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, 2022
(the "Reporting Period")

As of September 30, 2022, the number of shares outstanding of our Common Stock was: 1,716,745

As of June 30, 2022, the number of shares outstanding of our Common Stock was: 1,716,745

As of December 31, 2021, the number of shares outstanding of our Common Stock was: 1,704,745

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 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: ☒

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

Yes: ☐ No: ☒

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:

The Company's principal executive office is located at 101 Larry Holmes Drive, Suite 500, Easton, PA 18042.

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

Check box 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?

Yes: ☐ No: ☒

2) Security Information

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 March 31, 2022
Total shares outstanding:	1,716,745	as of March 31, 2022
Number of shares in the Public Float:	943,659	as of March 31, 2022
Total number of shareholders of record:	169	as of March 31, 2022

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

Is the Transfer Agent registered under the Exchange Act? Yes: ☒ No: ☐

3) Issuance History

A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods: ☐

Shares outstanding as of second most recent fiscal year end: Opening Balance: December 31, 2019 Common: 1,704,745 Preferred: 0									
Date of transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of shares issued (or cancelled)**	**Class of securities**	**Value of shares issued ($/per 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 (entities must have individual with voting / investment control disclosed).**	**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.**
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 a 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 a director of the Company(2)	Unregistered(3)
Shares outstanding on date of this report: Ending Balance: September 30, 2022 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.

3) Issuance History *(Continued)*

B. Debt Securities, Including Promissory and Convertible Notes

Check this box if there are no outstanding promissory, convertible notes or debt arrangements: ☐

Date of note issuance	Outstanding balance ($)	Principal amount at issuance ($)	Interest accrued ($)	Maturity date	Conversion terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of noteholder (entities must have individual with voting / investment control disclosed).	Reason for issuance (e.g. loan, services, etc.)
January 17, 2021(1)	468,750	750,000	—	October 1, 2023	N/A	Rebell Enterprises LLC(2)	Loan
January 17, 2021(1)	750,000	750,000	—	October 1, 2024	N/A	Rebell Enterprises LLC(2)	Loan

(1) 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 is 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. 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.
(2) The control person for Rebell Enterprises is Scott Frederick.

4) Financial Statements

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

☒ U.S. GAAP
☐ IFRS

B. The financial statements for this reporting period were prepared by:

Name: Hung M. Do
Title: Chief Financial Officer
Relationship to Issuer: Chief Financial Officer

The unaudited financial statements for the three and nine months ended September 30, 2022 are incorporated by reference and can be found at the end of this Quarterly Report. The financial statements as of and for the three and nine months ended September 30, 2022 include: (1) consolidated balance sheets, (2) consolidated statements of operations, (3) consolidated statements of comprehensive income, (4) consolidated statements of changes in stockholders' equity, (5) consolidated statements of cash flows, and (6) notes to consolidated financial statements.

5) 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.

- Automation by the wholly-owned subsidiary SI Systems, LLC, which supplies material handling and order processing solutions with two major product lines: Production-Assembly Systems (PAS) and Order Fulfillment Solutions (OFS);

- Distribution through Ark Investment which owns 80% of SED International de Colombia, S.A.S. (SEDC). SEDC distributes IT equipment, consumer electronics, and appliances to businesses, retailers, and etailers. Additionally, SEDC also provides business services such as printing, electronic document management, electronic invoicing, and storage solutions;

- Real Estate Investment by Ohana Homes Services, LLC, which invests in residential real estate for capital appreciation in the long term and generating cash flow in the short term; and

- Other Investment in businesses and marketable securities under the Investment Management Policy approved by the Board and carried out by Mr. Sham Gad, the Company’s 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.

Business Condition

While our business has bounced back post COVID-19 pandemic, global economic conditions continue to be impacted by COVID-19-related business conditions and current geopolitical conditions, including but not limited to the Russia – Ukraine conflict. Supply chain disruptions and inflation continue to adversely affect the operation across our various subsidiaries. We have experienced a slowdown in booking which may result in lower cash flow, revenue, and operating profit in the future. In response, we have prudently managed our expenses to prepare for the uncertainty.

COVID-19 Federal, State, and Regional Programs

The Company, through its wholly owned subsidiary, SI Systems, leveraged Federal, State, and Regional programs to navigate through the COVID pandemic:

- On April 15, 2020, SI Systems received $453,562 loan through the Paycheck Protection Program (PPP) and on November 3, 2020, the Company applied for and received the loan’s forgiveness under the CARES Act and recorded it as “Other Income” for Fiscal Year ending December 31, 2020.

- On July 24, 2020, SI Systems received a $150,000 loan under the Economic Injury Disaster Loan (EIDL) program and the loan principal and interest was paid in full on December 14, 2021.

5) Issuer's Business, Products, and Services *(Continued)*

A. Summary of the issuer's business operations *(Continued)*

COVID-19 Federal, State, and Regional Programs *(Continued)*

- On August 14, 2020, SI Systems received a $15,000 grant from the Northampton County COVID-19 Small Business Relief Program. The grant was used to cover operating expenses for reopening and other related COVID-19 expenses not already covered by other Federal, State, or Regional programs.

- As of December 31, 2021, SI Systems had complied with all the conditions needed for the $137,991 tax credit, received on December 9, 2021, through the CARES Act and recognized the credit as “Other Income” for the Fiscal Year ended December 31, 2021.

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 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;
(2) Ohana Home Services, LLC; and
(3) ARK Investments, LLC. ARK Investments, LLC 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.

6) 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, though April 30, 2026, with fixed monthly payments of $9,063 in year one and in each subsequent year the monthly payment increases by $250.

6) Issuer's Facilities *(Continued)*

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 subcontractors 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) 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 $11,474 USD.

SEDC previously leased office space in Miami, Florida, commencing September 1, 2021. The lease had an initial term of one year at a cost of $1,029 per month. The lease expired on August 31, 2022 and it was not renewed.

The lease for an SI Systems office in Las Vegas, Nevada at a cost of $2,400 per month ended August 30, 2022. SI Systems renewed the lease on June 29, 2022 for an additional six (6) months starting September 1, 2022 at a cost of $2,114 per month including capitalized expense.

7) Company Insiders (Officers, Directors, and Control Persons)

The following information is as of September 30, 2022, unless otherwise indicated.

Name of Officer/Director or Control Person	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	Note
Hesham M. Gad	Director, Chief Executive Officer & Owner of >5%	C/O Paragon Technologies 101 Larry Holmes Drive Suite 500 Easton, PA 18042	480,835	Common Stock	28.0%	
Donna Van Allen & Van Allen Investments	Owner of >5%	Winter Springs, Florida	267,001	Common Stock	15.6%	Share information as of March 24, 2022
Kevin Ting	Owner of >5%	Mission Viejo, CA	90,352	Common Stock	5.3%	Share information as of March 24, 2022
Hung M. Do	Chief 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%	

7) Company Insiders (Officers, Directors, and Control Persons) *(Continued)*

Name, Other Positions or Offices With the Company and Principal Occupation for Past Five Years	Director Since	Age
Hesham M. Gad	2010	44

Hesham M. Gad has been Chief Executive Officer of the Company since June 2014, 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.

Jack H. Jacobs	2012	77

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.

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.

7) Company Insiders (Officers, Directors, and Control Persons) *(Continued)*

Name, Other Positions or Offices With the Company and Principal Occupation for Past Five Years	Director Since	Age
Samuel S. Weiser	2012	62

Samuel S. Weiser serves as the CEO of 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. 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 serves 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 as directors until the next Annual Meeting of Stockholders.

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

Name	Age	Office
Hesham M. Gad	44	Chief Executive Officer, Paragon Technologies
Hung M. Do	60	Chief Financial Officer, Paragon Technologies

7) Company Insiders (Officers, Directors, and Control Persons) *(Continued)*

Hung M. Do joined the Company in April 2022 and has served as the Chief Financial Officer of the Company since April 30, 2022. Mr. Do has more than 25 years of international, financial and operations experience. Mr. Do has served as the President of B-Cidal, a life-science start up with a safe-acid technology, since February 2011. Before that, Mr. Do spent over 15 years in progressive senior Finance & Accounting positions for blue chip companies such as Johnson & Johnson and Procter & Gamble. Mr. Do has a wide range of finance experiences, from cost accounting to corporate development, in a variety of industries, from consumer products, medical devices, to software and life-science. Mr. Do holds an MBA in Finance from the University of Rochester Simon Graduate School of Business Administration and a B.S. in Engineering from Boston University College of Engineering.

8) Legal/Disciplinary History

A. Please 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.

   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.

8) Legal/Disciplinary History *(Continued)*

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 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.

There have been no 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 a subject.

9) Third Party Providers

Please provide the 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.

9) Third Party Providers *(Continued)*

Other Service Providers:

Provide the name of any other service provider(s) that assisted, advised, prepared, or provided information with respect to this disclosure statement. This includes counsel, broker-dealer(s), advisor(s) or consultant(s) that provided assistance or services to the issuer during the reporting period.

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

10) Issuer Certification

Principal Executive Officer

I, Hesham M. Gad, Chief Executive Officer, certify that:

1. I have reviewed this quarterly disclosure statement of 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 11, 2022

/s/ Hesham M. Gad
Hesham M. Gad
Chief Executive Officer

Principal Financial Officer

I, Hung M. Do, Chief Financial Officer, certify that:

1. I have reviewed this quarterly disclosure statement of 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 11, 2022

/s/ Hung M. Do
Hung M. Do
Chief Financial Officer

Paragon Technologies, Inc. and Subsidiaries

Quarterly Report

Consolidated Financial Statements - Unaudited

Nine Months Ended September 30, 2022

Table of Contents
Nine Months Ended September 30, 2022

Paragon Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets (Unaudited)
September 30, 2022 and December 31, 2021
(In Thousands, Except Share Data)

	September 30, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	**$ 5,432**	$ 3,875
Trade accounts receivables, net	**19,889**	19,292
Contract assets	**45**	3
Prepaid expenses and other current assets	**3,550**	3,991
Inventories		
Raw materials	**260**	182
Finished goods	**19,811**	19,441
Total Current Assets	**48,987**	46,784
Property and Equipment		
Real estate	**3,294**	3,294
Machinery and equipment	**567**	622
Software	**566**	491
Land	**13**	14
Leasehold improvements	**244**	273
Capital additions in process	**2**	102
Total Property and Equipment	**4,686**	4,796
Accumulated depreciation	**(1,492)**	(1,314)
Property and Equipment, Net	**3,194**	3,482
Other Assets		
Marketable securities	**1,266**	875
Operating lease right of use assets, net	**1,205**	2,006
Intangible assets, net	**297**	347
Deferred tax asset	**875**	960
Total Other Assets	**3,643**	4,188
Total Assets	**$ 55,824**	$ 54,454

See accompanying notes to consolidated financial statements.

Paragon Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets (Unaudited)
September 30, 2022 and December 31, 2021
(In Thousands, Except Share Data)

	September 30, 2022	December 31, 2021
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	**$ 16,695**	$ 25,784
Contract liabilities	**3,700**	2,472
Accrued salaries, wages, and commissions	**321**	387
Accrued product warranties	**58**	82
Income taxes payable	**1,840**	2,239
Accrued other liabilities	**2,113**	2,105
Operating lease liabilities	**729**	1,002
Bank loan, line of credit, net	**11,929**	3,365
Promissory note	**656**	281
Total Current Liabilities	**38,041**	37,717
Long-Term Liabilities		
Operating lease liabilities, net of current	**480**	1,005
Promissory note, net of current	**563**	1,125
Total Long-Term Liabilities	**1,043**	2,130
Total Liabilities	**39,084**	39,847
Commitments and Contingencies (Notes 1 and 9)		
Stockholders' Equity		
Common stock, $1 par value; authorized 4,000,000 shares; issued and outstanding 1,716,745 shares as of September 30, 2022 and 1,704,745 as of December 31, 2021	**1,717**	1,705
Additional paid-in capital	**3,560**	3,500
Retained earnings	**12,300**	9,083
Accumulated other comprehensive loss	**(3,483)**	(1,905)
Total Paragon Technologies, Inc. and Subsidiaries Stockholders' Equity	**14,094**	12,383
Noncontrolling interest in subsidiary	**2,646**	2,224
Total Stockholders' Equity	**16,740**	14,607
Total Liabilities and Stockholders' Equity	**$ 55,824**	$ 54,454

See accompanying notes to consolidated financial statements.

Paragon Technologies, Inc. and Subsidiaries

Consolidated Statements of Operations (Unaudited)
For the Three and Nine Months Ended September 30, 2022 and 2021
(In Thousands, Except Share and Per Share Data)

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net Sales	**$ 34,498**	$ 36,771	**$ 105,773**	$ 100,958
Cost of Sales	**30,671**	33,217	**95,384**	92,416
Gross Profit on Sales	**3,827**	3,554	**10,389**	8,542
Operating Expenses				
Selling, general, and administrative expenses	**1,501**	1,440	**4,753**	4,265
Product development costs	**3**	5	**12**	8
Total Operating Expenses	**1,504**	1,445	**4,765**	4,273
Operating Income	**2,323**	2,109	**5,624**	4,269
Other Income (Expense)				
Interest income	**18**	2	**33**	8
Interest expense	**(332)**	(78)	**(669)**	(250)
Employee retention credit	**-**	-	**-**	138
Realized gain (loss) on investment, marketable securities	**693**	(10)	**650**	(404)
Unrealized gain (loss) on investment, equity securities	**139**	(107)	**(26)**	(25)
Gain on sale of fixed assets	**-**	-	**-**	1
Grant income	**-**	26	**18**	43
Total Other Income (Expense)	**518**	(167)	**6**	(489)
Income before taxes and noncontrolling interest	**2,841**	1,942	**5,630**	3,780
Income tax expense	**904**	861	**1,991**	1,726
Net income before noncontrolling interest	**1,937**	1,081	**3,639**	2,054
Net income attributable to noncontrolling interest	**132**	189	**422**	396
Net Income Attributable to Paragon Technologies Inc. and Subsidiaries	**$ 1,805**	$ 892	**$ 3,217**	$ 1,658
Basic and Diluted Income per Share	**$ 1.05**	$ 0.52	**$ 1.88**	$ 0.97
Weighted Average Shares Outstanding	**1,713,852**	1,704,745	**1,713,852**	1,704,745
Dilutive effect of stock options	**-**	-	**-**	-
Weighted Average Shares Outstanding Assuming Dilution	**1,713,852**	1,704,745	**1,713,852**	1,704,745

See accompanying notes to consolidated financial statements.

Paragon Technologies, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Unaudited)
For the Three and Nine Months Ended September 30, 2022 and September 30, 2021
(In Thousands)

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net Income	**$ 1,937**	$ 1,081	**$ 3,639**	$ 2,054
Other Comprehensive Loss				
Foreign currency translation	**(1,167)**	(333)	**(1,578)**	(1,008)
Comprehensive Income	**$ 770**	$ 748	**$ 2,061**	$ 1,046

See accompanying notes to consolidated financial statements.

Paragon Technologies, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
For the Nine Months Ended September 30, 2022 and the Years Ended December 31, 2021 and 2020
(In Thousands, Except Share and Per Share Data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at January 1, 2020	1,704,745	$ 1,705	$ 3,500	$ 2,131	$ (541)	$ 1,357	$ 8,152
Net income	-	-	-	3,601	-	247	3,848
Foreign currency translation	-	-	-	-	(198)	-	(198)
Balance at December 31, 2020	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	**-**	**-**	**-**	**3,217**	**-**	**422**	**3,639**
Foreign currency translation	**-**	**-**	**-**	**-**	**(1,578)**	**-**	**(1,578)**
Stock grant to directors	**12,000**	**12**	**60**	**-**	**-**	**-**	**72**
Balance at September 30, 2022	**1,716,745**	**$ 1,717**	**$ 3,560**	**$ 12,300**	**$ (3,483)**	**$ 2,646**	**$ 16,740**

See accompanying notes to consolidated financial statements.

Paragon Technologies, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2022 and 2021
(In Thousands)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash Flows from Operating Activities		
Net income	**$ 3,639**	$ 2,054
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation of property and equipment	**349**	286
Amortization of intangible assets	**50**	50
Amortization of the right of use assets	**801**	600
Change in lease liability	**(798)**	(595)
Realized (gain) loss on investments	**(650)**	404
Unrealized loss on investments	**26**	25
Gain on sale of property and equipment	**-**	(1)
Stock based compensation	**72**	-
Deferred taxes	**85**	-
(Increase) decrease in assets		
Trade accounts receivables, net	**(597)**	(2,304)
Contract assets	**(42)**	400
Inventories	**(448)**	(7,095)
Prepaid expenses and other current assets	**441**	(475)
Increase (decrease) in liabilities		
Accounts payable	**(9,089)**	6,544
Contract liabilities	**1,228**	1,065
Accrued salaries, wages, and commissions	**(66)**	(18)
Income tax payable	**(399)**	351
Accrued product warranties	**(24)**	27
Accrued other liabilities	**8**	1,068
Net Cash (Used in) Provided by Operating Activities	**(5,414)**	2,386
Cash Flows from Investing Activities		
Purchases of property and equipment	**(109)**	(1,025)
Proceeds from sale of property and equipment	**-**	1
Purchases of investments	**(2,492)**	(1,965)
Proceeds from sale of investments	**2,725**	1,368
Net Cash Provided by (Used in) Investing Activities	**124**	(1,621)
Cash Flows from Financing Activities		
Borrowings of bank loan, line of credit, net	**8,564**	288
(Payments) borrowings on promissory note	**(187)**	750
Net Cash Provided by Financing Activities	**8,377**	1,038

See accompanying notes to consolidated financial statements.

Paragon Technologies, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended September 30, 2022 and 2021
(In Thousands)

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Effect of Exchange Rates on Cash and Cash Equivalents	**$ (1,530)**	$ (910)
Increase in Cash and Cash Equivalents	**1,557**	893
Cash and Cash Equivalents at Beginning of Period	**3,875**	3,355
Cash and Cash Equivalents at End of Period	**$ 5,432**	$ 4,248
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for interest expense	**$ 582**	$ 250
Income taxes	**$ 301**	$ 255
Supplemental Disclosure of Noncash Operating, Investing, and Financing Activities		
Operating leases (Note 1)		

See accompanying 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 our 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 our patented A-Frame and Mobile-Matic robotic picking systems. The OFS solutions support automated picking solutions that increase our clients' 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 65% 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.

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

Distribution (continued)

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.

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, Chairman and Chief Executive Officer.

Concentrations of Credit Risk

In the nine months ended September 30, 2022, the Company had one customer that individually accounted for 9.4% of sales. In the nine months ended September 30, 2021, the Company had one customer that individually accounted for 11.0% of sales.

As of September 30, 2022 and September 30, 2021, no customer individually accounted for greater than 10.0% of total trade accounts receivables.

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

Concentrations of Credit Risk (continued)

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.

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, 2022 and December 31, 2021 was $335,047 and $276,256, respectively.

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

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 value of equity securities as of September 30, 2022 and December 31, 2021 were as follows (in thousands):

	Equity Securities			
	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2022	**$ 1,378**	**$ 144**	**$ (256)**	**$ 1,266**
December 31, 2021	$ 862	$ 115	$ (102)	$ 875

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 for September 30, 2022 and December 31, 2021, were as follows (in thousands):

	Total Marketable Securities			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2022	**$ 1,266**	**$ 1,266**	**$ -**	**$ -**
December 31, 2021	$ 875	$ 875	$ -	$ -

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 adopted Accounting Standards Update (ASU) 2016-02, *Leases*, and all the related amendments (collectively Accounting Standards Codification (ASC) 842) on January 1, 2019 using a modified retrospective transition approach for all leases existing at January 1, 2019, the date of the initial application.

ASC 842 provides for a number of optional practical expedients in transition. The Company elected the practical expedients, which permitted the Company to not reassess prior conclusions about lease identification, lease classification, and initial direct costs under ASC 842. The Company did not elect the "use of hindsight" practical expedient to determine the lease term or in assessing the likelihood that a lease purchase option will be exercised, allowing it to carry forward the lease term as determined prior to adoption of ASC 842.

ASC 842 also 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 recognized operating lease liabilities of $1.15 million based on the present value of the remaining minimum rental payments determined under prior lease accounting standards and corresponding ROU assets of $1.15 million at adoption.

For arrangements where the Company is the lessor, the adoption of ASC 842 did not have a material impact on its consolidated financial statements as the majority of its leases are operating leases embedded within managed services contracts. ASC 842 provides a practical expedient for lessors in which the lessor may elect, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for these components as a single component if both of the following are met: (a) the timing and pattern of transfer of the non-lease component(s) and associated lease component are the same and (b) the lease component, if accounted for separately, would be classified as an operating lease.

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

Leases (continued)

The accounting under the practical expedient depends on which component(s) is predominant in the contract. The Company has elected the above practical expedient and determined that the lease components are predominant and is accounting for the sublease per the guidance of ASC 842-30.

The Company leases certain office, factory, and warehouse space, land, and other equipment, principally under non-cancelable operating leases. The Company had no finance type leases as of the date of initial application, or at September 30, 2022 or December 31, 2021.

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.

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):

	2022	2021
Lease Expense		
Operating lease cost	**$ 244**	$ 288
Short-term lease cost	**-**	2
	$ 244	$ 290

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

Leases (continued)

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

	2022	2021
Lease Expense		
Operating lease cost	**$ 802**	$ 847
Short-term lease cost	**2**	11
	$ 804	$ 858

Other information related to leases for the nine month periods ended September 30 were as follows (in thousands):

	2022	2021
Supplemental Cash Flow Information		
Cash used for operating activities related to operating leases	**$ 710**	$ 815
Operating Lease Right of Use Assets Obtained in Exchange for Lease Liabilities		
Operating leases	**$ 21**	$ 376
Weighted Average Remaining Lease Terms (Years)		
Operating leases	**2.2**	2.7
Weighted Average Discount Rate		
Operating leases	**5.4%**	5.5%

Future lease payments as of September 30, 2022 were as follows (in thousands):

2022	**$ 215**
2023	**659**
2024	**201**
2025	**172**
2026	**54**
Thereafter	**4**
Total Lease Payments	**1,305**
Interest	**(96)**
Present Value of Lease Liabilities	**$ 1,209**

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

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, 2022 or 2021.

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;

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.

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

Revenue and Cost Recognition (continued)

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.

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

Revenue and Cost Recognition (continued)

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.

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.

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

Revenue and Cost Recognition (continued)

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 below for the three and nine months ended September 30, 2022 and 2021.

Disaggregation of Total Net Sales (in Thousands)

	Three Months Ended September 30, 2022			
	Automation	Distribution	Real Estate	Total
Primary Geographical Markets				
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 (in Thousands) (continued)

	Three Months Ended September 30, 2021			
	Automation	Distribution	Real Estate	Total
Primary Geographical Markets				
North America	$ 1,623	$ -	$ 21	$ 1,644
Latin America	4	35,105	-	35,109
Europe and Asia	18	-	-	18
	$ 1,645	$ 35,105	$ 21	$ 36,771
Major Goods/Service Lines				
Material handling systems	$ 946	$ -	$ -	$ 946
Software support	282	-	-	282
Parts and equipment	417	-	-	417
Transactional	-	25,493	-	25,493
Consumer electronics	-	4,633	-	4,633
Value	-	4,258	-	4,258
Services	-	721	-	721
Residential real estate rental income	-	-	21	21
	$ 1,645	$ 35,105	$ 21	$ 36,771
Timing of Revenue Recognition				
Goods transferred at a point in time	$ 417	$ 34,776	$ -	$ 35,193
Goods and services transferred over time	1,228	329	21	1,578
	$ 1,645	$ 35,105	$ 21	$ 36,771

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

Revenue and Cost Recognition (continued)

Disaggregation of Total Net Sales (in Thousands) (continued)

	Nine Months Ended September 30, 2022			
	Automation	Distribution	Real Estate	Total
Primary Geographical Markets				
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)

Revenue and Cost Recognition (continued)

Disaggregation of Total Net Sales (in Thousands) (continued)

	Nine Months Ended September 30, 2021			
	Automation	Distribution	Real Estate	Total
Primary Geographical Markets				
North America	$ 4,786	$ -	$ 76	$ 4,862
Latin America	8	96,031	-	96,039
Europe and Asia	57	-	-	57
	$ 4,851	$ 96,031	$ 76	$ 100,958
Major Goods/Service Lines				
Material handling systems	$ 2,850	$ -	$ -	$ 2,850
Software support	826	-	-	826
Parts and equipment	1,175	-	-	1,175
Transactional	-	70,081	-	70,081
Consumer electronics	-	10,952	-	10,952
Value	-	12,021	-	12,021
Services	-	2,977	-	2,977
Residential real estate rental income	-	-	76	76
	$ 4,851	$ 96,031	$ 76	$ 100,958
Timing of Revenue Recognition				
Goods transferred at a point in time	$ 1,175	$ 95,097	$ -	$ 96,272
Goods and services transferred over time	3,676	934	76	4,686
	$ 4,851	$ 96,031	$ 76	$ 100,958

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

Revenue and Cost Recognition (continued)

Contract Balances (in Thousands)

	September 30, 2022	December 31, 2021
Trade accounts receivables, net	**$ 19,889**	$ 19,292
Contract assets	**45**	3
Contract liabilities	**3,700**	2,472

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, 2022, which was previously included in contract liabilities as of December 31, 2021, was $324 and $1,395, respectively (in thousands).

Revenue recognized during the three and nine months ended September 30, 2021, which was previously included in contract liabilities as of December 31, 2020, was $123 and $1,700, respectively (in thousands).

There were no impairment losses recognized on customer receivables or contract assets during the nine months ended September 30, 2022 and 2021. 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.

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
2022	**$ 82**	**$ (24)**	**$ -**	**$ 58**
2021	76	27	-	103

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statements 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 2018.

SEDC is no longer subject to income tax examinations for tax years ended before December 31, 2015. 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.

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

Stock-Based Compensation

The Company has a stock-based compensation plan in place and records 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. These stock-based compensation plans and related compensation expense are discussed more fully in Note 6.

Earnings Per Share

Basic and diluted earnings per share for the three and nine months ended September 30, 2022 and 2021 are based on the weighted average number of shares outstanding.

Note 2 - Segment Information

Segment information for the nine months ended September 30, 2022 was as follows (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
Investment gain	$ -	$ -	$ -	$ 624	$ -	$ 624
Income tax expense	$ 556	$ 1,435	$ -	$ -	$ -	$ 1,991
Net income (loss) attributable to Paragon Technologies, Inc. and Subsidiaries	$ 1,026	$ 1,689	$ (134)	$ 636	$ -	$ 3,217
Total assets at September 30, 2022	$ 9,454	$ 42,267	$ 2,837	$ 1,266	$ -	$ 55,824

Note 2 - Segment Information (continued)

Segment information for the nine months ended September 30, 2021 was as follows (in thousands):

	Automation	Distribution	Real Estate	Investments	Eliminations	Consolidated
Net sales to unaffiliated customers	$ 4,851	$ 96,031	$ 76	$ -	$ -	$ 100,958
Gross profit	$ 1,755	$ 6,711	$ 76	$ -	$ -	$ 8,542
Operating income (loss)	$ 426	$ 3,940	$ (97)	$ -	$ -	$ 4,269
Foreign currency transaction loss	$ -	$ (895)	$ -	$ -	$ -	$ (895)
Interest expense	$ (38)	$ (229)	$ -	$ -	$ 17	$ (250)
Interest income	$ -	$ 22	$ -	$ 3	$ (17)	$ 8
Investment loss	$ -	$ -	$ -	$ (429)	$ -	$ (429)
Income tax expense	$ 61	$ 1,665	$ -	$ -	$ -	$ 1,726
Net income (loss) attributable to Paragon Technologies, Inc. and Subsidiaries	$ 594	$ 1,587	$ (97)	$ (426)	$ -	$ 1,658
Total assets at September 30, 2021	$ 6,957	$ 43,723	$ 2,112	$ 713	$ (446)	$ 53,059

Note 3 - Financing Arrangements

During 2022 and 2021, 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, 2022. 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, 2022 and December 31, 2021.

Note 3 - Financing Arrangements (continued)

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was approved, which established the Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Administration (SBA). On April 15, 2020, the Company, through its wholly owned subsidiary SI Systems, received approval for a $453,562 loan under the PPP. Under the terms of the CARES Act, PPP loan recipients can apply for, and be granted, forgiveness for all or a portion of loans granted under the PPP. The Company applied for PPP loan forgiveness on November 3, 2020. The Company received notification of the forgiveness of the PPP loan and recorded it as other income for the year ended December 31, 2020. The SBA has up to six years after it forgave the loan to audit whether the Company qualified for a PPP loan and met the conditions necessary for forgiveness of the loan.

In response to the COVID-19 pandemic, the SBA made small business owners eligible to apply for an Economic Injury Disaster Loan advance of up to $10,000 under its Economic Injury Disaster Loan program (EIDL). SI Systems applied for an EIDL loan and received a $10,000 loan advance on May 5, 2020 (EIDL Advance). The EIDL Advance was offset against the portion of the PPP loan that qualified for forgiveness. On January 12, 2021, the Company was advised that under modifications to the PPP loan forgiveness rules by the SBA, EIDL loans will not reduce the amount of any PPP loan forgiveness retroactively for loans already forgiven. The Company received the remaining $10,000 of loan forgiveness during the second quarter of 2021.

Also in response to the COVID-19 pandemic, the SBA made small business owners eligible to apply for a loan of up to $150,000 under its EIDL program. SI Systems received a $150,000 loan under the EIDL (EIDL Loan) on July 24, 2020. The Company paid the EIDL Loan off on December 14, 2021 in the amount of $157,813, including interest due of $7,813.

SEDC currently maintains short-term working capital lines of credit at eight local banks as of September 30, 2022 and December 31, 2021. Below is a detail of these lines as of September 30, 2022 and December 31, 2021

September 30, 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**	**$ 1,323,898**	**$ -**	**$ -**	**$ 6,000,000**	**$ 1,323,898**
Bancoomeva	Local	TBD	**5,000,000**	**1,103,249**	**-**	**-**	**5,000,000**	**1,103,249**
Bancolombia	Local	IBR+1.95%	**30,000,000**	**6,619,492**	**21,877,393**	**4,827,241**	**8,122,607**	**1,792,251**
BBVA	Local	IBR+1.76%	**8,000,000**	**1,765,198**	**2,896,612**	**639,137**	**5,103,388**	**1,126,061**
Scotiabank	Local	9.00%	**10,000,000**	**2,206,497**	**10,000,000**	**2,206,497**	**-**	**-**
de Bogota	Local	IBR+1.70%	**9,000,000**	**1,985,848**	**8,248,454**	**1,820,019**	**751,546**	**165,829**
AV Villas	Local	TBD	**5,000,000**	**1,103,249**	**-**	**-**	**5,000,000**	**1,103,249**
de Occidente	Local	IBR+1.00%	**11,000,000**	**2,438,179**	**11,042,687**	**2,436,566**	**7,313**	**1,613**
			$ 84,000,000	**$ 18,545,610**	**$ 54,065,146**	**$ 11,929,460**	**$ 29,984,854**	**$ 6,616,150**

December 31, 2021			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	$ 1,507,098	$ -	$ -	$ 6,000,000	$ 1,507,098
Bancoomeva	Local	TBD	4,000,000	1,004,732	-	-	4,000,000	1,004,732
Bancolombia	Local	IBR+1.00%	12,000,000	3,014,197	4,509,783	1,132,780	7,490,217	1,881,417
BBVA	Local	TBD	8,000,000	2,009,465	-	-	8,000,000	2,009,465
Scotiabank	Local	TBD	10,000,000	2,511,831	-	-	10,000,000	2,511,831
de Bogota	Local	IBR+0.90%	9,000,000	2,260,648	5,530,713	1,389,222	3,469,287	871,426
AV Villas	Local	IBR+1.40%	3,000,000	753,549	1,592,846	400,096	1,407,154	353,453
de Occidente	Local	IBR+0.97%	9,000,000	2,260,648	1,764,871	443,306	7,235,129	1,817,342
			$ 61,000,000	$ 15,322,168	$ 13,398,213	$ 3,365,404	$ 47,601,787	$ 11,956,764

Note 3 - Financing Arrangements (continued)

SEDC also had an accounts receivables factoring credit agreement with one local bank as of September 30, 2022 and December 31, 2021. Below is the detail of the respective agreements.

September 30, 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	$ 4,412,995	$ -	$ -	$ 20,000,000	$ 4,412,995
		$ 20,000,000	$ 4,412,995	$ -	$ -	$ 20,000,000	$ 4,412,995

December 31, 2021		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	$ 5,023,661	$ -	$ -	$ 20,000,000	$ 5,023,661
		$ 20,000,000	$ 5,023,661	$ -	$ -	$ 20,000,000	$ 5,023,661

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.

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 is 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. 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 maturities on these promissory notes are as follows for the years ended December 31:

2022	$ 93,750
2023	750,000
2024	375,000
	$ 1,218,750

Note 4 - Uncompleted Contracts

Costs and estimated earnings and billings on uncompleted contracts as of September 30, 2022 and December 31, 2021 were as follows (in thousands):

	September 30, 2022	December 31, 2021
Costs and estimated earnings on uncompleted contracts	**$ 4,606**	$ 5,262
Billings to date	**(8,261)**	(7,731)
	$ (3,655)	$ (2,469)

	September 30, 2022	December 31, 2021
Included in accompanying consolidated balance sheets under the following captions		
Contract assets	**$ 45**	$ 3
Contract liabilities	**(3,700)**	(2,472)
	$ (3,655)	$ (2,469)

Note 5 - Intangible Assets

Intangible assets were as follows (in thousands):

	September 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Trade name	**$ 537**	**$ 299**	**$ 238**
Customer relations	**135**	**76**	**59**
	$ 672	**$ 375**	**$ 297**
	December 31, 2021		
Trade name	$ 537	$ 259	$ 278
Customer relations	135	66	69
	$ 672	$ 325	$ 347

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. For the nine months ended September 30, 2021, no shares were granted under the Plan and no stock-based compensation was recognized. 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 to replace the current Plan.

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, 2022 and 2021 was $9,629 and $9,936, 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, 2022 and 2021. Total expense for the Savings Plan, including Savings Plan expenses, was $10,829 and $9,936 for the nine months ended September 30, 2022 and 2021, 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):

	2022	2021
Federal		
Current	**$ 438**	$ 36
Deferred	**-**	-
	$ 438	$ 36
State		
Current	**$ 104**	$ 9
Deferred	**-**	-
	$ 104	$ 9
Foreign		
Current	**$ 1,449**	$ 1,681
Deferred	**-**	-
	$ 1,449	$ 1,681
	$ 1,991	$ 1,726

The Company had no federal net operating losses at December 31, 2021. The Company had state net operating losses of approximately $1,663 (in thousands) at December 31, 2021, 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, 2021 and 2020, based upon taxable income, a valuation allowance is only deemed appropriate on the unrealized loss on investments.

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 pending actions as of September 30, 2022.

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, 2022 and 2021.

Note 11 - Recent Accounting Pronouncement

In December 2019, the Financial Accounting Standards Board issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for public entities for fiscal years beginning after December 15, 2020, and for interim periods within those fiscal years. The Company adopted this standard in 2021 with no material impact on the Company's consolidated financial statements.

Note 12 - 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, 2022, have been evaluated through November 11, 2022, the date which these consolidated financial statements were available to be issued.