

Note 7 - Employee Benefit Plans

The Company has a defined contribution Retirement Savings Plan (the “Savings Plan) for its U.S. employees. Employees age 21 and above are eligible to participate in the Savings Plan. The Company matching contribution for the nine months ended September 30, 2023 and 2022 was $4,374 and $9,629, respectively. The Savings Plan also contains provisions for profit sharing contributions in the form of cash as determined annually by the Company’s Board of Directors. There were no profit-sharing contributions for the nine months ended September 30, 2023 and 2022. Total expenses for the Savings Plan, including Savings Plan expenses, was $4,374 and $10,829 for the nine months ended September 30, 2023 and 2022, respectively.

Note 8 - Income Taxes

The provision for income tax expense (benefit) for the nine months ended September 30 consists of the following:

(In Thousands)	2023	2022
Federal		
Current	**$ 198**	$ 438
Deferred	**-**	-
	$ 198	$ 438
State		
Current	**$ 47**	$ 104
Deferred	**-**	-
	$ 47	$ 104
Foreign		
Current	**$ 676**	$ 1,449
Deferred	**-**	-
	$ 676	$ 1,449
	$ 921	$ 1,991

The Company had no federal net operating losses at December 31, 2022. The Company had state net operating losses of approximately $1,871 (In Thousands) at December 31, 2022, expiring at various times based on individual state limits.

Valuation allowances are provided to reduce the carrying amount of deferred tax assets when it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. When assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the appropriate taxing jurisdictions during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, taxable income in carryback years, and tax planning strategies in making this assessment. As of December 31, 2022, and 2021, based upon taxable income, a valuation allowance is only deemed appropriate on the unrealized loss on investments.

The Company consider the earnings of the non-U.S. subsidiary to be indefinitely invested outside the United States on the basis of evaluation that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary’s earnings. The Company has not recorded a deferred tax liability related to the U.S. federal and state income taxes and foreign withholding taxes on approximately $11,697,000 of undistributed earnings of the foreign subsidiary indefinitely invested outside the United States. If we decide to repatriate the foreign earnings, we would need to adjust our income tax provision in the period we determined that the earnings will no longer be indefinitely invested outside the United States. In such a case, U.S. companies are allowed to repatriate certain foreign source earnings without incurring additional U.S. tax. Under U.S. federal income tax laws, 100% of the foreign source portion of dividends paid by certain foreign corporations to a U.S. corporate shareholder is exempt from U.S. taxation. Thus, the amount of any additional tax upon repatriation would be mostly driven by the amount of Colombian withholding taxes that may apply. Of the $11,697,000 currently retained in Colombia, $269,176 is from earnings prior to 2017 which can be repatriated without a tax liability for Colombia, the rest would be subject to a 20% withholding which applies to dividends distributed by Colombian entities to non-resident entities.

Note 9 - Contingencies

From time to time, the Company is involved in various claims and legal actions arising in the ordinary course of business. There were no material pending actions as of September 30, 2023.

Note 10 - Stock Repurchase Program

On May 14, 2015, the Company's Board of Directors approved a program to repurchase up to $250,000 of its outstanding stock. There were no stock repurchases during the nine months ended September 30, 2023, and 2022.

Note 11 - Subsequent Events

Events and transactions for items that should potentially be recognized or disclosed in these consolidated financial statements occurring subsequent to the consolidated balance sheets date of September 30, 2023, have been evaluated through November 14, 2023, the date which these consolidated financial statements were available to be issued.

10). Issuer Certification

Principal Executive Officer

I, **Hesham M. Gad**, certify that:

1. I have reviewed this Disclosure Statement for **Paragon Technologies, Inc**.;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 14, 2023

/s/Hesham M. Gad

Hesham M. Gad
Chief Executive Officer

Principal Financial Officer

I, **Janet M. Reaser**, certify that:

1. I have reviewed this Disclosure Statement for **Paragon Technologies, Inc**.;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 14, 2023

/s/Janet M. Reaser

Janet M. Reaser
Treasurer (Principal Financial Officer)