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PARAGON TECHNOLOGIES INC
Form DEF 14A
May 18, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to 17 CFR 240.14a-12

Paragon Technologies, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement,
if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and O-11.

- 1) Title of each class of securities to which transaction applies: _____
- 2) Aggregate number of securities to which transaction applies: _____
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule O-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): _____
- 4) Proposed maximum aggregate value of transaction: _____
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1) Amount Previously Paid:

2) Form Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

[GRAPHIC OMITTED]

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Paragon Technologies, Inc., a Delaware corporation (the "Company"), will be held at the Hilton Grand Rapids Airport, 4747 28th Street SE, Grand Rapids, MI 49512-1915 on Wednesday, June 23, 2004, at 9:30 a.m., local time, for the following purposes:

1. To elect five 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 April 26, 2004 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.

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May 14, 2004
Easton, Pennsylvania

RONALD J. SEMANICK
Secretary

[GRAPHIC OMITTED]

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

PROXY STATEMENT

This Proxy Statement and the accompanying form of proxy are being mailed on or about May 14, 2004 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 2004 Annual Meeting of Stockholders to be held at the Hilton Grand Rapids Airport, 4747 28th Street SE, Grand Rapids, MI 49512-1915 on Wednesday, June 23, 2004, 9:30 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 April 26, 2004 will be entitled to vote at the 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 meeting and voting in person, provided written notice of such actions are given to the 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 4,277,595 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.

May 14, 2004

QUESTIONS AND ANSWERS
ABOUT THE ANNUAL MEETING

Why am I receiving this proxy statement and proxy card?

You are receiving a proxy statement and proxy card because you own shares of our common stock. This proxy statement and proxy card relates to the Company's 2004 Annual Meeting of Stockholders to be held on June 23, 2004 and at any adjournment of that meeting. This proxy statement describes the matters on which we would like you, as a stockholder, to vote. It also gives you information on these matters so that you can make an informed decision.

What am I voting on?

You are voting for the election of five members of the Board of Directors.

Who is entitled to vote?

Holders of shares of common stock outstanding on the Company's books at the close of business on April 26, 2004, the record date for the Annual Meeting, may vote. There were 4,277,595 shares of common stock outstanding at that time.

How many votes do I have?

Each of your shares is entitled to one vote.

What vote is required to elect directors?

The Board of Directors are elected by a plurality of votes, which means that the five directors receiving the highest number of votes will serve as members of the Board of Directors until their successors have been elected and qualified.

How do I vote?

After carefully reading and considering the information contained in this proxy statement, you may cast your vote in one of the following ways:

o by completing the accompanying proxy card and returning it in the enclosed envelope; or o by appearing and voting in person at the Annual Meeting.

If your shares are held in "street name," which means that your shares are held in the name of a bank, broker, or other financial institution instead of in your own name, you must either direct the financial institution as to how to vote your shares or obtain a proxy from the financial institution to vote at the Annual Meeting.

What if I don't indicate my voting choices?

If the Company receives your proxy in time to permit its use at the Annual Meeting, your shares will be voted in accordance with the instructions you indicate. If you have not indicated otherwise, your shares will be voted as recommended by Paragon's Board of Directors. More particularly, your shares will be voted FOR the election of the director nominees.

How does discretionary voting apply?

The Company is not aware of any matter not described in this proxy statement that will be presented for consideration at the Annual Meeting. If another matter is properly presented, your shares will be voted on the matter in accordance with the judgment of the person or persons voting the proxy.

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QUESTIONS AND ANSWERS
ABOUT THE ANNUAL MEETING
(Continued)

May I change my vote?

After mailing in your proxy, you may change your vote by following any of these procedures. If you are a shareholder "of record," meaning that the shares you own are registered in your name as of April 26, 2004, then to revoke your proxy, you must do one of the following before the vote is taken at the Annual Meeting:

- o send written notice revoking your proxy to the Company's Secretary at Paragon Technologies, Inc., 600 Kuebler Road, Easton, PA 18040; or
- o sign and return a proxy with a later date.

If you are not a holder of record but you are a "beneficial holder," meaning that your shares are registered in another name (for example, in "street name"), you must follow the procedures required by the holder of record, which is usually a brokerage firm, bank, or other financial institution, to revoke a proxy. You should contact the holder of record directly for more information on these procedures. In any event, you may not change your vote or revoke your proxy after the vote is taken at the Annual Meeting.

How do I vote in person?

If you plan to attend the Annual Meeting and wish to vote in person, we will give you a ballot when you arrive. If your shares are held in "street name," you must bring a letter from the brokerage firm or bank showing that you were the beneficial owner of the shares on April 26, 2004, the record date for determining which of our stockholders are entitled to notice of, and to vote at, the Annual Meeting, in order to vote at the Annual Meeting. In addition, if you want to vote your shares that are held in street name, you must obtain a "legal proxy" from the holder of record and present it at the Annual Meeting.

What does it mean if I receive more than one set of proxy materials?

Receiving multiple sets of proxy-soliciting materials generally means that your shares are registered in different ways or are in more than one account. Please respond to all of the proxy requests to ensure that all your shares are voted.

What constitutes a quorum at the Annual Meeting?

A majority of the outstanding shares entitled to vote on a matter, whether present in person or by proxy, constitutes a quorum for consideration of that matter at the Annual Meeting. A quorum is necessary for valid action to be taken on the matter. Your shares will be present by proxy and count towards the quorum if you give us your proxy by signing, dating, and returning a proxy form.

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Who pays the costs of soliciting proxies?

The Company will pay all the costs of soliciting management proxies. Brokerage firms, custodians, nominees, fiduciaries, and other intermediaries are being asked to forward the proxy-soliciting materials to beneficial owners of the Company's common stock and to obtain their authority to give proxies. The Company will reimburse these intermediaries for their reasonable expenses.

In addition to mailing proxy-soliciting materials, the Company's directors, officers, and regular employees may solicit proxies personally, by telephone, or by other means. They will not receive additional compensation for these services, other than normal overtime pay, if applicable. Representatives of the Company's transfer agent may also solicit proxies.

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SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information as of April 26, 2004 (unless otherwise noted) regarding the ownership of common stock (i) by each person known by the Company to be the beneficial owner of more than five percent of the outstanding common stock, (ii) by each director or nominee for election as a director of the Company, (iii) by the executive officers of the Company named in the Summary Compensation Table (included elsewhere in this Proxy Statement), and (iv) by all current executive officers and directors of the Company as a group. Unless otherwise stated, the beneficial owners exercise sole voting and/or investment power over their shares.

Beneficial Owner	Number of Shares Beneficially Owned	Right to Acquire Under Options Exercisable Within 60 Days	Percentage of Class (1)
Emerald Advisers, Inc. (2)..... 1703 Oregon Pike Suite 101 Lancaster, PA 17601	1,199,510	-	28.04%
L. Jack Bradt (3)..... P.O. Box 208 Bethlehem, PA 18016	312,324	7,500	7.46%
Leon C. Kirschner.....	180,387	81,250	6.00%
Theodore W. Myers (4).....	26,200	5,000	*
Anthony W. Schweiger	30,000	5,000	*
Steven Shulman.....	169,109	7,500	4.12%
Leonard S. Yurkovic.....	58,000	5,000	1.47%
Ronald J. Semanick.....	5,078	20,672	*
Gordon A. Hellberg.....	1,520	21,750	*
All current directors and executive officers as a group (8 persons) (3) (4).....	782,618	153,672	21.13%

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ELECTION OF DIRECTORS

At the meeting, five 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 five 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
L. Jack Bradt..... L. Jack Bradt was the founder in 1958 and for 30 years President and CEO of SI Handling Systems, Inc., renamed Paragon Technologies, Inc. shortly after the Company acquired Ermanco Incorporated. Mr. Bradt has continued as a director of the Company since its inception. He is active as a director in a number of local, state, and national organizations involved in business, education, human services, and government.	1958	76
Theodore W. Myers..... Theodore W. Myers is the Chairman of the Board of the Company 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.	2002	60
Anthony W. Schweiger..... Anthony W. Schweiger is President and CEO of The Tomorrow Group, LLC, a governance and management consultancy. He is also a principal of e-brilliance, LLC, a software and IT education consultancy. Mr. Schweiger's business experience includes governance oversight, capital market management, risk management, technology, and strategic planning. Since 1992, he has been a director and Governance Chair of Radian Group Inc., a NYSE traded global provider of credit enhancement products. He also serves on Radian's Audit and Executive Committees. He has also been an investor and director of Input Technologies, LLC, a supplier of human-to-machine interface products and services since February 1998. In his capacity as a consultant, Mr. Schweiger advises various service and technology businesses on governance, operational, and strategic issues.	2001	62

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Name, Other Positions or Offices With The Company and Principal Occupation for Past Five Years	Director Since	Age
<p>Steven Shulman.....</p> <p>Steven Shulman has been an investment banker since 1984 through his wholly-owned company, The Hampton Group. Currently, Mr. Shulman is a shareholder and director in a diversified group of companies, including Transportation Technologies, Inc., TNP Enterprises, Inc., Terrace Food Group, Inc., PlasmaSol Corp., C3i Inc., Beacon Capital Partners, Inc., and Ark Restaurants Corp. In addition, he serves as Chairman of Terrace Food Group, Inc. Mr. Shulman serves as Vice Chairman of the Board of Stevens Institute of Technology. Mr. Shulman was also a director of Ermanco Incorporated at the time of its acquisition by the Company on September 30, 1999.</p>	1999	63
<p>Leonard S. Yurkovic.....</p> <p>Leonard S. Yurkovic returned to the Company as President and CEO in October 2003 and is also the Vice Chairman of the Board of the Company. 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 Chief Executive Officer in 1988. Mr. Yurkovic originally retired from the Company as CEO and a member of the Board of Directors in 1999.</p>	2002	66

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

ADDITIONAL INFORMATION CONCERNING CERTAIN DIRECTORS AND COMMITTEES

The Board of Directors performs certain of its functions through committees. Set forth below is description of the functions of those committees and the members of the Board serving on such committees.

There are four standing committees of the Board of Directors: the Audit Committee, the Compensation Committee, and the recently formed Committee on Strategic Alternatives and the Nominating Committee.

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Audit Committee

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to any governmental body or the public, the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board of Directors have established, and the Company's accounting and financial reporting processes generally. Consistent with this function, the Audit Committee encourages continuous improvement of, and fosters adherence to the Company's policies, procedures, and practices at all levels. The Audit Committee's primary duties and responsibilities are to serve as an independent and objective party to monitor the Company's financial reporting process and internal control system, review and appraise the audit efforts of the Company's independent auditors, and provide an open avenue of communication among the independent auditors, financial and senior management, and the Board of Directors. The Audit Committee approves the engagement of the independent auditors and also approves the scope of the annual audit and any non-audit services provided by such independent auditors. It reviews with the auditors the results of the review of the quarterly financial statements, the annual audit, and the year-end financial statements.

During the fiscal year ended December 31, 2003, the Audit Committee was comprised of Mr. Bradt, Mr. Schweiger, Mr. Hallenbeck, and Mr. Yurkovic (until his appointment as President and CEO of the Company in October 2003). Mr. Hallenbeck served on the Audit Committee until his resignation in March 2004, at which time Mr. Myers became a member of the Audit Committee. The current members of the Audit Committee are Mr. Schweiger, Chairman, and Messrs. Bradt and Myers. Members of the Audit Committee are considered independent within the meaning of the rules of the American Stock Exchange and the Securities and Exchange Commission; however, the Board of Directors has determined that the Audit Committee does not currently have a member who qualifies as an "audit committee financial expert" as defined in regulations of the Securities and Exchange Commission under the Sarbanes-Oxley Act of 2002. Although no one member of the Audit Committee appears to meet all of the requirements of the definition of "audit committee financial expert," the Board of Directors believes that the members of the Audit Committee collectively possess the required attributes concerning the understanding of accounting principles generally accepted in the United States and financial statements, the application of such principles in connection with accounting for estimates, accruals and reserves, the understanding of internal control over financial reporting and the understanding of Audit Committee functions. Currently, the only Board member that would qualify as a financial expert is Mr. Yurkovic; however, with the appointment of Mr. Yurkovic as President and CEO of the Company in October 2003, Mr. Yurkovic was no longer considered independent and thereby resigned his position on the Audit Committee. Alternatively, the Board of Directors believes that Mr. Schweiger possesses the required attributes to qualify as financially sophisticated within the meaning of the rules of the American Stock Exchange.

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Compensation Committee

The Compensation Committee has adopted a formal written Charter that has been approved by the Board. The Charter specifies the scope of the Compensation Committee's responsibilities and procedures for carrying out such responsibilities. A copy of the Charter is attached as Appendix A to this Proxy Statement. The Compensation Committee reviews and recommends to the Board of

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Directors matters with respect to the remuneration arrangements for officers and directors of the Company including salaries and other direct compensation and incentive stock option awards. During the fiscal year ended December 31, 2003, the Compensation Committee was comprised of Mr. Shulman, Mr. Bradt, and Mr. Hallenbeck. Mr. Hallenbeck served on the Compensation Committee until his resignation in March 2004, at which time Mr. Schweiger became a member of the Compensation Committee. While Mr. Shulman receives additional compensation from the Company as the result of his affiliation in a limited liability corporation that leases the Spring Lake, Michigan facility to the Company, the Board of Directors believes that Mr. Shulman's financial insight and expertise makes him an invaluable member of the Compensation Committee. The Board of Directors has determined that it is in the best interests of the Company and its stockholders to have Mr. Shulman serve as Chairman of the Compensation Committee and be considered independent for an interim period not to exceed two years from this Annual Meeting of Stockholders. The current members of the Compensation Committee are Mr. Shulman, Chairman, and Messrs. Bradt and Schweiger.

Finance Committee and Committee on Strategic Alternatives

In October 2003, the Board of Directors established the Committee on Strategic Alternatives. The Committee on Strategic Alternatives' responsibilities include, but are not limited to such matters as assessing alternate uses of capital and studying strategic alternatives to enhance shareholder value. The members of the Committee on Strategic Alternatives are Mr. Myers, Chairman, and Messrs. Bradt and Shulman.

Shortly after the repayment of the Company's outstanding senior and subordinated debt, the Board of Directors disbanded the Finance Committee of the Board in October 2003. The Finance Committee's responsibilities included reviewing the performance of the Company's principal bank, assessing alternate funding arrangements as well as management's efforts to strengthen the Company's financial position, and, recommending the selection and reviewing the performance of the Company's investment banking firm. The Board of Directors decided that given its current size and composition, and the elimination of the Company's outstanding senior and subordinated debt, a separate Finance Committee was no longer appropriate. Rather, the entire Board would work together to provide an ongoing review of the performance of the Company's principal bank, assessing alternate funding arrangements as well as management's efforts to strengthen the Company's financial position, and, recommending the selection of an investment banking firm. The members of the Finance Committee during the year ended December 31, 2003 were Mr. Shulman, Chairman, and Messrs. Myers, Schweiger, and Yurkovic.

Nominating Committee

In March 2004, the Board of Directors established the Nominating Committee. The Nominating Committee has adopted a formal written Charter that has been approved by the Board. The Charter specifies the scope of the Nominating Committee's responsibilities and procedures for carrying out such responsibilities. A copy of the Charter is available on the Company's website, www.ptgamex.com, and is also attached as Appendix B to this Proxy Statement. The Committee members are Mr. Myers, Chairman, Mr. Bradt, and Mr. Schweiger, each of whom is independent, as that term is defined in the listing standards of the American Stock Exchange.

Prior to the formation of the Nominating Committee in March 2004, the full Board of Directors performed the functions of a nominating committee with responsibility for considering appropriate candidates for election as directors.

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The Nominating Committee functions include establishing the criteria for recommending candidates to the Board for nomination; actively seeking candidates who meet those criteria; and making recommendations to the Board of nominees to fill vacancies on, or as additions to, the Board.

The Nominating Committee has not established specific, minimum qualification standards for nominees to the Board. From time to time, the Nominating Committee may identify certain skills or attributes (e.g., material handling industry experience, technology/ information/data systems experience, financial experience) as being particularly desirable for specific director nominees.

In the case of potential independent director candidates, such eligibility criteria shall be in accordance with Securities and Exchange Commission and American Stock Exchange rules.

The Nominating Committee will conduct an annual assessment of the composition of the Board and its committees and review with the Board the appropriate skills and characteristics required of Board members. The Nominating Committee does not expect to rely upon third-party search firms to identify Board candidates. Instead, it expects to rely upon recommendations from a wide variety of its business contacts, including current executive officers, directors, community leaders, and stockholders as a source for potential board candidates.

The Nominating Committee has sole authority to retain and terminate any search firm to be used to identify director candidates, including sole authority to approve the search firm, fees, and other retention terms. The Nominating Committee has not engaged, or paid any fees to, a search firm in connection with the nomination of any of the directors for election at the Annual Meeting of Stockholders covered by this Proxy Statement.

The Nominating Committee will consider nominees for election to the Board that are timely recommended by stockholders provided that a complete description of the nominees' qualifications, experience and background, together with a statement signed by each nominee in which he or she consents to act as such, accompany the recommendations. Such recommendations should be submitted in writing to the attention of Chairman, Nominating Committee, at the Company's address at Paragon Technologies, Inc., 600 Kuebler Road, Easton, PA, 18040, and should not include self-nominations.

Section 2.1.2 of the Company's Bylaws contains provisions setting forth the requirements applicable to a stockholder nomination for director. These requirements are summarized in this Proxy Statement under the caption "2005 Stockholder Proposals."

Each of the current nominees for director listed under the caption "ELECTION OF DIRECTORS" is an existing director standing for re-election. In connection with the 2004 Annual Meeting of Stockholders, the Nominating Committee did not receive any recommendation for a candidate from any stockholder or group of stockholders owning more than 5% of the Company's common stock.

There were four meetings of the Audit Committee and two meetings of the Compensation Committee. There were no meetings of the Committee on Strategic Alternatives and the Finance Committee during the year ended December 31, 2003 as the entire Board worked together to provide an expanded and ongoing effort

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relating to the responsibilities of the Finance Committee and the Committee on Strategic Alternatives. The Board of Directors met eight times during the year ended December 31, 2003. Each director attended all of the meetings of the Board of Directors and committees of the Board of Directors on which he served, with the exception of Mr. Kirschner who missed one meeting of the Board of Directors, and Mr. Hallenbeck who missed one meeting of the Compensation Committee of the Board of Directors.

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Independent directors shall meet in executive session (where no members of management shall be present) at least once annually.

Communication with Directors

The Company's Annual Meeting of Stockholders provides an opportunity each year for stockholders to ask questions of or otherwise communicate directly with members of the Company's Board of Directors on matters relevant to the Company. Each of the Company's directors is requested to personally attend the Annual Meeting. All of the Company's directors attended the Company's 2003 Annual Meeting of Stockholders. In addition, stockholders may, at any time, communicate in writing with the Chairman of the Nominating Committee, or non-management directors as a group, by sending such written communication to the attention of Chairman, Nominating Committee, at the Company's address at Paragon Technologies, Inc., 600 Kuebler Road, Easton, PA, 18040, (fax (610) 252-3205).

Copies of written communications received at such address will be provided to the Chairman of the Nominating Committee or the non-management directors as a group unless such communications are considered, in the reasonable judgment of the Corporate Secretary, to be improper for submission to the intended recipient(s). Examples of stockholder communications that would be considered improper for submission include, without limitation, customer complaints, solicitations, communications that do not relate directly or indirectly to the Company or the Company's business, or communications that relate to improper or irrelevant topics.

COMPENSATION OF DIRECTORS

Directors who are also employees of the Company receive no additional remuneration for their services as directors. Prior to November 6, 2002, the Chairman of the Board of Directors and other non-employee directors received an annual retainer of \$12,000 and \$6,000, respectively; a fee of \$2,500 for each Board meeting attended; a fee of \$600 per day for all Company-related activities undertaken at the request of the Chairman of the Board or the Chief Executive Officer of the Company; a fee of \$300 per interview for all Company-related activities undertaken in connection with interviewing qualified candidates to fill vacancies in key positions within the Company; and a fee of \$200 for each Board Meeting held by telephone conference. Effective November 6, 2002, the annual retainer and meeting fees were temporarily reduced by 20%. As part of this cost reduction initiative, the Chairman of the Board of Directors and other non-employee directors received an annual retainer of \$9,600 and \$4,800, respectively, and a fee of \$2,000 for each Board Meeting attended.

Effective May 6, 2003, the Chairman of the Audit Committee receives an

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additional annual retainer of \$5,000, and directors are paid for serving on Committees of the Board of Directors. Committee members receive a fee of \$250 for each Committee Meeting held by telephone conference, a fee of \$250 for each Committee Meeting held in conjunction with a Board Meeting, and a fee of \$1,500 for each Committee Meeting except those held in conjunction with a Board Meeting. Effective July 1, 2003, the Chairman of the Board of Directors receives an annual retainer of \$24,000. Effective October 13, 2003, non-employee directors receive an annual retainer of \$12,000, a fee of \$1,500 for each Board Meeting attended, and a fee of \$250 for each Board meeting held by teleconference. Directors will continue to receive a fee of \$600 per day for all Company-related activities undertaken at the request of the Chairman of the Board or the Chief Executive Officer of the Company, and a fee of \$300 per interview for all Company-

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related activities undertaken in connection with interviewing qualified candidates to fill vacancies in key positions within the Company. Directors are also reimbursed for their customary and usual expenses incurred in attending Board and Committee Meetings including those for travel, food, and lodging.

The Company permits its directors, at their election, to defer receipt of payment of directors' fees. During the year ended December 31, 2003, \$15,650 of directors' fees were deferred. Deferred directors' fees accrue interest at the prime rate of interest charged by the Company's principal bank or may be invested in units equivalent to shares of common stock of the Company. During the year ended December 31, 2003, there were no distributions under the Directors' Deferred Compensation Plan.

Under the Company's 1997 Equity Compensation Plan, directors are eligible to receive grants of stock options at the discretion of the Company's Board of Directors. No grant of stock options were made to any of the directors in 2003.

NOTWITHSTANDING ANYTHING TO THE CONTRARY, THE FOLLOWING REPORTS OF THE AUDIT COMMITTEE AND THE COMPENSATION COMMITTEE AND THE STOCK PERFORMANCE GRAPH ON PAGE 18 SHALL NOT BE DEEMED INCORPORATED BY REFERENCE BY ANY GENERAL STATEMENT INCORPORATING BY REFERENCE THIS PROXY STATEMENT INTO ANY FILING UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE EXCHANGE ACT, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES THIS INFORMATION BY REFERENCE, AND SHALL NOT OTHERWISE BE DEEMED FILED UNDER SUCH ACTS.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors assists the Board in fulfilling its oversight responsibilities. The Board has determined that each of the members of the Audit Committee is "independent," as that term is defined in the independence requirements for Audit Committee members contained in the applicable rules of the Securities and Exchange Commission and standards of the American Stock Exchange. The Audit Committee acts under a Charter adopted by the Board. A copy of the Charter is attached to this proxy statement as Appendix C.

Management is responsible for the Company's internal controls and the financial reporting process. KPMG LLP, the Company's independent auditors, is

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responsible for performing an independent audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In performing these responsibilities, the Audit Committee reviewed and discussed the Company's audited consolidated financial statements with management and KPMG LLP. The Audit Committee discussed with KPMG LLP matters required to be discussed by the Statement on Auditing Standards No. 61, "Communication with Audit Committees." KPMG LLP also provided to the Audit Committee the letter and written disclosures required by Independent Standards Board Standard No. 1, "Independence Discussions with Audit Committees," and the Audit Committee discussed with KPMG LLP the matter of the firm's independence.

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Based on the review and discussions described above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission.

Current Members of the Audit Committee:

Anthony W. Schweiger, Chairman
L. Jack Bradt
Theodore W. Myers

Former Audit Committee Member:

Leonard S. Yurkovic

Mr. Yurkovic served on the Audit Committee until he was appointed President and CEO of the Company in October 2003. Mr. Hallenbeck served on the Audit Committee until his resignation in March 2004, at which time Mr. Myers became a member of the Audit Committee. The current members of the Audit Committee are Mr. Schweiger, Mr. Bradt, and Mr. Myers.

EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is currently comprised of Mr. Shulman, Chairman, and Messrs. Bradt and Schweiger. Mr. Bradt was formerly the CEO of the Company until 1987. No executive officer of the Company serves as a member of the Board of Directors or Compensation Committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Compensation Philosophy and Practices

It is the Company's policy to offer competitive compensation opportunities for its employees based on a combination of factors, including corporate performance and individual contribution to the business consistent with

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corporate needs and objectives.

The Compensation Committee of the Company, whose members are identified above, annually reviews and recommends compensation for the Company's executive officers to the Board of Directors. The annual compensation review permits an ongoing evaluation of the link between the Company's performance and its executive compensation in the context of the compensation programs of other companies. A portion of executive officers' total compensation is dependent upon the Company's annual financial performance, including orders, sales, operating income, earnings per share, and effective management of the Company's operations.

Salaries for executive officers are determined with reference to a position rate for each officer. The position rates are determined annually by evaluating the responsibilities of the position and taking into consideration, among other things, salaries paid to other executives in comparable positions in comparably sized companies, levels of experience, and job responsibilities. The Compensation Committee determines adjustments to executive officer salary based on the recommendation of the Chief Executive Officer. The salary adjustment recommendations are based on performance

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criteria such as financial performance, strategic decisions, personnel development, individual performance, and potential of the individual in the job. The Company regards salaries as a base for compensation and relies on the bonus opportunity and stock options to reward fairly and to provide an incentive for excellence of service and loyalty.

The Compensation Committee awards bonuses to the Company's executive officers pursuant to an existing Management Incentive Plan. The bonus amounts for executive officers are at risk and may vary from year to year. Bonuses are awarded after the close of each year to the executive officers, based upon the Company's financial performance, primarily the attainment of orders, sales, operating income, and earnings per share goals. No executive officer is assured of any minimum bonus. However, in the event the Company does not reach its financial objectives, the Board of Directors has discretionary authority to award bonuses based on an executive officer's individual performance and personal contribution to the business.

There are three basic elements to executive officer compensation: salary, bonus, and stock options. The stock option program rewards executive officers for successful long-term strategic management and enhancement of shareholder value by providing an opportunity to acquire equity ownership in the Company stressing both annual and long-term performance and supporting a performance-oriented environment which allows the Company to attract and retain qualified management personnel. The Compensation Committee believes equity ownership in the Company by management aligns the interests of stockholders and management. The Compensation Committee may grant stock options each year to executive officers and other employees based on a variety of factors, including the financial performance of the Company and an assessment of personal contribution. The options are granted with an exercise price equal to the market price of the Company's common stock on the date of grant, vest over a period of four years, and expire after five years. The options provide value to the recipients as the price of the Company's stock appreciates from the date when the options were granted. Historically, stock options have been granted based on position rate. The Compensation Committee did not award any bonuses or grant any stock options in 2003.

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CEO Compensation

In October 2003, Mr. Yurkovic was hired as the Company's President and CEO at a salary of \$212,160 per annum. The compensation paid to Mr. Yurkovic was arrived at through negotiations with Mr. Yurkovic. Mr. Yurkovic's compensation was set in an effort to provide him with compensation acceptable to an executive of his caliber and experience based on the Compensation Committee's assessment of Mr. Yurkovic's ability and dedication to provide the leadership and vision necessary to enhance the Company's long-term value. The Compensation Committee believes that, as compared to most other public companies, the salary paid to Mr. Yurkovic is modest, but generally competitive with like size companies in the region. Mr. Yurkovic does not have an employment agreement with the Company.

Conclusion

The Company's executive compensation program is designed to link the performance of management to accomplishing both short and long-term earnings goals, building shareholder value, and personal contribution to the business. The individual elements together provide compensation that is well suited for the Company. The management team understands the linkage of operating performance, personal contribution to the business, and their own compensation.

The foregoing constitutes the report of the Compensation Committee of the Board of Directors for the Company's year ended December 31, 2003.

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Respectfully submitted,

COMPENSATION COMMITTEE: Steven Shulman, Chairman
L. Jack Bradt
Anthony W. Schweiger

EXECUTIVE COMPENSATION

Set forth below is certain information relating to compensation received by the Company's Chief Executive Officer and the other executive officers (the "Named Executive Officers") of the Company.

Summary Compensation Table

			Long Term Comp. Awards Stock	All Other
Fiscal	Other Annual			

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Name and Position	Year Ended	Salary (\$)(1)	Bonus (\$)	Compensation (\$)(2)	Options (#)(3)	Compensatio (\$)(4)
Leonard S. Yurkovic President and Chief Executive Officer (5)	12/31/03 12/31/02 12/31/01	\$ 48,960 - -	\$ - - -	\$ 2,215 - -	- 10,000 -	\$ 7,894 - -
William R. Johnson President and Chief Executive Officer (6)	12/31/03 12/31/02 12/31/01	197,880 265,200 265,200	- - -	7,754 9,600 6,788	- - 40,000	364,489 9,021 9,980
Leon C. Kirschner Chief Operating Officer and President of Eрманco Incorporated	12/31/03 12/31/02 12/31/01	260,545 272,328 265,277	- - 3,928	9,600 8,800 8,063	- - 25,000	2,000 2,000 54,209
Ronald J. Semanick Vice President - Finance, Chief Financial Officer, and Treasurer	12/31/03 12/31/02 12/31/01	112,236 115,000 105,000	- - 27,247	9,969 9,600 6,788	- - 5,000	4,843 4,452 4,185

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- (4) This column includes the amounts expended for financial reporting purposes for Company contributions to the Company's 401(k) Retirement Savings Plans pertaining to basic, matching, and profit sharing contributions for all Named Executive Officers. This column includes meals and lodging expenses of \$6,262 for Mr. Yurkovic while away from his Maryland residence and working at the Company's headquarters in Easton, Pennsylvania. This column includes compensation in accordance with Mr. Johnson's Separation Agreement and Release as discussed below. This column includes the cost of supplemental health insurance and supplemental disability insurance plans for Mr. Kirschner. Pursuant to the supplemental health insurance and disability insurance plans, Mr. Kirschner received benefits in the amounts of \$0, \$0, and \$52,509 for the years ended December 31, 2003, 2002, and 2001, respectively.
- (5) Mr. Yurkovic became President and Chief Executive Officer of the Company in October 2003. His fiscal year 2003 compensation represents compensation from October 2003 through December 2003.
- (6) The Company entered into a Separation Agreement and Release (the "Agreement") with Mr. Johnson dated October 8, 2003, whereby the Company agreed to provide Mr. Johnson with compensation and other contractual benefits pursuant to the terms of Mr. Johnson's Amended and Restated Executive Employment Agreement (the "Employment Agreement") dated October 1, 2001. In consideration for entering into the Agreement, Mr. Johnson received a payment of \$356,203 less applicable tax withholdings.

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Stock Options Granted to Named Executive Officers During The Year Ended December 31, 2003.

There were no options for the purchase of the Company's common stock awarded to the Named Executive Officers during the year ended December 31, 2003.

Stock Options Exercised During The Year Ended December 31, 2003 and Held by Named Executive Officers as of December 31, 2003.

The following table sets forth certain information regarding options for the purchase of the Company's common stock that were exercised and/or held by the Company's Named Executive Officers during the year ended December 31, 2003.

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Aggregated Option Exercises in the Year Ended December 31, 2003 and Year-End Option Values

Name	# of Shares Acquired On Exercise	Value Realized	Number of Shares Covered By Unexercised Options at December 31, 2003 Exercisable/ Unexercisable	Value of Unexercised In-The-Money Options at December 31, 2003 Exercisable/ Unexercisable
-----	-----	-----	-----	-----
Leonard S. Yurkovic	-	\$ -	2,500/7,500	\$ 3,950/11,850
William R. Johnson	29,769 (1)	104,672	- / -	- / -
Leon C. Kirschner	-	-	75,000/25,000	170,859/63,203
Ronald J. Semanick	5,078 (2)	20,845	18,172/8,750	49,358/26,594

Employment Agreement with Leon C. Kirschner

The Company entered into an employment agreement with Leon C. Kirschner, a former stockholder of Ermanco Incorporated, on October 1, 1999. In accordance with the employment agreement, Mr. Kirschner was appointed as Corporate Vice President and a director of the Company and President of Ermanco Incorporated. On June 25, 2001, Mr. Kirschner was appointed Chief Operating Officer of the Company. The employment agreement was amended and restated effective August 28, 2002. Terms of the employment agreement include a base salary of \$272,328 per year. The employment agreement entitles Mr. Kirschner to participate in the Company's Management Incentive Plan that provides for the opportunity to receive a bonus based upon the achievement of goals as defined for each fiscal year by the Board of Directors. Effective January 6, 2003, Mr. Kirschner's annual salary was temporarily reduced by 10% to \$245,095 as part of a cost reduction

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initiative. Effective June 30, 2003, Mr. Kirschner's annual salary was adjusted to \$258,712 and, effective October 13, 2003, Mr. Kirschner's annual salary was restored to \$272,328.

Under the terms of the employment agreement, Mr. Kirschner shall perform his duties and responsibilities at the Company's Spring Lake, Michigan facility or at such other location in western Michigan as may be established from time to time by the President and CEO of the Company.

The Company has the right to terminate Mr. Kirschner's employment with or without cause. Cause is defined as any material breach of the employment agreement, disloyalty to the Company, willful misconduct, and conviction of a felony or other criminal act. Mr. Kirschner has the right to terminate the employment agreement voluntarily by giving the Company written notice of such termination no less than 180 days prior to the effective date of the termination. The employment agreement may also be terminated upon a change in control of the Company. The employment agreement provides for severance benefits that allow Mr. Kirschner to receive his salary for a period of 18 months plus a lump sum payment in an amount equal to one and one-half times the average of the bonus paid for the two (2) fiscal years preceding the year in which the termination becomes effective in the event of termination upon a change of control. In the event of termination without cause, the employment agreement also provides for severance benefits that allow Mr. Kirschner to receive his salary and health insurance coverage for a period of one year following the effective date of the termination.

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Other benefits normally made available by the Company to executive officers, including participation in a health plan, retirement savings plan, and receipt of automobile benefits are also made available to Mr. Kirschner under the employment agreement.

Separation Agreement and Release with William R. Johnson

The Company entered into a Separation Agreement and Release (the "Agreement") with Mr. Johnson dated October 8, 2003, whereby the Company agreed to provide Mr. Johnson with compensation and other contractual benefits pursuant to the terms of Mr. Johnson's Amended and Restated Executive Employment Agreement (the "Employment Agreement") dated October 1, 2001. As part of the Agreement, Mr. Johnson and the Company mutually agreed that the Employment Agreement terminated effective October 1, 2003 thereby terminating Mr. Johnson's employment relationship and all other positions with the Company, and Mr. Johnson also released the Company from any and all claims for wages and benefits including, without limitation, salary, stock options, severance pay, vacation pay, bonuses, and other employment-related claims. In consideration for entering into the Agreement, Mr. Johnson received a payment of \$356,203 less applicable tax withholdings. In the event Mr. Johnson elects continuing COBRA health coverage, the Company shall reimburse Mr. Johnson for his premiums for COBRA continued health benefits coverage through October 1, 2004. In addition, in the event the Company wishes to consult with Mr. Johnson concerning his former areas of responsibility within the Company, the Company shall pay Mr. Johnson \$1,250 per day for such consultancy plus actual travel expenses.

Certain Relationships and Related Transactions

To complete the acquisition of Ermanco on September 30, 1999, the Company

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issued \$3,000,000 in subordinated promissory notes to the stockholders of Ermanco, including notes in the amounts of \$1,382,861 and \$1,001,382 to Steven Shulman and Leon C. Kirschner, respectively. During 2003, the Company prepaid all of its outstanding subordinated debt. Both Messrs. Shulman and Kirschner are directors of the Company, and Mr. Kirschner also serves as the president of Ermanco and Chief Operating Officer of the Company. The notes, with an original term of seven years, bore interest at an annual rate of 10% through September 30, 2002, and 12% from October 1, 2002 through the prepayment date. Interest on the promissory notes was payable quarterly, in cash or under certain conditions, in the Company's common stock upon approval of the Company's Board of Directors.

Ermanco's operations are located in a 94,000 square foot steel building in Spring Lake, Michigan. The building is leased from a limited liability company that is affiliated with the Company through a common director and officer of the Company, Messrs. Shulman and Kirschner. The leasing agreement requires fixed monthly rentals of \$33,283 through September 30, 2004. Thereafter, monthly rentals are \$29,310 (with annual increases of 2.5%). The terms of the lease require the payment by Ermanco of all taxes, insurance, and other ownership related costs of the property. The lease, as amended on April 1, 2004, expires on September 30, 2008.

The Company has an employment agreement with Leon C. Kirschner, a director of the Company and President of Ermanco Incorporated. The employment agreement entitles Mr. Kirschner to receive annual compensation during the term of the employment agreement, participate in a bonus plan, plus usual and customary fringe benefits associated with being an employee of the Company. Under certain circumstances, the employment agreement provides for post termination severance payments.

STOCK PERFORMANCE CHART

The following graph illustrates the cumulative total stockholder return on the Company's common stock during the years ended December 31, 2003, December 31, 2002, December 31, 2001, December 31, 2000, the ten months ended December 31, 1999, and the fiscal year ended February 28, 1999 with comparison to the cumulative total return on the AMEX Composite Index, and a Peer Group of Construction and Related Machinery Companies. This comparison assumes \$100 was invested on February 28, 1998 in the Company's common stock and in each of the foregoing indexes and assumes reinvestment of dividends.

[GRAPHIC OMITTED]

	2/28/98	2/26/99	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
Paragon Technologies, Inc.	100	86	71	60	65	63	
(1) Peer Group	100	58	53	62	65	61	
AMEX Composite Index	100	100	170	142	122	103	1

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INDEPENDENT AUDITORS

Selection of the independent auditors is made solely by the Audit Committee. KPMG LLP ("KPMG") served as the Company's independent auditors for 2003 and 2002. A representative of KPMG is expected to be present at the Annual Meeting and will have an opportunity to respond to appropriate questions of stockholders and make a statement if desired to do so.

Audit Fees

KPMG's fees for professional services rendered in connection with the audit of financial statements included in the Company's Form 10-K and review of financial statements included in the Company's Forms 10-Q and all other SEC regulatory filings were \$159,800 for 2003 and \$132,800 for 2002.

Audit-Related Fees

KPMG's fees for audit-related services were \$10,000 for 2003 and \$9,000 for 2002. These services were rendered in connection with audits of the Company's employee benefit plans.

Tax Fees

KPMG's fees for tax compliance and tax consultation services related to the Company's annual federal and state tax returns were \$80,850 for 2003 and \$76,800 for 2002.

All Other Non-Audit Fees

No other fees were charged by KPMG to the Company other than those referenced above.

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Fee Approval Policy

In accordance with the Company's Audit Committee Charter, the Audit Committee approves in advance any and all audit services, including audit engagement fees and terms, and non-audit services provided to the Company by its independent auditors (subject to the de minimus exception for non-audit services contained in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934, as amended), all as required by applicable law or listing standards. The independent auditors and the Company's management are required to periodically report to the Audit Committee the extent of services provided by the independent auditors and the fees associated with these services. Specific services being provided by the Company's independent auditors are regularly reviewed in accordance with the pre-approval policy. All services rendered by KPMG are permissible under applicable laws and regulations, and the Audit Committee pre-approved all audit, audit-related, and non-audit services performed by KPMG during 2003.

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2005 STOCKHOLDER PROPOSALS

Appropriate stockholder proposals and nominations of directors which are intended to be presented at the 2005 Annual Stockholders' Meeting must be received by the Company no later than January 15, 2005, in order to be included in the 2005 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 May 24, 2005 or later than August 22, 2005, 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

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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 March 31, 2005. Proxy proposals are to be sent to the attention of Corporate Secretary, Paragon Technologies, Inc., 600 Kuebler Road, Easton, PA 18040.

SECTION 16(a) -- BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who beneficially own more than 10% of the Company's common stock (collectively, the "reporting persons") to file reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish the Company with copies of these reports. Based solely on the Company's review of those documents received by the Company, and written representations, if any, received from reporting persons with respect to the filing of reports on Forms 3, 4, and 5, the Company believes that all filings required to be made by the reporting persons for the year ended December 31, 2003 were made on a timely basis.

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OTHER MATTERS

Expenses of Solicitation

The Company may pay brokers, nominees, fiduciaries, or other custodians for their reasonable expenses in sending proxy materials to, and obtaining instructions from, persons for whom they hold stock of the Company. The Company expects to solicit proxies primarily by mail, but directors, officers, and regular employees of the Company may also solicit in person, by telephone, telegraph, or telefax.

Code of Conduct

The Company has a Code of Business Conduct and Ethics which can be viewed on the Company's website at www.ptgamex.com. The Company requires all employees, officers, and directors to adhere to this Code in addressing the legal and

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ethical issues encountered in conducting their work. The Code of Business Conduct and Ethics requires that the Company's employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner, and otherwise act with integrity and in the Company's best interests. The Company's Code of Business Conduct and Ethics is intended to comply with Item 406 of the SEC's Regulation S-K and the rules of the American Stock Exchange.

The Code of Business Conduct and Ethics includes procedures for reporting violations of the Code, which are applicable to all employees. The Sarbanes-Oxley Act of 2002 requires companies to have procedures to receive, retain, and treat complaints received regarding accounting, internal accounting controls, or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Code of Business Conduct and Ethics also includes these required procedures.

Other Items of Business

As of the date of this Proxy Statement, management has no knowledge of any matters to be presented at the meeting other than those referred to above. If any other matters properly come before the meeting, the persons named in the accompanying form of proxy intend to vote such proxy in accordance with their best judgment.

THE COMPANY WILL PROVIDE WITHOUT CHARGE, ON THE WRITTEN REQUEST OF ANY STOCKHOLDER, A COPY OF ITS ANNUAL REPORT ON FORM 10-K, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR THE YEAR ENDED DECEMBER 31, 2003. REQUESTS SHOULD BE DIRECTED TO THE CORPORATE SECRETARY, PARAGON TECHNOLOGIES, INC., 600 KUEBLER ROAD, EASTON, PENNSYLVANIA 18040.

PARAGON TECHNOLOGIES, INC. BOARD OF DIRECTORS

COMPENSATION COMMITTEE CHARTER

I. PURPOSE

The primary function of the Compensation Committee is to assist the Board of Directors (the "Board") in fulfilling its oversight responsibilities with respect to all types of compensation of the directors, officers, and employees of the Corporation.

The Compensation Committee's compensation policies with respect to the Corporation's executive officers are based on the principles that compensation should, to a significant extent, be reflective of the financial performance of

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the Corporation, align the interests of the Corporation's management with the interests of its stockholders, and that a portion of executive officers' compensation should provide long-term incentives. The Compensation Committee seeks to have executive compensation set at levels that are sufficiently competitive so that the Corporation may attract, retain, and motivate high quality executives to contribute to the Corporation's success. In assessing overall compensation for executive officers, the Compensation Committee considers the Corporation's performance and industry position, general industry data, and the recommendations of third-party consultants.

II. COMPOSITION

The Compensation Committee consists of two or more independent members of the Board of Directors (the "Board"). Every member of the Compensation Committee shall be an "outside director" as such term is used in U.S. Internal Revenue Regulation 1.162-27 (e), as modified or supplemented from time to time; provided, that one (but no more than one) member of the Compensation Committee may be a non-independent director, provided that the Board determines the appointment of such non-independent director to the Compensation Committee is in the best interests of the Corporation and its stockholders, and the Board discloses the reasons for that determination in the Corporation's next annual proxy statement.

The members of the Compensation Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until their successors shall be duly elected and qualified. Unless a Chairman of the Compensation Committee is elected by the full Board, the members of the Compensation Committee may designate a Chairman of the Compensation Committee by majority vote of the full Compensation Committee Membership.

III. MEETINGS

The Compensation Committee shall meet at least two times annually, or more frequently as circumstances dictate. A majority of the members of the Compensation Committee shall constitute a quorum for the transaction of business. Minutes of each meeting of the Compensation Committee should be recorded by the Secretary to the Compensation Committee. Approval by a majority of the members present at a meeting at which a quorum is present shall constitute approval by the Compensation Committee.

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The Compensation Committee may also act by unanimous written consent without a meeting. The Compensation Committee should meet at least annually with the President and Chief Executive Officer of the Corporation.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Compensation Committee shall:

A. coordinate the Board's role in establishing performance criteria for the President and Chief Executive Officer and evaluate his performance annually;

B. review and recommend to the Board the annual salary, bonus, equity awards, stock options, and other benefits, direct and indirect, of the

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Corporation's President and Chief Executive Officer;

C. review the salaries, bonuses, and benefits of the Corporation's executives, as established by the President and Chief Executive Officer, and, upon the recommendation of the President and Chief Executive Officer and taking into consideration such other factors as the Committee believes appropriate, recommend to the Board equity awards, stock options, and other incentive compensation for Corporation employees;

D. review and recommend to the Board the terms of any employment agreement executed by the Corporation with an executive officer of the Corporation;

E. review and recommend to the Board new executive compensation programs; review annually the operation of the Corporation's executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose(s); establish and periodically review policies for the administration of executive compensation programs; and take steps to ensure that the Corporation's executive compensation programs comport with the Compensation Committee's compensation philosophy stated above;

F. assess succession planning for the Corporation's President and Chief Executive Officer; and

G. review and recommend to the Board the appropriate structure and amount of compensation for the members of the Board.

V. REPORTING RESPONSIBILITY

The minutes of the Compensation Committee reflecting, among other things, all actions taken by the Compensation Committee, shall be distributed to the Board at the next Board meeting following the meeting of the Compensation Committee that is the subject of such minutes.

In addition, matters within the responsibility of the Compensation Committee may be discussed by the full Board from time to time during the course of the year.

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Appendix B

PARAGON TECHNOLOGIES, INC.
BOARD OF DIRECTORS

NOMINATING COMMITTEE CHARTER

I. ORGANIZATION

Membership

The Nominating Committee shall consist of two or more independent directors, in accordance with Securities and Exchange Commission

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("SEC") and American Stock Exchange ("AMEX") rules. In addition to the independent directors, if the Nominating Committee consists of three or more directors, at least two of whom are independent, the Nominating Committee may include one member who is not independent pursuant to AMEX rules.

Membership on the Nominating Committee shall be determined annually by the Board upon the recommendation of the Nominating Committee. Unless a Chairman of the Nominating Committee is elected by the full Board, the members of the Nominating Committee may designate a Chairman of the Nominating Committee by majority vote of the full Nominating Committee Membership. A Secretary of the Nominating Committee shall be selected by the Chairman of the Nominating Committee. Should any member of the Nominating Committee cease to be independent, such member shall immediately resign his or her membership on the Nominating Committee. The Board of Directors may remove a member of the Nominating Committee. In case of a vacancy on the Nominating Committee, the Board may appoint an independent director to fill the vacancy for the remainder of the term.

Meetings

The Nominating Committee shall meet at least once each year. Additional meetings may be scheduled as needed and may be called by the Chairman of the Nominating Committee. A majority of the members of the Nominating Committee shall constitute a quorum for the transaction of business. Minutes shall be recorded by the Secretary to the Nominating Committee. Approval by a majority of the members present at a meeting at which a quorum is present shall constitute approval by the Nominating Committee. The Nominating Committee may also act by unanimous written consent without a meeting.

II. BASIC FUNCTION AND PURPOSE

The Nominating Committee shall recommend the nomination of Company directors to be nominated by the Board of Directors for election by the stockholders. In the case of vacancies to the Board, the Nominating Committee shall recommend the nomination of directors to be elected by the Board.

III. RESPONSIBILITIES

The Nominating Committee, in consultation with the Chairman of the Board and the Chief Executive Officer, shall:

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1. Review and make recommendations on the range of skills and expertise which should be represented on the Board, and the eligibility criteria for individual Board and committee membership. In the case of potential independent director candidates, such eligibility criteria shall be in accordance with SEC and AMEX rules.

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2. Review and recommend to the Board the appropriate structure of the Board.
3. Identify and recommend potential candidates for election or re-election to the Board.
4. Develop policies and procedures for consideration of Board nominees recommended by stockholders.
5. Have sole authority to retain and terminate any search firm to be used to identify director candidates, including sole authority to approve the search firm, fees, and other retention terms.
6. Review and recommend to the Board the appropriate structure of Board committees, recommend committee assignments, and the position of chairman of each committee. Review and make recommendations to the Board on the Company's efforts to promote diversity among directors.
7. Have authority to delegate any of its responsibilities to subcommittees or individuals as the Nominating Committee deems appropriate.
8. Have authority to obtain advice and assistance from internal and external legal, accounting, or other advisers.
9. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
10. Annually evaluate its own performance.

The Nominating Committee's authority and responsibilities shall not deprive the right to determine nominations where that right legally belongs to a third party.

IV. REPORTING RESPONSIBILITY

All action taken by the Nominating Committee shall be reported to the Board at the next Board meeting following such action.

In addition, nomination matters may be discussed in executive session with the full Board during the course of the year.

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Appendix C

PARAGON TECHNOLOGIES, INC.
BOARD OF DIRECTORS

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AUDIT COMMITTEE CHARTER

I. PURPOSE

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing: 1) the financial reports and other financial information provided by the Corporation to any governmental body or the public; 2) the Corporation's systems of internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established; and 3) the Corporation's accounting, financial and business reporting processes generally. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures, and practices at all levels. The Audit Committee's primary duties and responsibilities are to:

A. Serve as an independent and objective party to monitor the Corporation's financial reporting process and internal control systems.

B. Review and appraise the audit efforts of the Corporation's independent auditors.

C. Provide an open avenue of communication among the independent auditors, financial and senior management, and the Board of Directors.

The Audit Committee does not plan or conduct audits, nor does it determine that the Corporation's financial statements and disclosures are complete, accurate and in accordance with accounting principles generally accepted in the United States and applicable rules and regulations. These functions are the responsibility of Corporation management and the independent auditor.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

II. COMPOSITION

The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall (i) be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee, (ii) meet the independence requirements of Section 10A(m)(3) of the Securities and Exchange Act of 1934 (the "Exchange Act") and the rules and regulation of the Commission, (iii) meet the independence and financial literacy requirements of the listing standards of The American Stock Exchange, as modified or supplemented from time to time. If a member of the Audit Committee ceases to be independent in accordance with the requirements of the Exchange Act and the corresponding provisions of the listing standards of The American Stock Exchange for reasons outside the member's reasonable control, that person, with prompt notice to the Exchange, may remain an audit committee member in accordance with the listing standards of The American Stock Exchange. All members of the Audit Committee shall be able to read and understand fundamental financial statements, including balance sheets, income statements, and cash flow statements, and at least one member of the Audit Committee shall be financially sophisticated as defined in the listing standards of

The American Stock Exchange. Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies.

The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board and shall serve until their successors shall be duly elected and qualified. Unless a Chairman of the Audit Committee is elected by the full Board, the members of the Audit Committee may designate a Chairman of the Audit Committee by majority vote of the full Committee Membership.

III. MEETINGS

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. A majority of the members of the Audit Committee shall constitute a quorum for the transaction of business. Minutes of each meeting of the Audit Committee should be recorded by the Secretary to the Audit Committee. Approval by a majority of the members present at a meeting at which a quorum is present shall constitute approval by the Audit Committee. The Audit Committee may also act by unanimous written consent without a meeting. As part of its job to foster open communication, the Audit Committee should meet at least annually with management and the independent auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately. In addition, the Audit Committee or at least its Chairman, or his designee, should meet with the independent auditors and management quarterly to review the Corporation's financials consistent with IV.4. below. The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

IV. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

Documents/Reports Review

1. Review and update this Charter periodically, at least annually, as conditions dictate.
2. Review the Corporation's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent auditors.
3. Review with financial management and the independent auditors the Form 10-Q and Form 10-K prior to its filing or prior to the release of earnings. The Chairman of the Audit Committee, or his designee, may represent the entire Audit Committee for purposes of this review.
4. Discuss with management the Corporation's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and

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rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).

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5. Review disclosures made to the Audit Committee by the Corporation's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.

Independent Auditors

6. The Audit Committee shall have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification). The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.

7. The Audit Committee shall preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Corporation by its independent auditor, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted nonaudit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.

8. Review and discuss reports from the independent auditors on:

a. All critical accounting policies and practices to be used.

b. All alternative treatments of financial information within accounting principles generally accepted in the United States that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.

c. Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

9. Review the independence, performance, and qualifications of the independent auditors at least annually. As part of such review, the Audit Committee shall obtain and review a report from the independent auditors at least annually regarding:

a. the independent auditors' internal

quality-control procedures,

b. any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and

c. any steps taken to deal with any such issues.

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10. Require the independent auditors to submit annually to the Audit Committee a formal written statement, delineating all relationships between the independent auditors and the Corporation in accordance with Independence Standards Board (ISB) Standard No. 1. Actively engage in a dialogue with the independent auditors about any relationships or services that could impact their objectivity and independence. Take appropriate action in response to the independent auditors' report regarding their independence.

11. Periodically consult with the independent auditors, out of the presence of management, about internal controls and the fullness and accuracy of the Corporation's financial statements.

12. Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.

13. Recommend to the Board policies for the Corporation's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Corporation.

Financial Reporting Processes

14. In consultation with the independent auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.

15. Consider the independent auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

16. Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent auditors or management.

Process Improvement and Business Controls

17. Establish regular and separate systems of reporting to the Audit Committee by each of management and the independent auditors regarding any significant judgments made in management's preparation of the financial statements, and the view of each as to appropriateness of such judgments.

18. Following completion of the annual audit, review separately with each of management and the independent auditors any significant difficulties encountered during the course of the audit, including any

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restrictions on the scope of work or access to required information.

19. Review any significant disagreement among management and the independent auditors in connection with the preparation of the financial statements.

20. Review with the independent auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.)

21. Establish regular and separate systems of reporting to the Audit Committee by management regarding controls and operations of the Corporation's business units with particular emphasis on risk and profitability.

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22. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Ethical and Legal Compliance

23. Establish, review, and update periodically a Code of Business Conduct and Ethics, and ensure that management has established a system to enforce this Code.

24. Review management's monitoring of the Corporation's compliance with the Corporation's Code of Business Conduct and Ethics, and ensure that management has the proper review system in place to ensure that Corporation's financial statements, reports, and other financial information disseminated to governmental organizations and the public satisfy legal requirements.

25. Review with the Corporation's counsel, legal compliance matters, including corporate securities trading policies.

26. Review with the Corporation's counsel, any legal matter that could have a significant impact on the Corporation's financial statements.

27. Perform any other activities consistent with this Charter, the Corporation's Bylaws and governing law, as the Audit Committee or the Board deems necessary or appropriate.

28. The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

29. Review and approve any transactions between the Corporation and its officers, directors, or 5% shareholders which would be reportable in the Corporation's proxy statement.

V. REPORTING RESPONSIBILITY

The minutes of the Audit Committee reflecting, among other things, all actions taken by the Audit Committee, shall be distributed to the Board at the next Board meeting following the meeting of the Audit Committee that is the subject of such minutes.

The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission to be included in the Corporation's annual proxy statement.

In addition, matters within the responsibility of the Audit Committee may be discussed by the full Board from time to time during the course of the year.

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Please date, sign and mail your
proxy card in the envelope provided as soon as possible!

Annual Meeting of Stockholders
PARAGON TECHNOLOGIES, INC.

June 23, 2004

X Please mark your
 vote as in this
 example.

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The Board of Directors recommends a vote "FOR" the Election of Directors.

	FOR	WITHHELD		
1. ELECTION	/___/	/___/	Nominees:	2. In their discretion, th
OF				upon such other matters
DIRECTORS			L. Jack Bradt	the meeting or at any a

For, except vote withheld from the following nominee(s):

Theodore W. Myers

Anthony W. Schweiger

(INSTRUCTION: To withhold authority to vote for any individual nominee, print that nominee's name on the line below.)

Steven Shulman

Leonard S. Yurkovic

PLEASE MARK, SIGN, DATE, AND PROMPTLY USING THE ENCLOSED

Please check here if you pl

SIGNATURE(S) _____

Date_____

Note: Please sign exactly as name appears hereon. Joint owners should each sign. When signing administrator, trustee, or guardian, please provide full title and capacity.

PARAGON TECHNOLOGIES, INC.
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Theodore W. Myers and Ronald J. Semanick, or either of them acting in the absence of the other, as proxy holders, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side, all shares of common stock of Paragon Technologies, Inc., held of record by the undersigned on April 26, 2004, at the Annual Meeting of Stockholders to be held on June 23, 2004, at 9:30 a.m., local time, or at any adjournments thereof.

This proxy when properly executed will be voted in the manner directed on the reverse side. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF DIRECTORS. This proxy may be voted, in the discretion of the proxy holders, upon such other business as may properly come before the Annual Meeting of Stockholders or any adjournments thereof. The Board of Directors does not presently know of any other matters to be presented at the meeting.

Please vote and sign on the other side. No postage is required if this proxy is returned in the enclosed envelope and mailed in the United States.

(Continued And To Be Signed On Reverse Side)