

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Patriot Scientific Corporation (PTSCE)



DAVID H. POHL is Chairman of the Board and CEO of Patriot Scientific Corporation, a publicly held company. Prior to assuming his position at Patriot, he was in the private practice of law, counseling business clients and most recently was Of Counsel with the law firm of Herold & Sager in Encinitas, California. He is a member of the Intellectual Property Law and Business Law Sections of the State Bar of California. In 1995 and 1996 Mr. Pohl was Special Counsel to the Ohio Attorney General regarding entrepreneurial investments by several large government employee pension funds in the state. Previously, he was a Senior Attorney with Jones, Day, Reavis & Pogue, a large international law firm, and prior to that he held positions as a senior executive officer and General Counsel at Security Pacific Financial Services and Gibraltar MoneyCenter, Inc.

Mr. Pohl holds a JD degree from The Ohio State University College of Law and an undergraduate degree in Business and Administrative Science from the same university. He has served as a member of the Board of Governors of the Corporate Counsel Section of the Ohio State Bar Association and is an emeritus member of the Board of Directors of the American Financial Services Association. Mr. Pohl also currently serves on the Board of Directors of Peregrine Pharmaceuticals, Inc., Tustin, California.

TWST: Would you give us a brief historical sketch of the company and a picture of the things you are doing at the present time?

Mr. Pohl: Patriot Scientific Corporation is a publicly held company. It is a Delaware corporation that has been public since 1992. At the present time, we estimate that we probably have about 16,000 or more shareholders. We are an intellectual property licensing company that develops, markets and enables innovative technologies for applications. Since the company's founding in 1987, Patriot applied for and was granted several patents on its own inventions. The company's portfolio of IP encompasses fundamental microprocessor design technology that is included in the company's microprocessor chip. This valuable portfolio of intellectual property essentially covers the fundamental design of what we believe to be virtually every microprocessor in use around the globe today.

TWST: Would you go into some detail there?

Mr. Pohl: Patriot is a unique IP-licensing hybrid. The company has historically developed its own technology but recently agreed to unify its joint rights to a previously acquired patent portfolio as well. Patriot Scientific has been developing its own technology since its inception, including ground-penetrating radar intended for the military and industrial applications, microprocessor chips for consumer electronics, and other high-tech products. In June 2005, Patriot Scientific and The TPL Group, the other holder of equal rights to a portfolio of key microprocessor patents originally filed in 1989 and granted in 1998, announced an agreement to unify their respective interests in a joint venture. This valuable 10-patent portfolio contains core building blocks for microprocessor implementation and architecture currently used in many applications.

TWST: What are their principal applications?

Mr. Pohl: The principal applications are in cell phones and wireless devices, smart cards, home appliances, digital cameras, gateways, and virtually everything that touches the lives of con-

sumers today, such as their new luxury automobile, the set-top box on their television set, the DVD player, microwaves and dishwashers — almost any consumer electronic device. Many medical devices have microprocessors, and there are various industrial applications as well. Aviation and aerospace technology also includes microprocessors.

TWST: What are some of the companies that you have been doing business with?

Mr. Pohl: Up until 2005, the company had been developing and marketing its own computer chip. Then in June of that year, the company entered into a joint venture to refine and refocus its business strategy with a group that had equal rights to the portfolio. We unified the patent portfolio, and as a result of that unification, we are now focused on licensing our technology to other

TWST: What are the key elements in your strategy as you look out over the next three years or so?

Mr. Pohl: The key elements of our strategy right now, of course, are to continue what we have been doing toward the licensing of the patent portfolio. We have a relatively low overhead and low burn rate compared to the significant revenue that is flowing from these licensing transactions. As we begin to accumulate more and more cash from the licensing revenue stream that we have created, we will be considering opportunities to pay dividends, which we did earlier in 2006, which was very unusual for a microcap company. We will also look at opportunities to engage in other joint ventures, or ways to create additional revenue streams through mergers, acquisitions, or similar ventures that make sense for the company and for our shareholders.

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companies as opposed to our actually manufacturing and selling our own chips. We came to realize that because our patent portfolio covers the fundamental design of virtually every microprocessor that is in use around the globe, hundreds of companies can license this technology. So to answer your question, AMD and Intel were the first to acquire licenses for the portfolio. Then, in calendar year 2006, we have had nine license deals signed so far, including HP, Fujitsu, Casio, Sony, PENTAX, Seiko Epson, Nikon, Olympus, and Kenwood. We are quite proud of the quality of the licensees so far, which is certainly an indication of the strength and validity of our patent portfolio.

TWST: Have you sued some companies for patent infringement?

Mr. Pohl: Yes, Patriot had originally sued some companies for patent infringement. The focus has shifted to Texas where infringement litigation initiated by the TPL Group on behalf of the jointly owned patent portfolio is now pending. Due to the sensitivity of that significant litigation, I would prefer not to discuss the topic further at this time without our attorneys present.

TWST: What makes your technology superior to that of your competition?

Mr. Pohl: The fundamental focus of our technology is that it is a microprocessor design with high speed, low power consumption, and a relatively low cost.

TWST: What would you be looking for in an acquisition?

Mr. Pohl: In an acquisition, we are looking for, first of all, a revenue stream that will be compatible with the company’s income and growth objectives, and with technology that would be compatible with our current focus. Certainly, it should be something that makes sense overall in terms of not diluting the resources that we will be accumulating as we go forward.

TWST: You are not doing much R&D at the present time?

Mr. Pohl: That is correct. We still have some valuable technology that, among other things, includes a computer chip that is identified as the IGNITE chip. That is the chip that the company spent a number of years researching and developing. We are considering whether we should go forward in some sort of a joint venture and perhaps find another company that would be interested in putting some of their own resources into further R&D and perhaps even marketing once some enhancements are made to the chip. But at the present time, the company itself is not engaging in any R&D.

TWST: What about challenges and problems? What are you worrying about these days?

Mr. Pohl: One of the challenges we are dealing with is the fact that lately the media have been picking up on and casting companies that are primarily engaged in licensing of patent portfolios in a pretty negative light. We really don’t fall into this category that tends to be described as patent trolls, which essentially are companies that,

according to what I read in the newspapers, acquire patents to make a quick buck, and strictly for the opportunity to go out and prosecute infringers and collect money from them. Our focus is that we acquired our original technology for the purposes of developing a product. We spent a number of years and millions of dollars in research and development and marketing of that product, so we really don't fit into that quick buck category, even though at the present time, we have stopped doing our R&D and we have decided to focus on the licensing.

TWST: What would you reasonably expect the company to look like in about three years? What might be some milestones along the way for potential investors to note?

Mr. Pohl: To date, over 300 companies have been put on notice for the fact that they are possibly infringing. That should give investors some sense of the size of the potential pipeline of licensing candidates that is out there, and we currently can point with pride to 10 licenses in total. That means there are a lot more to come. So the answer to your question is that three years from now, I picture this company as being one that has capitalized on the opportunity to accumulate some impressive amounts of cash in the form of licensing revenues. Milestones would possibly include that the Board of Directors might decide to pay some dividends to shareholders along the way. In addition to that, the company will definitely have taken a look at adding additional revenue streams through acquisition opportunities and perhaps the opportunity to acquire additional technology. So I would see this company three years from now, barring any unforeseen developments, as being a financially strong company, listed on a major stock exchange, and one with income and growth potential as a very attractive investment for shareholders.

TWST: How much cash do you have now and how rapidly are you burning it?

Mr. Pohl: At the present time, we are just about to the point of filing a 10-KSB, which is due around October 13, and our first quarter 10-Q is to be filed a few days after that. I don't think it would be useful for me to speak of stale information as of our last quarterly filing as of the end of February. You know the restrictions that we face in being a publicly held company. Our current cash position will soon be revealed in our public filings.

TWST: The company has five people at the present time. Would you tell us about the backgrounds and expertise of several of those five people, yourself included?

Mr. Pohl: I am an experienced business lawyer and have been on the Board of Directors of Patriot Scientific since 2001. In addition to myself, we are pleased to have other Board members who contribute almost on a daily basis to the progress and growth of the company. One of our Directors is an experienced CPA, Gloria Felcyn, who serves as the Chairman of our Audit Committee. Another Director is an attorney, Carlton Johnson, who is quite experienced in legal matters. He helps us tremendously in that arena. We have, in the past year, added James Turley to our Board. Jim is a recognized industry authority on microprocessors and intellectual property, and so

he is providing very valuable input in that regard. And then we also have Dr. Helmut Falk, who is an anesthesiologist, and who contributes concerned business and shareholder input as the son of the Founder of the company. That is our Board of Directors. In addition to myself as the Chairman and CEO, our CFO is Tom Sweeney. Tom is a CPA with a background in dealing with companies that are of an entrepreneurial nature and publicly held companies that have experienced rapid growth in the past. In addition to Tom and myself being here in the office as executives on a daily basis, we have a very good controller and two other assistants.

TWST: Do you expect to add some people as the company becomes more successful?

Mr. Pohl: Absolutely, we look forward to that. At the same time, we favor operating on a lean and mean basis, and that is the way that we are able to function very effectively. My objective has always been to minimize investments of the company in bricks and mortar and to focus more on the revenue, particularly recurring revenue.

TWST: What occupies your own attention most on a day-by-day basis?

Mr. Pohl: Certainly, attention to closely following the activities of the licensing strategy that we are pursuing in addition to a myriad of managerial activities associated with being the CEO of a small team running a public company with a large number of shareholders. Being a publicly held company, one of the things that I find very interesting these days are the challenges that go with operating a company in the era of Internet message boards. When you have a small company, a small staff such as ours, and a very large widespread shareholder group (as I indicated earlier, it's probably around 16,000 in number), there are lots of ongoing promotional and investor relations duties that fall on the CEO's desk in a situation of this sort, in addition to the daily tasks related to running a business.

TWST: What would be the two or three best reasons for a long-term investor to take a very good look at Patriot Scientific?

Mr. Pohl: First of all, the value and strength of the patent portfolio. If one considers simply the fact that we've put over 300 companies on notice so far, you can speculate that there are probably several hundred more companies that might be added to the list in the future. So the potential for licensing revenues is tremendous. One could do some calculations on their own as far as picking a hypothetical average revenue stream per individual license and then multiplying that by the number of licenses they expect to see the company have. In doing so, one can come up with some interesting numbers of projected future revenue. As we accumulate that revenue, investors can look at two things. Number one is that since we are a company that has a stock that is currently trading at a price in the range of near \$0.80 a share and a market cap of almost \$300 million, we should have tremendous prospects for appreciation in the value of the shares. In addition to that, because of the activities that I have described in the revenue stream, the potential for dividends along with the appreciation are great.

TWST: Would you give us some hypothesis about this potential revenue stream?

Mr. Pohl: At this point, it is a subject I would love to be able to talk about, but we are not in a position right now to be able to give much guidance. As I said, the best way to do it is to take the number of potential licensing candidates that are out there, and multiply that number by a projected average dollar amount per license. You come up with some pretty impressive prospects for what the projected revenue of this company can be on a one-year or a five-year basis. Our patents are good through the year 2015. So there is a tremendous future ahead for this company.

TWST: You said that you would shortly have more freedom regarding what you could say.

Mr. Pohl: That is because we will be filing our 10-K information, which will be for our fiscal year end that was May 31, 2006. Then shortly after that, we will be announcing our first quarter information. And in the first quarter of this year, five additional licenses were signed.

TWST: Are you going to take any steps to improve your capital structure?

Mr. Pohl: We have already taken some significant steps in that, when this company was struggling to keep the doors open a number of years ago, we had contracted for a line of credit — an equity line of credit financing that later shifted into convertible debentures. In March of this year, we paid off the last of the convertible debentures, which had the result of the company basically eliminating its long-term debt. So as far as strength is concerned, I would certainly point to that. In addition to the strong revenue stream that we have from licensing, we have a very small headcount and low overhead. We are really at a point where the capital structure is very favorable.

TWST: Is there anything that you would like to add, particularly regarding strategies, opportunities and long-term objectives?

Mr. Pohl: One of the things that we find that we are in a position to do is to offer a possible acquisition opportunity to some privately held companies that may be out there perhaps with good technology but in need of cash or working capital as in the position that Patriot used to be, or perhaps with owners seeking liquidity or an exit strategy. These are companies that might benefit from being associated with a publicly held company such as Patriot that has a

good cash flow, and can present opportunities for a privately held company to back into a public company. We feel that that is one of the exciting prospects that we have, which is a strategy, an opportunity, and an objective.

TWST: What would you feel about your company being acquired by a much larger company?

Mr. Pohl: At the moment, we are not entertaining that thought. We feel that we have so much potential that we are not putting ourselves on the market.

TWST: Is there anything that you would like to add?

Mr. Pohl: I am very positive in terms of the fact that we are a company that has gone through a dramatic, positive transition in the past year. We went from being an R&D and marketing company, making and marketing a chip, to a company that has now shifted to licensing a patent portfolio that has already proven its worth with the initial group of marquee-name industry companies that have purchased licenses. We have demonstrated that we have a very strong income and growth potential in terms of the pipeline of additional candidates for licenses that is already out there. We also have a really hands-on Board of Directors and management team that function as a tight-knit group to make quick decisions and to work in the best interests of the shareholders. I feel that Patriot Scientific should be on every investor's radar screen.

TWST: Thank you.

DAVID H. POHL

Chairman & CEO

Patriot Scientific Corporation

6183 Paseo Del Norte

Suite 180

Carlsbad, CA 92011

(760) 547-2700

(760) 547-2705 – FAX

www.ptsc.com