DIRECTIONS

***to***

# Pepper Hamilton LLP

**400 Berwyn Park**
**899 Cassatt Road**
**Suite 300**
**Berwyn, PA 19312**
**610-640-7800 (Phone) • 610-640-7835 (Fax)**

The entrance to the parking lot for 400 Berwyn Park is on Cassatt Road, just off of Route 252. Pepper Hamilton's office is on the third floor.

**From Lancaster Pike (Route 30)**

At the intersection of Routes 30 and 252 in Paoli, go North on Route 252. At the fourth light (Cassatt Road) turn right. Take immediate left into parking lot.

**From Philadelphia and Points East**

Take I-76 (Schuylkill Expressway) West. As you approach the Valley Forge/King of Prussia area, which is the end of the Expressway, take Exit 328/Route 202 South. Follow directions from Route 202 South, below.

**From Route 202 South (From Points North)**

Travel on Route 202 South past exit for Devon/Route 252 North. Exit at Paoli/Route 252 South. Get in left lane. Go to first traffic light and turn left onto Cassatt Road. Take immediate left into parking lot.

**From Pennsylvania Turnpike**

Take Pennsylvania Turnpike to Exit 326/Valley Forge. Take Route 202 South. Follow directions from Route 202 South, above.

**From I-476 (Blue Route) North**

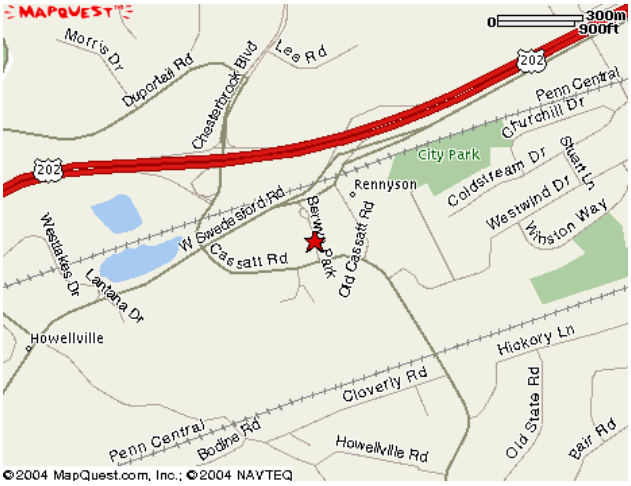
Take I-476 (Blue Route) North to Exit 16-B/I-76 (Schuylkill Expressway) West. Follow directions from Philadelphia and Points East, above.

**From Route 202 North (From Points South)**

Follow Route 202 North. Take Chesterbrook Boulevard exit. At the end of the ramp, turn right onto Chesterbrook Boulevard. Continue through traffic light (crossing Route 252) onto Cassatt Road. Take immediate left into parking lot.

**From Route 422 (Oaks)**

Take Route 422 East to Route 202 South (West Chester exit). Follow directions from Route 202 South, above.



# LETTER TO STOCKHOLDERS

Dear Stockholders:

Although general and market-specific economic conditions deteriorated in 2008 causing our financial results to fall below our expectations, we have maintained a very strong balance sheet, with a strong cash position and no long-term debt while making significant stock repurchases.

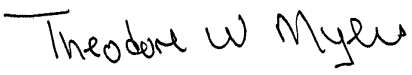
Despite the tough economy, our pre-tax profits for 2008 were approximately breakeven, excluding employee severance costs and the write-off of an uncollectible receivable.

The year 2009 is certainly an economic struggle, and we have adjusted our operations accordingly through personnel reductions, across-the-board salary and fringe benefit reductions, and furloughs. The actions that we have recently taken play an important role on our financial results as we continue to make careful investments in product development.

Although the timing of a full market recovery is uncertain, we expect that an improving economy will eventually cause a resurgence in orders as we remain very focused on the material handling needs of our customers.

We feel that we have the technology, the employees, the capacity, and the capability to respond rapidly to improving economic conditions. We believe that our talented people and technologies will enable us to weather the challenging markets and the difficult economic times.

Sincerely,



Theodore W. Myers
Chairman of the Board

Leonard S. Yurkovic
Acting CEO

# FINANCIAL HIGHLIGHTS

| *(Dollars in thousands, except share and per share data)* | Fiscal Year Ended 12/31/08 | 12/31/07 | 12/31/06 | 12/31/05 | 12/31/04 |
|---|---|---|---|---|---|
| **Statement of Operations:** | | | | | |
| Net sales | $ 16,700 | 21,448 | 17,788 | 16,676 | 11,702 |
| Operating income (loss) | $ (573) | (561) | (239) | (172) | (449) |
| Operating margin | -3.4% | -2.6% | -1.3% | -1.0% | -3.8% |
| Income (loss) from continuing operations before income taxes | $ (234) | (92) | 449 | 301 | (271) |
| Interest expense | $ 1 | 1 | 1 | 1 | 4 |
| EBIT from continuing operations | $ (233) | (91) | 450 | 302 | (267) |
| Depreciation expense | $ 129 | 109 | 104 | 90 | 104 |
| EBITDA from continuing operations | $ (104) | 18 | 554 | 392 | (163) |
| Income (loss) from continuing operations | $ (687) | 341 | 468 | 208 | (165) |
| Income (loss) from discontinued operations, net of income taxes | $ - | - | - | 990 | 1,638 |
| Net income (loss) | $ (687) | 341 | 468 | 1,198 | 1,473 |
| Basic earnings (loss) per share: | | | | | |
| Income (loss) from continuing operations | $ (0.28) | 0.12 | 0.14 | 0.05 | (0.04) |
| Income from discontinued operations | $ - | - | - | 0.24 | 0.38 |
| Net income (loss) | $ (0.28) | 0.12 | 0.14 | 0.29 | 0.34 |
| Diluted earnings (loss) per share: | | | | | |
| Income (loss) from continuing operations | $ (0.28) | 0.12 | 0.14 | 0.05 | (0.04) |
| Income from discontinued operations | $ - | - | - | 0.24 | 0.38 |
| Net income (loss) | $ (0.28) | 0.12 | 0.14 | 0.29 | 0.34 |
| **Balance Sheet:** | | | | | |
| Current assets | $ 10,331 | 17,842 | 16,370 | 22,134 | 14,249 |
| Current liabilities | $ 3,356 | 5,802 | 4,296 | 5,337 | 7,355 |
| Working capital | $ 6,975 | 12,040 | 12,074 | 16,797 | 6,894 |
| Current ratio | 3.08 | 3.08 | 3.81 | 4.15 | 1.94 |
| Total assets | $ 10,618 | 18,316 | 16,752 | 22,596 | 33,424 |
| Total long-term debt | $ - | - | - | - | - |
| Total stockholders' equity | $ 7,005 | 12,253 | 12,428 | 17,066 | 23,308 |
| Total capitalization | $ 7,005 | 12,253 | 12,428 | 17,066 | 23,308 |
| Average return on equity | -7.1% | 2.8% | 3.2% | 5.9% | 6.5% |
| Average return on investment | -7.1% | 2.8% | 3.2% | 5.9% | 6.5% |
| **Other Information:** | | | | | |
| Book value per share | $ 3.92 | 4.42 | 4.32 | 4.82 | 5.46 |
| Shares of common stock outstanding | 1,786,229 | 2,769,192 | 2,873,891 | 3,539,019 | 4,265,310 |
| Basic - weighted average shares outstanding | 2,466,378 | 2,791,945 | 3,307,382 | 4,073,252 | 4,278,065 |
| Diluted - weighted average shares outstanding | 2,466,378 | 2,791,945 | 3,311,755 | 4,118,594 | 4,350,297 |
| Orders | $ 13,712 | 23,450 | 16,802 | 18,080 | 13,164 |
| Backlog of orders | $ 4,946 | 7,934 | 5,932 | 6,918 | 5,514 |

**PARAGON TECHNOLOGIES, INC.**
**600 Kuebler Road, Easton, Pennsylvania 18040**
**Telephone (610) 252-3205**

# NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 16, 2009

The Annual Meeting of Stockholders of Paragon Technologies, Inc., a Delaware corporation (the "Company"), will be held at Pepper Hamilton LLP, 400 Berwyn Park, 899 Cassatt Road, Suite 300, Berwyn, PA 19312 on December 16, 2009, at 11:00 a.m., local time, for the following purposes:

1. To elect four directors to the Board of Directors; and

2. To transact such other business as may properly come before the meeting or at any adjournments thereof.

Only stockholders of record as of the close of business on November 5, 2009 will be entitled to notice of the Annual Meeting and to vote at the Annual Meeting and any adjournments thereof. A list of stockholders of the Company entitled to vote at the meeting will be available for inspection by a stockholder at the Annual Meeting and during normal business hours at the Company's corporate offices during the ten-day period immediately prior to the Annual Meeting.

IF YOU DO NOT EXPECT TO ATTEND THE MEETING IN PERSON, PLEASE SIGN AND DATE THE ACCOMPANYING PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE PAID ENVELOPE.

November 11, 2009
Easton, Pennsylvania

RONALD J. SEMANICK
Secretary

**PARAGON TECHNOLOGIES, INC.**
**600 Kuebler Road, Easton, Pennsylvania 18040**

# ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 16, 2009

This Proxy Statement and the accompanying form of proxy are being mailed on or about November 11, 2009 to the stockholders of Paragon Technologies, Inc. (the "Company"). They are being furnished in connection with the solicitation by the Board of Directors of proxies to be voted at the 2009 Annual Meeting of Stockholders to be held at Pepper Hamilton LLP, 400 Berwyn Park, 899 Cassatt Road, Suite 300, Berwyn, PA 19312 on December 16, 2009, 11:00 a.m., local time, and at any adjournments thereof. The cost of such solicitation will be borne by the Company.

Only the holders of record of the outstanding shares of common stock of the Company on November 5, 2009 will be entitled to vote at the Annual Meeting. A stockholder giving a proxy may revoke it at any time by giving written notice of such revocation to the Secretary of the Company before it is exercised. A proxy may also be revoked by executing a later proxy or by attending the Annual Meeting and voting in person, provided written notice of such actions are given to the Corporate Secretary of the Company before the proxy is exercised.

At the close of business as of the above record date, there were outstanding and entitled to vote 1,571,810 shares of the Company's common stock. Each holder of shares entitled to vote has the right to one vote for each share standing in the holder's name on the books of the Company.

The shares represented by each properly executed proxy will be voted in the manner specified by the stockholder. If instructions are not given, the shares will be voted by the persons named in the accompanying proxy for the election of directors as specified below, and in their discretion on any other matters properly coming before the meeting.

Under Delaware law and the Company's Bylaws, the presence, in person or by proxy, of stockholders entitled to cast at least a majority of the votes that all stockholders are entitled to cast will constitute a quorum for the purposes of the Annual Meeting. Abstentions and broker non-votes will be treated as present for purposes of determining the presence of a quorum. Directors are elected by a plurality of the votes cast at the meeting. Accordingly, directions to withhold authority, abstentions, and broker non-votes will have no effect on the outcome of the vote for the election of directors.

November 11, 2009

## ELECTION OF DIRECTORS

At the meeting, four nominees will stand for election as directors of the Company to hold office for a period of one year or until their successors have been elected and qualified.

If the enclosed proxy is duly executed and received in time for the meeting, the persons named therein will vote the shares represented thereby for the four persons nominated for election as directors unless authority is withheld.

If any nominee should refuse or be unable to serve, the proxy will be voted for such other person as shall be designated by the Board of Directors. Management has no knowledge that any of the nominees will refuse or be unable to serve.

Information concerning the nominees for election as directors is set forth below:

| Name, Other Positions or Offices With The Company and Principal Occupation for Past Five Years | Director Since | Age |
|---|---|---|
| Ronald J. Izewski | 2008 | 52 |
| Ronald J. Izewski currently serves as the Senior Vice President ("SVP") and Chief Financial Officer ("CFO") of Just Born, Inc., a privately owned confectionery manufacturer of jellybeans, marshmallows, and other candy products. Mr. Izewski joined Just Born in 1995 as Vice President of the Finance Division, assumed the role of CFO in 2002, and was promoted to SVP/CFO in 2007. From 1984 to 1995, Mr. Izewski held several financial leadership positions, including Vice President and General Manager of the Donruss Trading Cards Division, at the Leaf Candy Company. From 1978 to 1984, Mr. Izewski was an Audit Supervisor in the Chicago, Illinois office of Coopers & Lybrand, a public accounting firm. | | |
| Theodore W. Myers | 2002 | 66 |
| Theodore W. Myers is the Chairman of the Board of the Company, a position he has held since June 2002. Mr. Myers retired from Tucker Anthony Sutro, an investment banking firm, where he was First Vice President and Branch Manager of the Phillipsburg, New Jersey satellite office, where he served from 1991 to 2000. | | |
| Robert J. Schwartz | 2008 | 71 |
| Robert J. Schwartz is the founder and President of Land Equity Inc., a real estate firm located in Lebanon, New Jersey. For over 30 years, Land Equity Inc. has specialized in commercial and industrial land sales. Mr. Schwartz began his career in real estate in 1967 and has established his company in key markets of Massachusetts, New Jersey, Pennsylvania, and Maryland. | | |

| Name, Other Positions or Offices With The Company and Principal Occupation for Past Five Years | Director Since | Age |
|---|---|---|
| Leonard S. Yurkovic ..... | 2002 | 71 |

Leonard S. Yurkovic returned to the Company as Acting CEO on March 1, 2007. Mr. Yurkovic started with the Company in 1979 as Vice President – Finance. Throughout the 1980s, Mr. Yurkovic was appointed to several executive-level positions at the Company, having been named President and Chief Operating Officer in 1985, Managing Director of European Operations in 1987, and then President and CEO in 1988. Mr. Yurkovic initially retired from the Company as CEO and a member of the Board of Directors in 1999. Mr. Yurkovic returned to the Company as President and CEO in October 2003 and retired from the Company as President and CEO on December 31, 2005.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE FOUR NOMINEES AS DIRECTORS OF THE COMPANY.**

## 2010 STOCKHOLDER PROPOSALS

Appropriate stockholder proposals and nominations of directors which are intended to be presented at the 2010 Annual Stockholders' Meeting must be received by the Company no later than July 15, 2010, in order to be included in the 2010 proxy materials.

With respect to stockholder proposals and nominations of directors not included in the Company's proxy statement, the stockholder must give advance notice to the Company prior to the deadline for such meeting determined in accordance with the Bylaws (the "Bylaw Deadline"). Under the Company's Bylaws, in order to be deemed properly presented, notice must be delivered to the Secretary of the Company at the principal executive offices of the Company no less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's Annual Meeting. If the date of next year's Annual Meeting is earlier than October 13, 2010 or later than December 31, 2010, however, your written notice of intent must be delivered between the 120th day before next year's Annual Meeting and the later of the 90th day before next year's Annual Meeting, or the 10th day after the Company's first public announcement of next year's Annual Meeting date. The stockholder's notice must set forth the information required by the Bylaws.

If the Board of Directors decides to propose, for next year's Annual Meeting, an increase in the number of directors, the advance notice requirements will differ from those described above solely with respect to nominations of individuals for the new position(s) created by the increase if we fail to make a timely public announcement of the proposal. The Company's public announcement must be made as described in the Company's Bylaws. To be considered timely, the Company's first public announcement of such a proposal must be made at least 70 days prior to the first anniversary of the preceding year's Annual Meeting. If the Company fails to meet the applicable deadline for making a timely public announcement and you would like to nominate individuals for the new position(s) created by the increase, you must deliver your written notice of intent by no later than the 10th day after the Company's first public announcement. Your written notice of intent may nominate individuals only for new position(s) created by the increase, and must contain the information required by the Bylaws.

The Company may utilize discretionary authority conferred by proxy voting on any proposals not included in the Company's proxy if the stockholder does not give the Company notice of such matter by September 28, 2010. Proxy proposals are to be sent to the attention of Corporate Secretary, Paragon Technologies, Inc., 600 Kuebler Road, Easton, PA 18040.