

# MERGENT INDUSTRIAL

NEW LISTING

January 19, 2010

This Supplemental News Reports is published as required, is part of the annual MERGENT INDUSTRIAL, OTC and OTC UNLISTED MANUALS and will be included in the bound 2010 January Monthly News Reports and is published on our Website.

## PARAGON TECHNOLOGIES INC

Company Website:: [www.ptgamex.com](http://www.ptgamex.com)

**History:** Incorporated in Pennsylvania on June 18, 1958 as SI Handling Systems, Inc. Present name adopted Apr. 6, 2000. Reincorporated in Delaware on Nov. 21, 2001.

In 1967, Co. acquired 75% of Matthew Moody Ltd. In 1968, Co. acquired Mark Indicator Co., Inc., assets of Admos Inc., and the remaining 25% interest in Matthew Moody Ltd. (sold in 1976).

In 1970, Co. formed SI Handling Systems International Ltd. (liquidated during fiscal 1990).

In 1971, Co. formed Ishikawajima SI Co., a 50% owned joint venture (dissolved in 1989).

In Mar., 1973, Co. sold Contech Corp. for notes totaling \$53,855.

In 1975, Co. formed SI Handling Systems Europe, N.V. and SI Handling Systems (UK) Ltd. (changed to a branch operation in 1984).

In 1981, Co. formed SI Handling Systems GmbH (sold in 1989).

During fiscal 1990, Co. purchased certain assets of the SPS-Hartman Systems Division from SPS Technologies.

On Apr. 14, 1992, Co. acquired BT Systems, Inc., for \$2,000,000 which operated under the name SI Systems, Inc. (merged into Co. on Mar. 1, 1993).

On Dec. 13, 1994, Co. sold its Automated Guided Vehicle product line to Apogee Robotics, Inc. for cash and promissory notes equal to \$2,000,000, plus 100,000 shs. of convertible preferred stock of Apogee with a 4% dividend payable quarterly. Purchaser filed for bankruptcy and Co. repossessed the assets and inventories of the facility. Litigation is pending.

In Apr. 1999, Co. acquired all of the outstanding capital stock of Modular Automation Corp. for \$1,957,000 in the form of cash.

On Sept. 30, 1999, Co. acquired all of the outstanding common stock of Ermanco for a purchase price of \$22,801,000 consisting of \$15,301,000 in cash, of which \$1,551,000 is held in escrow, \$3,000,000 in promissory notes payable to fourteen stockholders of Ermanco, and 481,284 shares of Co.'s common stock with a value of \$4,500,000 based on the average closing price of \$9.35 of the Co.'s common stock for the five trading days immediately preceding the date of the Stock Purchase Agreement, August 6, 1999.

On Sept. 22, 2003, Co. sold its interest in SI/BAKER Inc. to McKesson Automation Systems Inc. for \$5,600,000 in cash.

On Aug. 5, 2005, Co. sold substantially all of the assets and liabilities of Ermanco, and received cash consideration of \$23,055,000.

On Aug. 8, 2005, Co. disposed of Ermanco Inc. to TGW Transportgerate GmbH for \$23,000,000 in cash.

On May 31, 2006, Co. was awarded a \$450,000 contract to provide an automated conveyor system to be used in the manufacture and assembly of all terrain vehicles.

On Oct. 31, 2006, Co. announced that its SI Systems Production & Assembly brand received an order totaling \$560,000 to design, build, and install an automated conveyor system for an undisclosed manufacturer of single cylinder, non-automotive engines. Terms of the contract were not disclosed.

On Dec. 19, 2006, Co. signed a Value Added Reseller Agreement with Voxware, Inc.

On Feb. 15, 2007, Co.'s SI Systems Order Fulfillment brand received an order totaling \$1,600,000 to design, build, and install a conveyor system for a leading manufacturer of vision products.

On May 8, 2007, Co.'s SI Systems' Order Fulfillment brand secured an order totaling approximately \$3,300,000 to expand an existing order fulfillment system, installed by the Co., at an undisclosed location in Europe.

On June 24, 2008, Co. secured two orders totaling \$1,000,000 to design, build, and install automated conveyor systems, from manufacturers of motorcycles and fresh bakery products.

On June 26, 2008, Co.'s SI Systems brand was awarded a \$900,000 contract to design, build, and install automated conveyor systems from two global manufacturers of off-road and on-road vehicles.

On Nov. 25, 2008, Co.'s SI Systems brand received an order totaling approximately \$3,400,000 from an internationally recognized hospital. Terms of the contract were not disclosed.

**Business:** Paragon Technologies is a systems integrator supplying SI Systems branded automated material handling systems, including systems, technologies, products, and services for material flow applications, to manufacturing, assembly, order fulfillment, and distribution operations customers located primarily in North America, including the U.S. government. SI Systems' branded products are utilized to automate the movement or selection of products and are also integrated with other automated equipment such as conveyors and robots. SI Systems comprises of two individual brands, SI Systems' Order Fulfillment Systems and SI Systems' Production & Assembly Systems.

**Property:** Co. maintains its principal executive offices in Easton, PA in 25,000 sq. ft. of leased space.

**Joint Venture:** On Mar. 1, 1993, Co. and McKesson Automated Prescription Systems, Inc. (McKesson APS) of Pineville, Louisiana formed a joint venture, SI/BAKER, INC. (SI/BAKER). SI/BAKER draws upon the automated materials handling systems experience of the Company and the automated pill counting and dispensing products of McKesson APS to provide automated pharmacy systems. Each member company contributed \$100,000 in capital to fund the joint venture. The Company accounts for its investment in the joint venture on the equity basis.

On Sept. 29, 1998, McKesson HBOC, Inc., a healthcare supply management company, announced the completion of its acquisition of Automated Prescription Systems, Inc. Automated Prescription Systems, Inc. was renamed McKesson Automated Prescription Systems, Inc. (McKesson APS). The joint venture draws upon the automated materials handling systems experience of SI Handling Systems, Inc. and the automated pill counting and dispensing products of McKesson APS to provide automated pharmacy systems. Each member company contributed \$100,000 in capital to fund the joint venture.

On July 15, 1999, the Company and Egemin N.V. (Egemin) of Schoten, Belgium formed a joint venture, SI-Egemin N.V. (SI-Egemin). SI-Egemin draws upon the automated materials handling systems experience of SI Easton and Egemin to provide automated material handling systems worldwide. During the ten months ended Dec. 31, 1999, each member company contributed \$228,000 in capital to fund the joint venture.

**Officers**  
Theodore W. Myers, Chairman  
Leonard S. Yurkovic, Chief Executive Officer  
William J. Casey, Executive Vice Pres.; Division Officer

Ronald J. Semanick, Vice President - Finance; Chief Financial Officer; Treasurer; Corporate Secretary

**Directors**  
Theodore W. Myers  
Robert J. Schwartz  
Ronald J. Izweski  
Leonard S. Yurkovic

**Auditors:** KPMG LLP  
**Counsel:** Pepper Hamilton LLP

**Shareholder Relations:** Leonard S. Yurkovic, Chief Executive Officer **Tel.:** 610-559-4016

**No. of Stockholders:** Dec. 31, 2009, 242

**No. of Employees:** Dec. 31, 2009, 40

**Address:** 600 Kuebler Road, Easton, PA 18040-9295  
**Tel.:** 610 559-4015 **Fax:** 610 252-3102 **E-mail:** [semanick@sihs.com](mailto:semanick@sihs.com) **Web:** [www.ptgamex.com](http://www.ptgamex.com)

**Consolidated Income Account, years ended Dec. 31 (\$000):**

	2008	2007 (revised)	2006 (revised)
Net sales	16,700	21,448	17,788
Cost of sales	11,793	16,228	12,492
Gross profit on sales	4,907	5,220	5,296
Selling, gen & admin exps	5,366	5,615	5,252
Prod devel costs	114	166	283
Int exp	1	1	1
Int inc	341	448	527
Other income (exp), net	(1)	22	162
Tot exps	5,141	5,312	4,847
Income (loss) from contin opers before taxes	(234)	(92)	449
Curr inc tax expense (benefit) - federal	(5)	(434)	(168)
Defer inc tax expense (benefit) - federal	213	42	152
Tot fed inc tax expense (benefit)	208	(392)	(16)
Curr inc tax expense (benefit) - state	41	(26)	(23)
Defer inc tax expense (benefit) - state	204	(15)	20
Tot state inc tax expense (benefit)	245	(41)	(3)
Inc tax expense (benefit)	453	(433)	(19)
<b>Net income (loss)</b>	<b>(687)</b>	<b>341</b>	<b>468</b>
Common shares (000):			
Weighted avg shares outstanding - basic	2,466	2,792	3,307
Weighted avg shares outstanding - diluted	2,466	2,792	3,312
Yr end shares			
outstg	1,786	2,769	2,874
Net income (loss) per sh - basic	\$(0.28)	\$0.12	\$0.14

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Net inc(loss) per sh - diluted	\$(0.28)	\$0.12	\$0.14
No of full time employees			254
Tot no of employees	246	257	254
No of com stkhlders	2256	2265	2275
Reclassified to conform with 2008 presentation.			
As is			
<b>Consolidated Balance Sheet, as of Dec. 31 (\$000):</b>			
	2008	2007	
Assets:		(revised)	
Cash & cash equivs	5,615	12,104	
Short-term invests		200	
Tot cash & cash equivs & short-term invests	5,615	12,304	
Trade receivables, gross	2,727		
Allow for doubtful acct's	100		
Trade receivables, net	2,627	2,640	
Notes & other receiv's	336	310	
Tot receiv's	2,963	2,950	
Costs & est earn in excess of billings	925	1,353	
Raw materials	178	160	
Work in process	11	224	
Finished goods	516	475	
Tot invent	705	859	
Defer inc tax benefits		263	
Ppd exps & other curr assets	123	113	
Tot curr assets	10,331	17,842	
Mach & equip	1,371	1,313	
Less: accum deprec	1,084	1,000	

Net prop plt & equip	287	313
Defer inc tax benefits		161
Tot assets	10,618	18,316
Liabilities:		
Accts pay	1,262	1,726
Customers' dep & billings in excess of costs	804	3,063
Accrued salaries, wages, & commiss	191	173
Accrued prod warranties	395	234
Defer gain on sale - leaseback		28
Unearned support contr rev	392	254
Accrued other liabil	312	324
Tot curr liabil	3,356	5,802
Inc tax pay	257	261
Tot long-term liabil	257	261
Com stk	1,786	2,769
Addit paid-in cap	3,586	5,537
Retain earnings (accum deficit)	1,633	3,947
Tot stkhlders eq	7,005	12,253

**Line of Credit:** As of Dec. 31, 2008, Co. had letters of credit totaling \$838,000 expiring in 2009.

On February 19, 2009, Co. established a \$5,000,000 line of credit facility with its principal bank to be used primarily for working capital purposes. Interest on the line of credit facility is at the LIBOR Market Index Rate plus 1.25%. As of September 30, 2009, Co. did not have any borrowings under the line of credit facility; however, the leasing agreement associated with Co.'s principal office is secured with a \$200,000 letter of credit. Therefore, as of September 30, 2009, the amount of available line of credit was \$4,800,000. The line of credit facility contains various non-financial covenants and is secured

by all of Co.'s accounts receivables and inventory. Co. was in compliance with all covenants as of September 30, 2009. The line of credit facility expires on November 30, 2009.

**Capital Stock: 1. Paragon Technologies Inc common; par \$1.00.**

AUTH — 20,000,000 shs.

OUTSTG — Dec. 31, 2008 1,786,229 shs; par \$1.00.

STOCK SPLITS — \$1 par shares split 5-for-4 on July 14, 1981 and May 12, 1982; split 3-for-2 on July 18, 1995; split 3-for-2 on Nov. 10, 1997.

VOTING RIGHTS — Entitled to one vote per share with cumulative voting for directors.

DIVIDENDS PAID —

1976-80 1981 . . . . \$0.05

On \$1 par shares after 5-for-4 split:

1981 . . . . 0.05 1982 . . . . 0.05

On \$1 par shares after 5-for-4 split:

1982 . . . . 0.05 1983-85 . . . 0.10 1986 . . . . 0.05

1987-91 . . Nil 1992 . . . . 0.10 1993-94 . . . 0.10

1995 . . . . 0.10

On \$1 par shares after 3-for-2 split:

1996-99 . . . 0.10 2000-2006 . . Nil

Also paid in stock: 1976, 10%; 1977, 10%; 1991-92, 10%

OPTIONS — Dec. 31, 2008, options outstanding, 5,000 shares.

TRANSFER AGENT, REGISTRAR & DIVIDEND

DISBURSEMENT AGENT — American Stock Transfer & Trust Company., New York, NY

LISTED — National Bulletin Board (NBB): PGNT

PRICE RANGE —

	2009	2008	2007	2006
High	3.15	7.45	8.84	11.50
Low	1.85	2.41	5.47	5.19

CAPITAL HISTORY — On July 16, 1997, Co.

increased its authorized common shares from 5,000,000

shares to 20,000,000 shares.