



2009 Q4 Investor Conference Call

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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, 2010. 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.

In October we made significant strategic and organizational changes to focus PDSi on our core service offerings

1. Dramatically flattened our organization structure and reduced costs
2. Focus on core service offerings that drive value to our customers by solving their problems
 - Acceleration of our services capabilities
 - Focus on our integration business
 - Partnerships with customers on embedded computing designs

3. Actively communicated with customers and suppliers
4. Focus on short-term execution to establish a solid foundation
5. Provided consultative sales training and tools to support our strategic approach

Our overriding goal: Return to profitability in 2010

- Q4 net loss of \$0.4 million or \$0.05 per diluted share
 - Profitable excluding the \$0.7 million net impact of non-recurring items
 - \$1.0 million in severance and inventory reserve charges related to October restructuring of the business
 - \$0.3 million tax benefit associated with recent tax law changes
- Significantly reduced operating expense and overheads
 - \$0.6 million reduction in quarterly costs versus prior quarter
 - Annualized savings from actions taken over the last two years is \$10 million
- Operating cash flow was ~\$50,000, and totaled \$4.1 million for all of 2009.
 - Fourth consecutive quarter of positive operating cash flow
 - Third consecutive year of annual positive operating cash flow
- Debt outstanding was \$2.4 million at December 31, 2009 compared to \$5.4 million at year-end 2008, and \$13.1 million at year-end 2006

Sales

- Total sales increased 23% to \$8.7 million from \$7.0 million in Q3 2009
- The first sequential-quarter revenue growth since Q3 2008
- Growth was across both Products (+29%) and Services (+15%)
- Q4 services revenue is 38% above the 1st half 2009 quarterly average
 - Highest level since past quarterly record of \$3.5 million in Q4 2005

Gross Profit

- Gross profit increased 10% to more than \$1.7 million from just under \$1.6 in Q3 2009
 - Excluding ~\$140 thousand in nonrecurring inventory reserve charges associated with our October restructuring of the business, gross profit grew 19% compared to Q3 2009
- Gross profit margin was flat at 22% of sales versus Q3 excluding the non-recurring inventory reserve charges

Operating Expenses

- Q4 Operating Expense shows an increase of \$0.1 million compared to prior quarter.
 - Q4 includes \$0.8 million in nonrecurring expense mentioned previously
 - Excluding these nonrecurring items, Operating Expense was down 31% compared to Q3 2009

Net Income

- Net loss narrowed to \$0.4 million, or 5¢ per diluted share, from a net loss of \$2.1 million, or 27¢ per share, for prior quarter Q3 2009
 - Q4 2009 includes the \$0.7 million, or 8¢ per share, net negative impact of the nonrecurring items mentioned previously
 - Q3 2009 includes the \$1.6 million, or 21¢ per share, negative impact of the deferred tax valuation allowance established in that quarter

Successfully managed through multiple challenges in Q4

- Executing fundamental change in our strategic approach to the market
- Actively communicating with customers
- Realigned resources as we flattened and focused the organization
- At the same time we were supporting significant revenue growth
 - Ramp of new service programs
 - Completing qualifications on new business

We are pleased with our accomplishments so far

- Profitable operating results excluding one-off items
- Successfully supported continued rapid growth of the Service business

As we move into 2010

- Solid growth opportunities in Service as we grow share with existing customers and bring on new customers
 - Making investments in our U.S. and Tiel Service operations
- Still too reliant on the ebbs and flows of too few Product customers
 - Solid plans to develop a more diversified customer base

Have equipped our sales team to support our new approach

- Thorough understanding of our technical capabilities and where they bring value
- Consultative approach – seeking to understand customers' problems
- Tools for evaluating customers' requirements versus our capabilities and developing customer-oriented solutions
- Reengagement with our independent sales reps
- Management direction and metrics

Going forward:

- Focus on becoming a trusted partner that develops customer-specific solutions that leverage, or grow, our capabilities and solve customer problems

- Strong execution in Q4 and into Q1
- Have built a solid foundation for 2010

- 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.