



Annual Meeting of Shareholders

May 9, 2011

www.pinnacle.com

NYSE Amex: PNS

Officers

- John Bair (Director, Chairman of the Board, President, CEO, & CTIO)
- TJ Harper (Chief Operating Officer)
- Nick Tomashot (Treasurer, Secretary & Chief Financial Officer)

Directors

- Carl Aschinger
- Benjamin Brussell
- Hugh Cathey
- Tom O'Leary
- Ralph Roberts

Guests

- Alan Johnson (McGladrey & Pullen)
- Pam Fisher (Computershare Investor Services)
- Michael Jordan & Patrick Kennedy (Schottenstein, Zox & Dunn)



Formal Company Business

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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, 2011. 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.

- **Company Overview** – John Bair, President & CEO
- **Financial Results** – Nick Tomashot, Chief Financial Officer
- **COO Overview** – T.J. Harper, Chief Operating Officer
- **Q&A and Wrap-up**
- **Facility Tour** – John Bair, TJ Harper

2010 Business Objectives

- Recover after four years of decreased sales revenue and losses. Our number one goal was for us to **be profitable**...
- Develop the Sales Engine and start to grow our Pipeline of Business
- Pay down the line of credit, reduced inventory and manage spending

- We achieved our number one goal of **being profitable**...while growing our business in 2010
- We developed the Sales Engine and started to grow our Pipeline of Business
- We paid down the line of credit, reduced inventory and continued to manage spending
- And...
- This is the third economic down turn this company has faced over the last 20 years and we have come out stronger each time

Improved Results

	2006	2007	2008	2009	2010
Product Revenue	65.3	62.6	52.7	24.5	15.8
Service Revenue	10.6	10.8	10.9	11.1	13.6
Total Revenue	75.9	73.4	63.6	35.6	29.4
EPS	(0.32)	0.08	(0.05)	(0.44)	0.38
Stock Price High/Low	4.00/2.09	2.74/1.75	2.35/.45	.79/.30	1.90 / .42



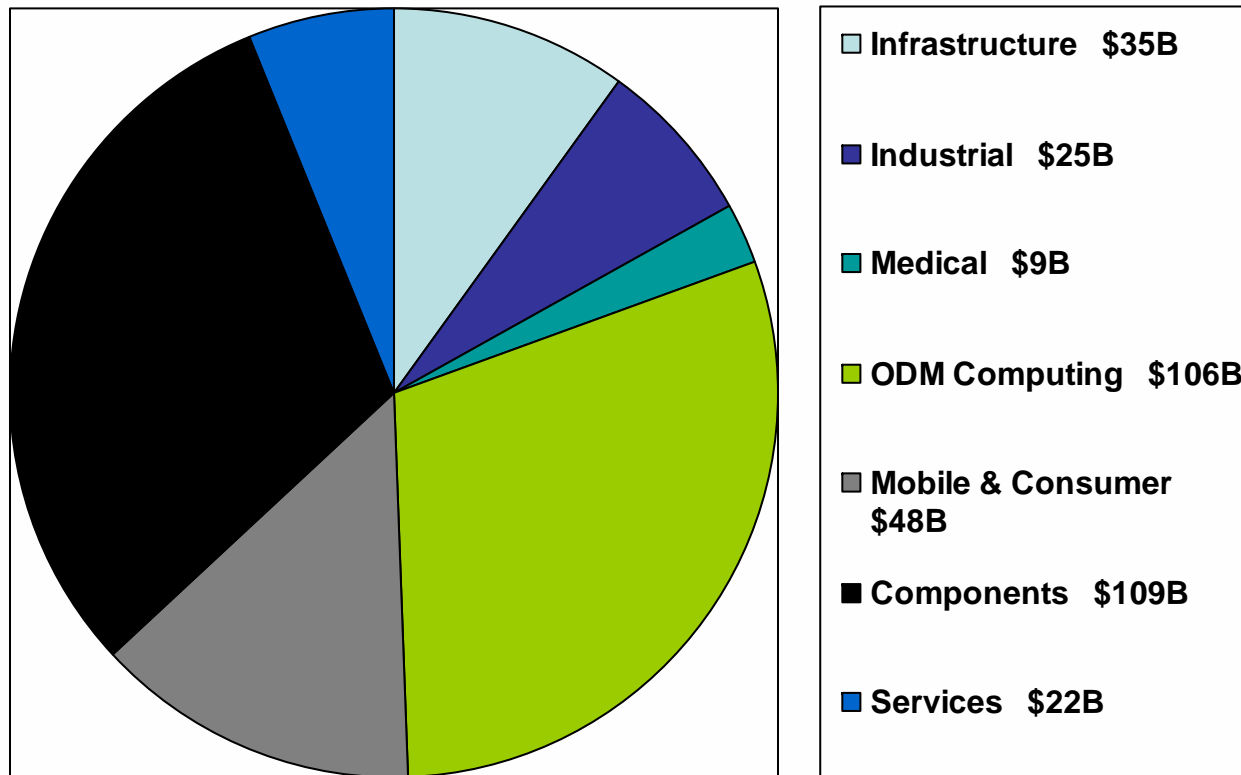
Pinnacle Data Systems Inc. (PDSI)

- Sector: Technology
- Industry: Diversified Computer Systems
- Business Segments:
 - Electronics Repair and Logistics Services
 - System Integration and ODM Computing Services
 - Embedded Hardware Boards and Systems



- Telecom
 - Carrier-grade servers
 - Integrated frame and rack systems
- Datacom/Networking
 - Routers, switches
 - Gateways, firewalls
- Aerospace
 - Flight system server blades and boards
- Military
 - Shipboard server blades and boards
- Enterprise Computing and Storage
 - Supercomputer, server and workstations
 - Blades, boards, and peripherals
 - Network storage devices
 - Hard disk drives, tape loaders & drives
- Medical
 - Diagnostic equipment controllers
 - Imaging equipment controllers
- Office Products
 - High-end printer/copier servers
 - Specialty print controllers

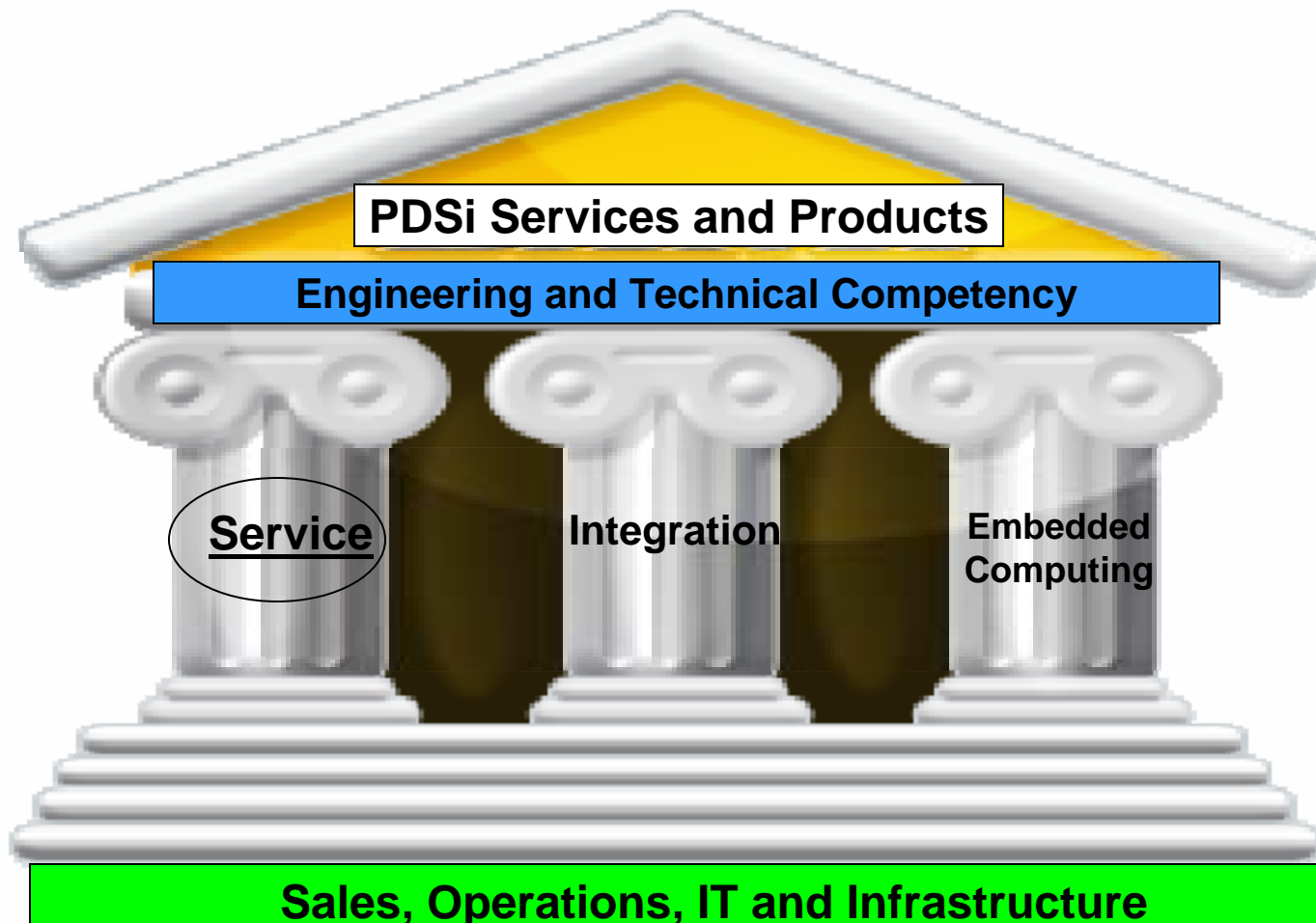
EMS Market Place is a \$354 Billion Dollar Business



The Three Markets we Serve

Market Size

Electronics Repair and Logistics Services Market	\$22 Billion
Integrated/ODM Computing Market	\$106 Billion
Embedded Hardware Boards & Systems Market	\$5 Billion
Total Market Size	\$133 Billion



Market Size	\$22 Billion
Addressable Segment Size	\$16 Billion
Customer Profile	OEMs that are hardware/software/multivendor companies and have a global business model with regional requirements.
Customer Needs/Wants & Pains	Reduced cost, engineering/EOL support and better SLA's.

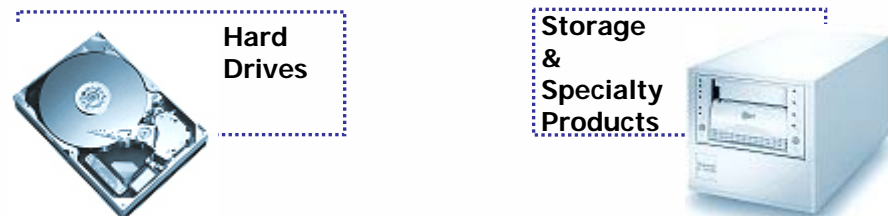
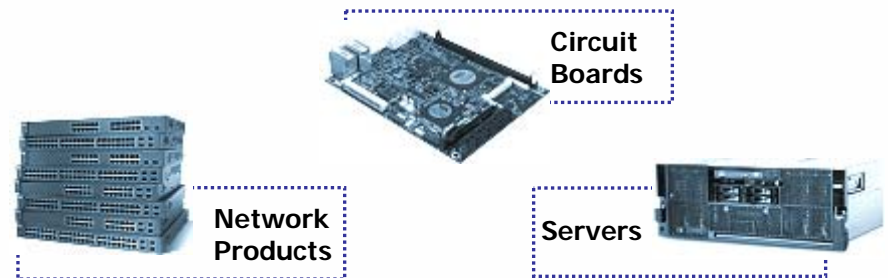
Electronics Repair and Logistics Services Offering

Products processed and serviced include:

- Circuit Boards
- Servers
- Network Products
- Hard Drives
- Storage and Specialty Products

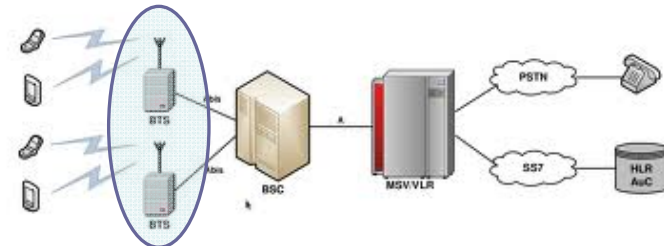
Full Range of Reverse Logistics Services

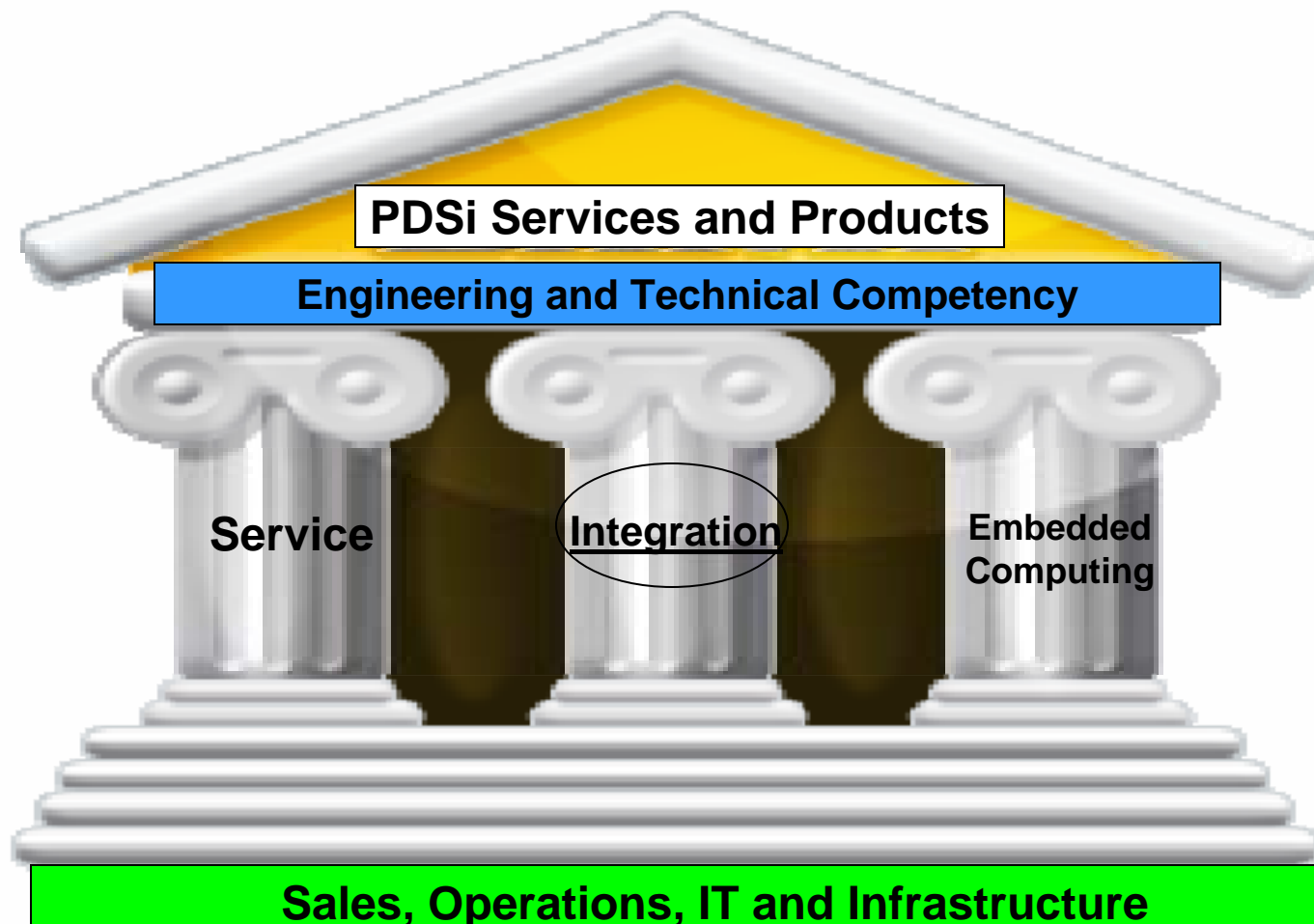
- Logistics
 - Global Service and Support Contracts
 - Advanced Exchange
 - Warranty Screening
 - Third party Warranty Management
 - Inventory Management
- Screen/Test /Repair/Refurbish/Upgrade
 - Expert Repair at the Component Level
 - Failure Analysis
 - Functional Testing
 - X-ray Inspection
 - BGA & Fine Pitch Device Replacement
 - Refurbishment
 - ECO's and Upgrades
 - No Trouble Found (NTF) Screening
 - Scrapping and Recycling
- Specialty Services
 - Conformal Coating
 - Product Lifecycle Engineering
 - End-of-life parts management



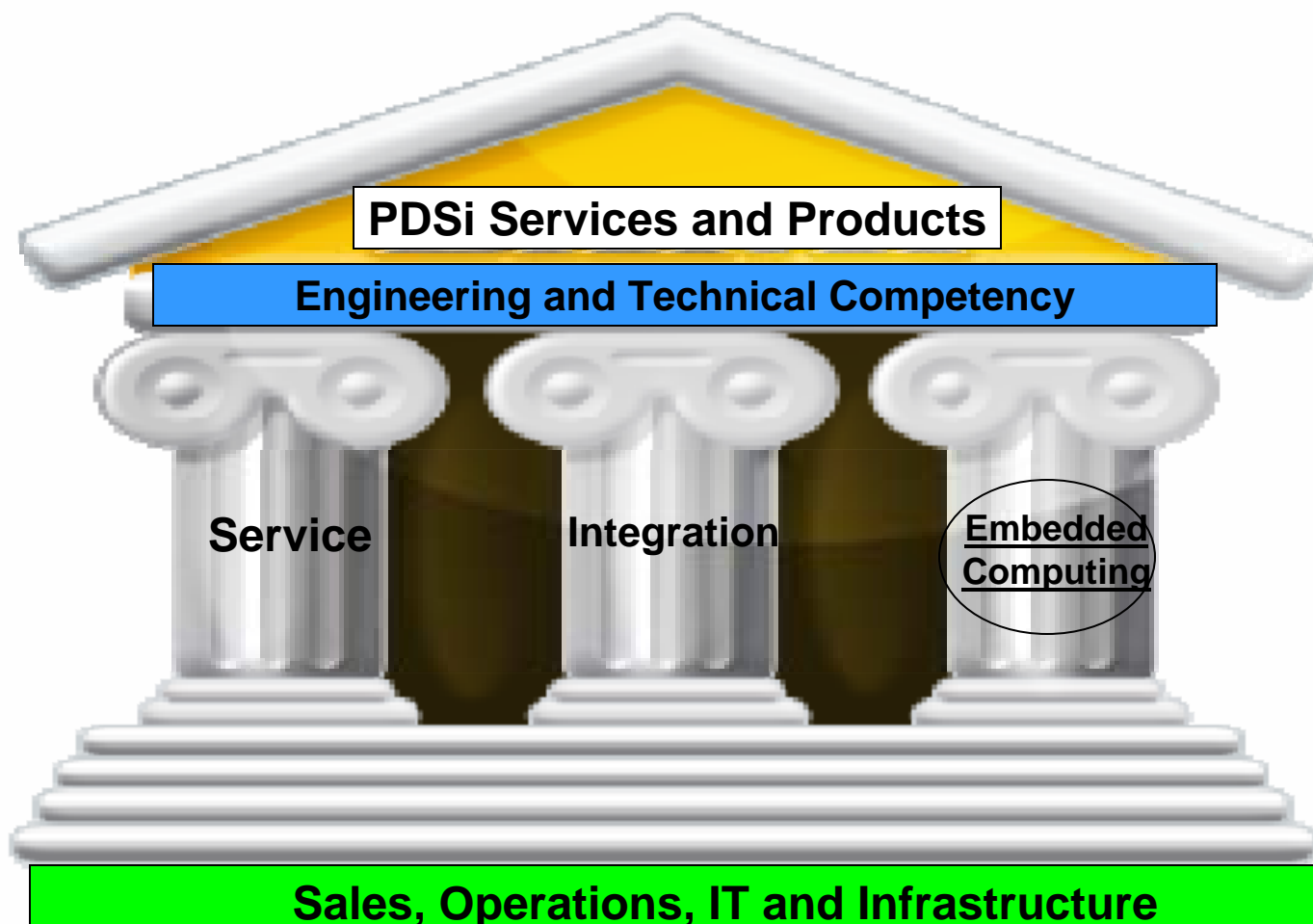
Reverse Engineering Capabilities Case Study Telecommunications Carrier Repair Program

PDSi has recently entered the market for repair of telecommunications equipment. Specifically base station transceivers (BTS) shelves, RF filters, and T1/E1 boards associated with 1G/2G/3G networks. Based on our technical skill set, PDSi was able to setup a repair program to properly tune and test the BTS filters, shelves, fans, power modules and associated switches that sit between the BTS and the central office. All of this was accomplished on our own by reverse engineering the technology and figuring out how to repair and test each component while bringing up a live program, which was significant in a short time period. Examples of the equipment listed below.





Market Size	\$106 Billion
Addressable Segment Size	Large
Customer Profile	OEM's that are software focused, work with higher complexity and longer life cycle products. They have unique industry specific regulatory requirements and the integrated product has a competitive advantage component.
Customer Needs/Wants & Pains	Time to market. They need shorter lead times, current technology and customization, supply chain management, multivendor support/service after the sale and certifications maintained.



Market Size	\$5 Billion
Addressable Segment Size	\$2 Billion
Customer Profile	OEMs that are software focused, need longer product life cycles, have regional sourcing restrictions, the computer is not their company's core competence and they have industry specific product requirements.
Customer Needs/Wants & Pains	They want availability, pricing and service levels of COTS products which is not possible or practical at their volumes and with their unique product requirements.

Embedded Hardware Boards & Systems Offering



COM Express

Processor Modules & Carriers



Advanced TCA[®]

Processor Blades & RTMs



Advanced MC[™]

Graphics, Storage, I/O

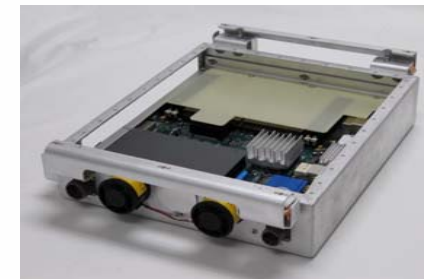


PMC/XMC

Graphics,
Ethernet, Storage

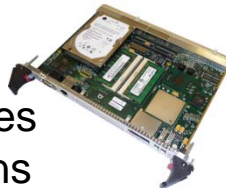
Custom Products

- OEM-specific solutions
- Board level designs
- Integrated / certified solutions



CompactPCI[®]

Intel Processor Blades
and Chassis Solutions



Application Server Program

PDSi ATCA-F1 Blade and ATCA RTM



USS Abraham Lincoln

Focus on profitable growth of the overall business

- Working on growth opportunities in all three targeted market segments:
 - Electronic Repair Services
 - Integrated / ODM Computing Solutions
 - Embedded Computing Products
- PDSi is positioning itself to take advantage of these opportunities
 - Continuing to generate profits and cash, so we can make investments in the business
 - Paying off line of credit and accumulating cash, frees capacity for funding growth
 - Refinancing our line of credit with Wells Fargo, gives us more flexibility for investing in growth
 - Continue expanding our service and technical capability's, i.e. most recently adding the capability to service a variety of new telecommunication infrastructure equipment

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\$ million	2010	2009	B/(W)
Pre-tax Income	\$1.7	(\$2.8)	\$4.5
Net Income	\$3.1	(\$3.5)	\$6.5
EBITDA	\$2.1	(\$2.1)	\$4.2
Revenue	\$29.4	\$35.6	(\$6.2)
Line of Credit (as of 12/31)	\$0.3	\$2.4	\$2.1

Significant turnaround to profit

- \$3.3MM of Net Income swing related to tax items (\$1.3MM) 2009, +\$2.0MM 2010
- Still a record year and an abrupt turn around
- Generating cash and reducing reliance on debt

\$ million	2010	2009	B/(W)
Revenue			
Product	\$15.7	\$24.5	(\$8.8)
Service	\$13.7	\$11.1	\$2.6
Total	\$29.4	\$35.6	(\$6.2)
Gross Profit			
Product	\$3.1	\$3.7	(\$0.6)
Service	\$5.7	\$3.6	\$2.1
Total	\$8.8	\$7.3	\$1.4
Gross Margin			
Product	19%	15%	4%
Service	41%	32%	9%
Total	30%	21%	9%
Op Exp	\$7.0	\$9.9	\$2.9

Dramatic change in Product/Service Mix

- Product Revenue decline (36%) not offset by Service growth +23%
- Net, Revenue down (17%) overall
- We knew we were facing Product declines, and chose near-term to focus on Service Growth

Significant Gross Profit Growth

- Overall Service Margins are 2X Products
- Actually grew Gross Profit by 20%
- Margin Improvements within each business (efficiencies and mix)
- Got Operating Overhead right for the business

Leveraged our sustained profitability to obtain more appropriate financing

- Commercial vs. Asset Based Line
 - Lower Costs
 - More flexibility to make investments in the business

Continue to Generate Profits and Cash

- Have freed up capacity on Credit Line
- Manage cash flow and expenses
- Match investments with funding

Proactively communicate improvements to the Investment Community

- Growth – both Bottom Line and Top Line
- More proactively promote PDSi
- Position ourselves to raise Equity capital as needed

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COO Overview

- **Sales & Marketing**
- **International (EMEA & APAC)**
- **PDSI Supply Chain**
 - **Procurement, Operations & Logistics**
 - **Quality & Operations Engineering**



2011 COO Plan

Marketing, Sales & Sales Support

- Secure & Develop OEM/Integration Partnerships within the first half of 2011
- Improve Strategic Account Management (SAM)
- Integration of CRM, Sales Process & SAM
 - Employ Consultative Business Development Professionals
 - Sales Realization Process that is robust and discipline
 - Qualified Pipeline & Sales Forecasting with the ability to track sales stage maturity
- Targeted Marketing addressing all three business segments



2011 COO Plan

PDSi International (ASIA & EMEA)



- Majority of our customers have presence in Singapore
 - Some OEM's Asian headquarters in Singapore
- Singapore is *the* logistics hub for the Asian market
 - Few, if any, high end repair centers present
 - 90% of the returns flow back to the original manufacturer or get scrapped in country because of no alternatives
 - Ease of doing business with low complexity of regulations
 - Access to skilled technical people
 - Strong economy & Tax benefits in Singapore





PDSi B.V.

Where will we take the EMEA facility ?

- Currently 70% screening activity and 30% actual repair
 - Goal for 2011 is 50% screening and 50% repair
- Add capability
 - Expand engineering skills
 - Additional Business Development
- Change the mix of products
 - PSU repair
 - Board repair
 - Whole unit repair
- Add service offerings
 - Reverse logistics





2011 COO Plan

PDSi Supply Chain

- Procurement
- Operations & Logistics
- Quality & Operations Engineering

*** Continue All Metrics on Current Scorecard***

Procurement

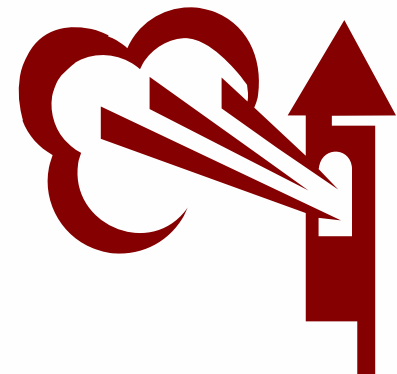
- Centralize Purchasing & Re-bid all of our spend

Operations & Logistics

- Improve Inventory turns and reduce footprint of space to allow for expansion and expense management
- Improve TAT & On Time Delivery Metrics

Quality and Operations Engineering

- Self Directed Work Teams (5S) Deliver operational cost reduction
 - Enabled by Operational & Logistical improvement through engineering, systems and the process set up
- Continue Excellence in our Quality Management System



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2011 focus is on profitable growth in all three segments of our business.

- Added Business Development resources
- Defined Routes to Market for each targeted segment
 - Leveraging our reputation and capability in Service
 - Developing partnerships with technology leaders that provide access to IP that we can leverage in our Integration and Embedded Computing segments
- Continue to generate earnings and cash, providing capacity for funding future growth
- Investments in strategic areas of the business are needed now to grow the company...

“PDSi puts computer technologies to work for our customers”

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Thank You!

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