



To the Shareholders of Paragon Technologies:

Paragon reported a net loss of \$3.2 million in 2025, or \$1.82 per share compared to a net profit of \$1.1 million, or \$0.64, in 2024. Paragon’s operating expenses increased to \$11.5 million in 2025 compared to \$7.7 million in 2024 due to the wasteful decisions and actions of the prior board and interim management during the first half of 2025.

Paragon’s reported net loss in 2025—our first since 2016—is not a result we take lightly, nor one that we will attempt to soften with overly polished language. Our shareholders deserve a clear view of what happened and why.

The unfortunate reality is that this loss was not driven by any permanent deterioration in our core businesses. It resulted from a period of undisciplined spending and poor capital allocation, the effects of which flowed directly into our 2025 results.

For nearly 13 years, Paragon has been operated with a single mandate: to act in the best interests of our shareholders—our partners. Our record over that time was not perfect—that’s not possible in this business—but it was disciplined, consistent, and most of all, value-creating. Over the decade leading up to August 2024, our approach translated into an 11% annualized return for shareholders. More notably, after assuming full capital allocation responsibility in 2017 with the addition of SI Systems, the pace of value creation accelerated meaningfully. Those results did not come from complexity or luck, but from a steady application of the principles outlined later in this letter.

Yet beginning in August 2024 and continuing for nearly a year, unable to discredit that value creation, a disingenuous campaign was woven to mislead shareholders through assertions of governance shortcomings, capital allocation concerns, and other allegations that were never substantiated, despite references to an “independent” inquiry that never ultimately materialized. The result was a period of significant distraction and more than \$5 million in unnecessary costs, operational inefficiencies, and capital allocation missteps that reduced Paragon’s intrinsic value.

But in hindsight, 2025 reinforced Paragon’s core priority: resilience under stress. From the beginning, we have focused first and foremost on protecting and preserving shareholder capital. We have consistently worked to ensure that Paragon would endure difficult economic periods and operational challenges with its armor intact. While the pressures we faced this past year were not the kind we envisioned, they tested that principle all the same. Paragon was financially weakened because of the unnecessary expenditures and poor decisions made earlier in the year, but ultimately Paragon resilience remains.

As a reflection of that resilience, despite the significant expenses incurred, Paragon reported total shareholders’ equity attributable to stockholders (reflecting our 80% controlling interest in SEDC) declined by only \$800,000 to \$18.2 million, a decline of approximately 5% from 2024. On a per share basis net equity per share decreased a bit more at 6% to \$10.36 from \$10.97, as a result of shares outstanding

increasing to 1,756,245 from 1,731,245. This 25,000-share increase—equating to nearly 1.5% of the Company—was granted by the prior Board. As a director, I was also included in a 5,000-share grant, though I voted against both my own award and those of the other directors as there was no fair reason to issue equity at that time. Dilution without growing per share book value is not a trade we make. Alignment of incentives matters, always.

Despite these setbacks, where Paragon stands today is notable. The events of 2025 are now behind us, but we felt it was important that shareholders understand the overall impact as context for what comes next.

We are fully focused on rebuilding and growing Paragon. Progress will take time, but our discipline, energy, and direction are clear. Our attention is firmly on the road ahead.

Enduring Lessons for Managers and Investors

To understand what drives our process at Paragon, it helps to understand how we think and operate. Whether you are a longtime shareholder or a new partner, certain principles are worth repeating—because their constant application will meaningfully reduce costly decision making. They certainly help me!

There is real wisdom in Warren Buffett’s observation that being an investor makes you a better businessman, and being a businessman makes you a better investor. Running a business teaches lessons about evaluating one that no amount of annual report reading can replicate. At the same time, studying a wide range of companies as an investor sharpens your understanding of how and why businesses succeed or fail.

Time is an asset. Compounding rewards patience only if investors avoid self-inflicted distractions — unnecessary losses early or premature gains later. Today’s business environment is dominated by quarterly guidance and real-time dashboards, making a patient mindset a rare and extremely valuable advantage. Algorithms may trade in milliseconds, but businesses still create value over years. Paragon spends no time thinking about quarterly results – we are running a marathon where our ambition has no finish line.

We value incentives and trust over forecasts. At Paragon, we spend little energy predicting macroeconomic outcomes and pay attention to understanding people. We focus on incentives — how managers are paid, how boards behave, how capital is allocated — because incentives shape outcomes more reliably than projections.

Simplicity is sign of discipline, not inexperience. Complexity obscures risk, dilutes accountability, and creates false confidence. Look back at Enron and similar corporate catastrophes or certain corners of today’s markets. People often mistake complexity as being skillful, but that is inverted thinking. We strive to avoid complexity because we recognize its dangers. In investing, complexity often signals not insight but misunderstanding — or worse. Models grow elaborate precisely when reliability is lowest.

Organizational patience beats individual brilliance, hands down. We strive to design Paragon to reduce the odds of bad decisions by having extremely decentralized operations, a strong balance sheet, modest leverage and a culture of trust that all serve one singular purpose: preserving judgment under stress. The best investing systems – those that set rules in advance, limit forced decision making and resisting the urge to constantly be active – serve to protect you from yourself.

Temperament will always be the most undervalued asset. The greatest investors never claim to be the smartest person in the room. They strive to be among the most consistent. Emotional control — remaining rational when others are euphoric or fearful — is an investors' sharpest edge. This edge has always been valuable, and it will remain so. In today's markets that are growing more saturated with commentary and instant feedback by the day, hour, and minute, temperament deserves an even greater premium. Intelligence is common; emotional discipline is scarce. Temperament beats IQ every time.

Decentralization provides an edge. Decentralization is sometimes viewed as a lack of control or weak governance while bureaucracy is mistaken for diligence. In practice, the opposite is true. Placing decision-making authority with those closest to the facts strengthens accountability, speed, and judgment. Bureaucracy, while well-intentioned, introduces friction, diffuses responsibility, and consumes time without improving outcomes. At Paragon, we favor decentralization as it produces better decisions by the right people at the right time. We do not pretend to know more than we do. Decentralization reinforces accountability rather than obscuring it—and over time, builds a culture where discipline is internal, not imposed.

These are not slogans but guardrails — designed to limit damage rather than promise brilliance. They have worked across time, in all markets, and the best investors will recognize their relevance today despite their seeming novelty in today's high-speed world.

Pressure is expected in the management of any business. Pressure often feels like a burden, but it's not. You feel pressure because your decisions matter, and because people rely on you. Pressure can feel uncomfortable at times, but that is the price of success. If you care about and enjoy what you do, *you want pressure*. The absence of pressure, when no one relies on you, when no one expects something from you, that is how you become irrelevant. Pressure is a privilege.

The hardest problems investors face — judgment, discipline, temperament — have not changed. We aim to solve them by not chasing speed or complexity but by building structures that reduce mistakes, personally and institutionally. Whether you are an operator or an investor, the lessons that follow are as relevant today as they were 50 years ago—and will be 50 years from now.

Year in Review

Paragon generated \$144 million in revenue in 2025, a 13% increase from \$126 million in 2024. We reported a net loss attributable to Paragon Technologies shareholders of \$3.2 million, compared to net income of \$1.1 million in the prior year. As discussed earlier, 2025 results were materially affected by one-time events in the first half of the year.

Interest income declined 40% to \$160,000, reflecting lower average cash balances. We ended the year with approximately \$2 million invested in short-term U.S. Treasury securities, down from nearly \$4 million in 2024, with roughly half of that current \$2 million balance available to support day-to-day working capital needs as needed.

During the year, we realized a \$363,000 loss on our equity portfolio, driven by a partial liquidation of certain assets in the first half of 2025 to fund the expenditures described above. We also recorded a \$975,000 gain from the sale of fixed assets, mainly two real estate assets, with proceeds similarly used to fund those

expenditures. Based on both past transactions and current market comparables, we believe those assets were sold below their intrinsic value.

At the end of 2025, our investment portfolio was in an unrealized gain position of approximately \$136,000. Our investment portfolio is presented later in this letter.

As a reminder, accounting rules now require companies holding equities, as Paragon does, to report any unrealized gains or losses from those equities on our income statement. The daily volatility in equity price movements mean very little to us, but at the end of each reporting period, Paragon must now report both realized and unrealized investment gains as other income or expense. We view the reporting of unrealized gains or losses during any given quarter to be of little utility in evaluating the overall operating performance of Paragon. We encourage shareholders to recognize that market fluctuations will always lead to volatility in reporting unrealized investment results, and to evaluate our operating performance accordingly.

Distribution

Our distribution operation SEDC delivered a quality result in 2025 in large part due to the collaborative effort of our over 200 associates at SEDC *and Paragon's deliberate decentralization that enables SEDC's day-to-day operations and strategy reside with Ronell and his team* (those enduring lessons again!).

Our distribution sales increased nearly 18% year over to \$140.4 million. Sales for the first six months of 2025 were \$66 million. In the second half of 2025, unencumbered by the distractions of the first half of the year, SEDC generated nearly \$80 million in sales. We remain optimistic in 2026 for our distribution operations.

Gross profit margin for 2025 was 7%, down from 7.5% in 2024, namely due to product mix and interest rates that impact certain products we purchase which are funded by borrowings that we use to purchase inventory at discounts from our vendors. Higher borrowing rates reduce the spread between the purchase discount and the cost of funds, while lower interest rates widen them. Our distribution operation earned net income attributable to Paragon (after deducting for the 20% we do not own) of approximately \$1.9 million for a net margin of 1.4%, compared with \$1.6 million and 1.3% in 2024, respectively.

We believe 2026 could shape up to be an even better year for our distribution operations and we intend to proceed opportunistically yet prudently. Our viewpoint, based on our independent evaluation of the data we read and discussions with our vendors and customers, is that 2026 could be a year of tight supply and longer lead times. The significant capital expenditure taking place worldwide to support the growth of artificial intelligence capability and capacity has led to an insatiable demand for key components to power servers and data centers, impacting the supply of product availability. We made the decision to acquire more inventory than usual during the first half of 2026 in anticipation of continued strong demand and stronger pricing power as client demand outpaces product availability.

This anticipated product cycle and required capital expenditure will impact the timeline of our expansion to other markets as we believe our current use of capital is better suited to acquire inventory to sell to existing customers. We believe that the ability to procure enough inventory for a new operation may be constrained precisely because of the anticipated supply crunch. No value is added attempting to procure products for a new operation seeking to win over customers while exposing our current operation and long-

time customers to product shortages. We prefer the simple choice of avoiding the risk to disappointing our existing customers given the supply uncertainty.

Our growth plans have not changed, and things can change at any time. When and if they do, we will be ready to pounce.

Automation

If you have been following the math so far, you can surmise the disappointing performance of our automation operations in 2025. Total Paragon revenues of \$144 million with \$140 million coming from distribution leaves approximately \$4 million, which belongs to automation. Automation revenues of \$3.7 million in 2025 represent a nearly 50% decline over 2024 revenue. We began 2026 on a positive note, booking approximately \$500,000 in new projects and we enter the year with a backlog of approximately \$3 million. The gestation period for our automation projects is months, so backlog is a very strong indicator of future performance. We are planning for another slow year in 2026, but we are thinking creatively about how to mitigate the impact. Given the length of time to be awarded automation projects it's hard to say with conviction what 2025 revenues would have been, but they likely would have been better, given our disciplined approach to project management. With absolute certainty, however, the bottom line would have been vastly different.

The snapshot below shows SI's performance since 2017, when present management took over operations:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Sales (\$M)	\$8.9	\$8.1	\$7.4	\$10.9	\$6.8	\$9.1	\$7.9	\$7.0	\$3.7
Gross Profit %	32.1%	33.6%	35.9%	40.3%	41.5%	45.7%	42.2%	36.8%	25.3%
Pre-tax Earnings	(\$833k)	\$472k	\$313k	\$2.5M	\$1.1M	\$2.2M	(\$289k)	\$152k	(\$5.2M)

Stepping into SI in 2017 gave us some key insights into SI. The year 2017 was a respectable year in terms of sales and gross profit, which were nearly identical to the comparable figures for 2018. Yet 2018 saw a positive \$1.3 million swing in profitability, going from a loss of \$833,000 in 2017 to a profit of nearly \$500,000 – despite a sales decline of 10 percent. In 2017, SI's organizational chart included four vice presidents who were handling responsibilities that could have been handled by one individual. In addition, the sales process was incurring enormous unnecessary expenses that were adding no value. By simplifying the process and thinking about the business like an owner, we began to streamline operations to match the realistic expectations of the business. Additionally, the past bloated infrastructure was funded by debt, the first time SI borrowed money since going back as far as when I first analyzed the Company in 2007.

Over the next several years, this debt was completely paid off but some very important insights came into view. While SI's products occupy a very valuable niche, there was no reliable market data we could find on A-Frames or Towline automation. So, we believed the prudent conclusion for us was that the market was likely not growing, otherwise one would observe the natural characteristics of a growing market – growing demand, new market entrants, more competition. That wasn't happening as the automation industry was developing different solutions. But a stagnant or even declining market with no new entrants also meant we had an opportunity to be one of the only remaining suppliers of what remains a very useful, albeit niche

product. When faced with such circumstances, we pursued a path of diligence and realization of our limitations to make intelligent capital allocation decisions. Forecasting budgets without reliable market data is ignorance, but that is what had happened at SI: annual sales forecasts equal to double previous year's sales were being put forth without any real hard data to support it. But bigger sales forecasts enable bigger budgets. Most CEO's like to spend money disguised as strategic planning.

So we pivoted. We prepared SI for this uncertainty by letting our backlog guide our future expectations, making measured investments as the business dictated, maintaining a lean operating structure, and creating a performance-based reward system for our associates. We worked towards growth, but allocated SI's capital effectively. Over the years, SI Systems went from unprofitable and leveraged, to a debt-free, cash-generating business that earned a total of \$5.5million in profit before tax from 2018 through 2024, compared to a total loss of \$224,000 over the prior six years.

That cash generation fueled the beginning of Paragon's diversification, starting with the acquisition of SED International de Colombia, at a cost to shareholders of \$4.5 million in 2017. By the end of 2025 SEDC has earned approximately \$18 million in profits, \$14.4 million for Paragon's 80% ownership interest.

Next came the acquisition of \$3.3 million in real estate assets and a \$4 million U.S. Treasury portfolio, again funded with no debt or outside capital. In fact, two of our real estate acquisitions were funded with zero percent debt, a period when interest rates began to increase.

All the above was achieved by a single business that over an eight-year period did not see meaningful growth in revenues, yet remained debt free throughout, and minimal shareholder dilution. All one had to do was understand SI's capabilities and opportunities, avoid overconfidence, understand the limitations of dealing with minimal market data, and be disciplined and patient in allocating the capital.

We are planning for our automation business to face a challenging 2026 in terms of revenue, but we will manage the business with the same discipline we always have. For the first half of 2025, SI's gross margins were approximately 18%, approximately half of our historical margins. Those margins improved meaningfully in the second half of the year leading to a 25% overall gross margin for the year. SI's significant pre-tax loss in 2025 is reflective of the resources depleted and described earlier.

Last year's letter spoke in more detail about SI's business, and I encourage any new shareholders to read it alongside this narrative for a more robust analysis of the business.

Real Estate and Marketable Securities

The following chart lists Paragon's positions in marketable securities, as of April 15, 2025:

<u>Security</u>	<u>Cost Basis</u>	<u>Market Value</u>
Common Stock		
200 sh. Advanced Micro Devices	\$41,765	\$51,624
10 sh. Berkshire Hathaway Cl. B	\$2,765	\$4,741
1,000 sh. Citigroup	\$49,874	\$131,690
800 sh. Chipotle Mexican Grill	\$28,278	\$28,200
800 sh. Fiserv	\$48,337	\$49,032
150 sh. Alphabet	\$26,298	\$50,171
100 sh. Huntington Ingalls Ind.	\$37,400	\$39,318
3,000 Kingstone Co.	\$43,190	\$53,040

3,000 sh. Manchester United PLC	\$50,340	\$53,070
500 sh. Noble Energy	\$15,750	\$23,710
800 sh. Nike	\$34,569	\$36,352
1,000 sh. Occidental Petroleum	\$64,637	\$55,830
1,000 sh. Sirius Satellite Radio	\$22,750	\$24,210
900 sh. Skyline Bancshares	\$17,460	\$19,800
1,500 sh. SilverCorp Metals	\$16,508	\$18,525

Paragon’s current portfolio of equity securities has done well over the past year. The overall size of our portfolio is modest at approximately \$650,000 given the liquidation of securities that occurred during the first quarter of 2025. Overall, we are happy with the businesses we own and believe the portfolio is intelligently diversified but not overdiversified to the point of ignorance. In fact, our portfolio is more concentrated than the number of positions would indicate. For instance, our exposure to energy markets is concentrated in both Occidental and Noble Energy – both positions benefit from an increase in energy prices. Our interest in Noble, however, stems from a decades long down cycle for offshore drilling companies due to excessive leverage to build very expensive deepwater drilling rigs. Today, this situation has led to drillers trading at a fraction of replacement cost – in the case of Noble, a valuation of 22% of the replacement cost of the most modern and advanced fleet in the industry. Our cost basis in Noble reflects a valuation of less than 20 times depressed earnings, an effective yield of 6% on our purchase price, and management that is returning cash to shareholders via buybacks.

Our current real estate holdings consist of two residential properties in the luxury Waldorf Astoria in Las Vegas. As stated from the beginning our intention is to lease these properties or monetize them when appropriate to do so. Luxury assets hold unique characteristics, the key characteristic being resilient during down market cycles. We like the stability they provide, the steady capital appreciation over time, and their marketability as a luxury product.

As many shareholders know, our real estate strategy has always been straightforward: acquiring quality assets at prices below comparable values on a per-square-foot basis. We took advantage when opportunities met that standard, particularly when they could be financed at zero percent interest for three years, an attractive setup when you are confident in the underlying asset, as we were.

Luxury real estate, when approached with the same discipline as any asset acquisition, is a compelling asset class separate from general real estate ownership. Our approach was simple: generate satisfactory cash flow while we owned the assets and monetize them when more attractive opportunities emerged.

Last year, however, two real estate assets were sold for a little over a million dollars, a value I believed was well below their marketable price. More so, the sale process was very sloppy and rushed, leading to significantly higher transaction costs than necessary. A little over a year later, those units are being marked and transacted for approximately \$1.3 million or more each. Worse, the sales proceeds were not allocated in a way that enhanced shareholder value.

A small piece of advice: anytime you hear company managements talk of traditional strategic planning that involves spending lots of money, run quickly in the other direction. Such talk is often representative of a complete lack of basic understanding in favor of complex, “strategic” moves motivated not by real strategic

value but instead by the desire to emulate others. There is a reason the principles outlined earlier are enduring. Onward.

Paragon's Perspective on Corporate Governance

Corporate governance is often defined by structure—separating roles, forming committees, and adhering to prescribed best practices. Certainly, the intent and purpose of this defined framework of governance is laudable with the best intentions, but in our opinion, that view alone misses the most important attribute. Proper corporate stewardship is not a function of organizational design; it is a function of behavior. Companies are well-governed when leadership is grounded in integrity, sound judgment, and genuine alignment with shareholders. At Paragon, we start and end with this principle.

Last year, a proposal was submitted that separated the role of Chairman and Chief Executive Officer. That proposal reflected the Company's unique circumstances at the time, particularly a Board composition that was relatively new, had limited institutional experience with the Company, and lower aggregate equity ownership. Paragon today is no longer governed by those prior circumstances. Paragon has always espoused decentralization and avoided bureaucracy – a company's leadership structure should remain responsive to a company's position as it develops.

This year, a proposal has been put to shareholders seeking approval to recombine the roles of Chairman and CEO. Paragon is executing a long-term strategy to evolve into a diversified holding company, a strategy that demands accountability, shareholder alignment, consistent decision-making, and a long-term focus. And in that spirit of *proper* governance, it is appropriate that only shareholders determine the leadership structure they believe best supports the Company's long-term objectives and is therefore submitting this proposal for consideration.

We recognize the benefit that both a combined or separate Chair and Chief Executive Officer structures offer, and each may be appropriate depending on the company's needs. Proper governance does not depend on titles; it depends on accountability, judgment, and ownership mindset. Organizational charts do not protect shareholders—integrity does.

For over a decade Paragon has successfully operated in the best interest of stockholders. Unified leadership, when paired with judgment and integrity, produces clearer accountability and better alignment with long-term owners. Paragon's Board remains fully engaged, with oversight and guidance, ensuring diligence and careful consideration of all key decisions. In the coming months, Paragon will be updating its website to include relevant corporate governance documents that outline our guiding principles.

Paragon has deliberately endeavored to create a culture defined by transparency, simplicity, and accountability. That culture—combined with direct shareholder alignment through an approximately 30% equity ownership (almost entirely acquired in the open market)—has produced long-term shareholder value and, just as importantly, a durable base of investor confidence.

Even so, we believe the underlying shareholder base and the culture that built Paragon remain intact. Our long-tenured shareholders have, including those who chose a different direction for Paragon, remained remarkably stable through this period—an outcome that speaks volumes for itself. As Benjamin Graham

observed, “In the short run, the market is a voting machine, but in the long run it is a weighing machine.” Time has a way of clarifying what matters and what does not.

Our view is simple: alignment and confidence are essential to owning any business, including Paragon. If a shareholder does not believe in the stewardship of a company, then ownership of any kind in that business is difficult to justify. That is not only a statement specific to Paragon, but a general principle we think applies universally.

Nothing enduring is built without conviction. I am grateful to work alongside strong operators and directors, and we value the trust shareholders have placed in us as stewards of their capital. Protecting and compounding that capital remains our primary obligation, and we approach it with that responsibility firmly in mind.

The Annual Meeting

The 2026 annual meeting of shareholders will take place on **Wednesday, June 3, 2026, at 10am EST** at the offices of our corporate counsel at following location:

Greenburg Traurig, One Vanderbilt Ave, New York City 10017

Location: Rosen Boardroom, 29th Floor.

Long-time shareholders know that our annual meetings have historically been held in person, except for a brief period following the pandemic. While many companies have chosen to maintain a virtual format, we have returned to in-person meetings.

We value the opportunity for direct, candid interaction with our shareholders that a once-in-a-year meeting provides. A substantial portion of our meeting is devoted to Q&A, which we believe is most effective face-to-face. Over the years, we’ve seen shareholders engage in many ways—asking questions, advocating for their views, and sharing insights. We recognize that no single format will perfectly suit every shareholder; our goal is simply to provide a forum where those who wish to engage in person can do so.

As we have often said, if a shareholder were “asleep under a rock” for a year and read only this letter, they would come away with a clear and candid understanding of Paragon. For those who cannot attend the annual meeting in person, we hope this letter provides the same comprehensive overview, while the meeting allows us to interact directly with shareholders who choose to attend.

Recognizing the geographic diversity of our shareholder base, we will also hold an informal Q&A session on the west coast in Las Vegas on Wednesday, June 17th, 2026, at 2pm PST. Shareholders interested in attending should contact the Company (see below). We will determine location once we have an idea of attendance and notify those individuals. This date is the same week as various investment conferences being held in Las Vegas as well, in the event this makes for easier planning.

Those who plan to attend our annual meeting or the informal Q&A on June 17 will need to contact the company at ir@pgntgroup.com and confirm your shareholder status. We should be able to confirm your status with your name, however a screenshot of a statement verifying your Paragon ownership as of the record date, April 24, 2026, might be easier.

As always, we will devote the bulk of the meeting to shareholder Q&A. We highly encourage all shareholders to attend as this will provide the best forum to communicate with management. We hope to see as many of you as we can. I truly enjoy talking about Paragon with shareholders and look forward to speaking with all those who can attend.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sham L".

Hesham "Sham" Gad,
Chief Executive Officer
April 30, 2026