



2009 Q1 Investor Conference Call

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www.pinnacle.com

NYSE Amex: PNS

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Today's discussion may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, but not limited to, statements regarding the Company achieving its financial growth and profitability goals, or its sales, earnings and profitability expectations for the fiscal year ending December 31, 2009. The words "believe," "expect," "anticipate," "estimate," "intend," "seek," "may" and similar expressions identify forward-looking statements that speak only as of the date thereof. Investors are cautioned that such statements involve risks and uncertainties that could cause actual results to differ materially from historical or anticipated results due to many factors. For more details please refer to the Company's Securities and Exchange Commission filings, including its most recent Annual Report on Form 10-K and quarterly reports on Form 10-Q.

- Influenced by on-going global recession and credit market volatility.
- Capital equipment spending is down significantly for end-users of equipment with PDSi content.
- Customers' internal issues are delaying decision making.
- Sales declined 37% to \$10.9 million.
- Net loss of approximately \$700,000 or \$0.09 per share.

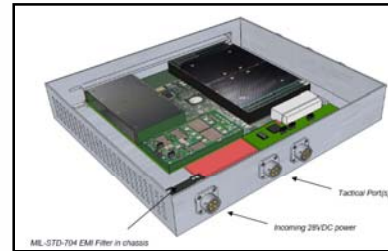
- Implementing plans to reduce costs to align cost-structure with anticipated lower sales levels.
- Tactical responses are being carefully balanced with plans to achieve strategic long-term objectives.
- Remain committed to profitability.
- Cumulative annual effects of cost reductions total approximately \$5 million.

- New business in both Products and Services.
- Benefiting from introduction of new Products over past 2 quarters:
 - Over 50 opportunities either being worked on, started or ramped-up.
 - Gross margins between 30%-50% compared to 0%-20% in the past.
 - Three-fourths were identified in the 2009 first quarter based on products recently introduced.
- Recent organizational changes align internal resources to better focus on market and customer needs and new business development.

- ATCA blade servers used in shipboard applications where space and power are at an absolute premium.



- ATCA blades for radar signal processing.



- Portable satellite communications that can provide internet and phone service in remote locations around the world.



- Important source of recurring sales and financial stability.
- Demand for our services is increasing significantly due to global service network, outstanding improvement by PDSi service team and sharpened focus on sales and marketing to OEMs.
- On-staff engineering capabilities assist in finding ways to repair equipment much less expensively.
- New structure has sharpened PDSi's focus and led to more collaborative activities.
- Approach is expected to strengthen customer relationships and improve time-to-market going forward.

- Transformation of a business that was topping out on its ability to scale profitably to the next level, to one that has the potential to become a strongly profitable company with the ability to scale well into hundreds of millions of dollars in sales in the next several years.
- Required replacing most of the leadership team, redefining PDSi's business strategy and market offerings, significantly changing corporate culture, and adapting to changing economic conditions.
- Continuous improvement has become part of PDSi's culture

- Multiple cost saving actions implemented during past year to keep cost structure aligned with reduced near-term sales levels.
- Committed to taking necessary actions to maintain profitability in current environment – while continuing to execute growth strategy.
- Cumulative annual savings expected to total more than \$5 million.

Sales

- Sales declined 37% to \$10.9 million from \$17.2 million the prior year.
- Product sales declined sharply versus a year ago.
- Service sales declined 17% to \$2.4 million due to lower sales to one large OEM customer.

Gross Profit

- Gross profit was \$2.0 million for 2009 first quarter versus \$3.7 million a year ago, driven by decline in overall sales and business mix.

Operating Expenses

- Reduced 8% to \$3 million, reflecting cost reduction measures.
- Further cost reduction actions implemented during 2009 first quarter – with full benefit to be realized in the 2009 second quarter.

Interest Expense

- Interest expense 43% below the 2008 first quarter.
- Significant reduction in debt outstanding during past 12 months to \$3.6 million on 31-Mar-09 from \$7.7 million on 31-Mar-08.

Net loss

- Net loss of \$701 thousand or 9¢ per share compared to net income of \$264 thousand or 3¢ per diluted share.

Facility Leases

- Renewed leases at two Central Ohio facilities at a reduced rate.
- Quarterly contribution of approximately \$60 thousand beginning mid-Q2 2009.

Credit and Security Agreement

- Revolving credit with maximum line of \$9 million.
- Subject to borrowing base restrictions.

- Limited business visibility.
- Confident in company direction.
- A matter of time before we reap the benefits of our strategy execution up to this point.
- PDSi is well-positioned to significantly leverage its performance and financial results.

- If you would like to ask a question, please press the * key followed by the 1 key on your push-button phone.
- You will hear a three tone prompt following your selection. If you are using speaker equipment, you will have to lift the hand set before pressing the numbers.
- A replay of this conference call will be available on the Company's website in approximately one hour.