U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2003
Or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 0-22182

PATRIOT SCIENTIFIC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	84-1070278
(State or other jurisdiction of incorporation or organization)	(I.R.S. Empl. Ident. No.)

10989 Via Frontera, San Diego, California	92127
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code): (858) 674-5000

Securities registered under Section 12(b) of the Exchange Act: NONE
Securities registered under Section 12(g) of the Exchange Act:
Common Stock, $.00001 par value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer. YES ___ NO X

As of November 29, 2002, the last business day of Registrant's most recently completed second fiscal quarter, there were 87,489,354 shares of Registrant's Common Stock outstanding and the aggregate market value of Common Stock held by non-affiliates of Registrant was $5,614,000 (based upon the closing price for shares of Registrant's Common Stock as reported on the OTC Electronic Bulletin Board system on November 29, 2002). Shares of Common Stock held by each officer, director and holder of 5% or more of the outstanding Common Stock (including shares with respect to which a holder has the right to acquire beneficial ownership

within 60 days) have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

At August 28, 2003, 123,518,272 shares of common stock, par value $.00001 per share (the registrant's only class of voting stock) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including all documents incorporated by reference, includes "forward-looking" statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995, and we desire to take advantage of the "safe harbor" provisions thereof. Therefore, we are including this statement for the express purpose of availing ourselves of the protections of such safe harbor with respect to all of such forward-looking statements. The forward-looking statements in this Report reflect our current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including specifically the absence of significant revenues, a history of losses, no assurance that technology can be completed or that our completion will not be delayed, significant competition, the uncertainty of patent and proprietary rights, uncertainty as to royalty payments and indemnification risks, possible adverse effects of future sales of shares on the market, trading risks of low-priced stocks and those other risks and uncertainties discussed herein, that could cause actual results to differ materially from historical results or those anticipated. In this report, the words "anticipates," "believes," "expects," "intends," "future" and similar expressions identify certain of the forward-looking statements. Readers are cautioned not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date hereof. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that may arise after the date hereof. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this section.

PART I

Item 1. DESCRIPTION OF BUSINESS

The Company

Patriot Scientific Corporation was organized under Delaware law on March 24, 1992, as the successor by merger to Patriot Financial Corporation, a Colorado corporation incorporated on June 10, 1987. Our address is 10989 Via Frontera, San Diego, California 92127, and our telephone number is (858) 674-5000. Our home page can be located on the World Wide Web at http://www.ptsc.com.

We develop, market, and sell microprocessors, our technology behind the microprocessors, and complementary products which enable computers and other data processing devices to communicate. These products can be used to connect to the Internet or other telecommunication networks. The microprocessor technology product line accounted for approximately 25% of our revenue in fiscal 2003. The balance of our 2003 revenue was generated from a communication product line that, subsequent to a completed last buy program, is generating minimal revenue. We also have a patent for special radar technology which, if fully developed, may allow a potential licensee to penetrate the ground or structures to find various objects. We also owned gas plasma antenna technology which we sold for $250,000 in August 1999. We potentially could receive up to an additional $250,000 from the sale of the gas plasma technology in the form of royalties. Our strategy is to exploit our microprocessor technologies through product sales, licensing, and strategic alliances.

In 1997, we emerged from the development stage primarily as a result of the acquisition of Metacomp Inc. There can be no assurance that we can achieve profitable operations, and we may need additional financial resources during the next twelve months.

Background

In February 1989, we completed our initial public offering under a registration statement on Form S-18 under the Securities Act of 1933. This offering raised gross proceeds of $50,000 and net proceeds of approximately $28,640 upon the sale of 2,500,000 units at $.02 per unit. Each unit sold in the public offering consisted of one common share and one Class A common stock purchase warrant exercisable to acquire one share of common stock and one Class B common stock purchase warrant. All Class A and Class B warrants have since been exercised or have lapsed.

On May 12, 1992, we redomiciled ourselves from Colorado to Delaware by merging into a wholly owned Delaware subsidiary, Patriot Scientific Corporation, organized for that purpose. The reincorporation resulted in a reverse stock split. Three shares of the Colorado corporation, par value $.00001, were converted into one share of the Delaware corporation, par value $.00001. The reincorporation also effected a change in our charter and bylaws and a name change to Patriot Scientific Corporation.

In May 1993, we registered under the Securities Act of 1933 a total of 7,631,606 shares issuable upon the exercise of outstanding Class A and Class B common stock purchase warrants. We received net proceeds of $3,343,915 upon the exercise of those warrants and the issuance of 7,538,102 common shares. None of such warrants remain outstanding.

Effective May 31, 1994, we entered into an asset purchase agreement and plan of reorganization with nanoTronics Corporation located in Eagle Point, Oregon and Helmut Falk. We issued a total of 8,500,000 restricted common shares to nanoTronics to acquire certain microprocessor technology of nanoTronics. The technology acquired was used to develop a sophisticated yet low cost microprocessor. 5,000,000 of the shares were issued on a non-contingent basis, and the remaining 3,500,000 shares were issued subject to the terms of an earnout escrow arrangement, which concluded on May 31, 1999.

Effective December 26, 1996, we acquired 96.9% of the outstanding shares of Metacomp, Inc., a California corporation, from 56 shareholders in exchange for the issuance of 1,272,068 shares of our common stock. Based on the closing price of our common stock of $1.375 on the date of the acquisition, the price of the acquisition was $1,749,094. This business combination was accounted for as a pooling-of-interests.

Business

Organization and Corporate Development. Our business involves the following technologies:

- Ignite microprocessor technology,
- high-speed data communications technology, and
- radar technology.

Due to a lack of funds to develop and commercialize JUICEtechnology, a technology introduced to us in 2001, we assigned our rights in this technology back to the inventor in April 2003.

The stages of development of our technologies is as follows:

- Ignite microprocessor. This technology is generating minor amounts of revenue from the sale of development boards, microprocessors and initial license fees related to the microprocessor application. We run the technology on a 0.18-micron microprocessor, which is in current production. We have ported the WindRiver VxWorks operating system and the Sun Microsystems personalJava virtual machine to the microprocessor. In addition, the technology is available for sale as intellectual property which enables the prospective customer to incorporate the microprocessor functions with other parties' applications to arrive at a system on a chip solution. Although we anticipate the Ignite

technology to be our main product line, it currently accounts for only 25% of our revenue in fiscal year 2003.

- High-speed data communications. Revenue from this technology was phased out during fiscal year 2002 as a result of the products reaching the end of their life cycles. During fiscal 2002 we initiated a last time buy program and except for minor repeat orders have discontinued to sell this product line. We have decided to concentrate our efforts on the Ignite microprocessor technology. Although the communications product line accounted for approximately 75% of our fiscal year 2003 revenue, we anticipate that the Ignite microprocessor will be our main product line in the future.

- Radar and antenna. We sold the gas plasma antenna technology in August 1999. Our radar technology has not generated any revenue and we have suspended further development of this technology in order to concentrate our resources on our Ignite products.

Due to our small size and staffing overlaps among the technologies, certain personnel may work on any or all of our technologies from time to time.

During at least the last three years, we have focused the majority of our efforts on the Ignite technology. The Ignite technology is targeted for the embedded controller and Java language processor marketplaces.

Internet Growth and the Emergence of the Java Programming Language. The Internet is a global web of computer networks. This "network of networks" allows computers connected to the Internet to “talk” to one another. The Internet provides organizations and individuals with new means to conduct business. Commercial uses of the Internet include business-to-business and business-to-consumer transactions, product marketing, advertising, entertainment, electronic publishing, electronic services and customer support. We believe that organizations will also increasingly use the Internet and private Intranet networks to improve communications, distribute information, lower operating costs and change operations. Use of the Internet has grown rapidly impacting computer hardware, software and peripheral industries. The rapid growth in popularity of the Internet is in part due to continuing penetration of computers and modems into U.S. households, growth of the informational, entertainment and commercial applications and resources of the Internet, the growing awareness of such resources among individuals, and the increasing availability of user-friendly navigational and utility tools which enable easier access to the Internet's resources.

The growth of the Internet and corporate Intranets is creating a demand for hardware, software and peripherals. Software, such as Java, has been developed to serve the requirements of Internet users.

Java is a programming language that was originally developed for personal digital assistant devices and television set top boxes. It was formally announced as an object-oriented language for the Internet in May 1995 by Sun Microsystems Inc. A large number of major computer, software, browser and on-line service provider companies have licensed the Java language. Accordingly, Java is a fundamental platform for Internet related applications. A significant number of Java applications, or applets, are now available on the Internet. These applications not only enhance web pages but also perform many functions of traditional computer software programs. Our Ignite technology lends itself to potential markets in which the use of Java is prevalent.

With Java, data and programs do not have to be stored on the user's computer, but can reside anywhere on the Internet to be called upon as needed. Among its various attributes, two key features of Java are (1) its ability to run on a variety of computer operating systems thus avoiding the problem of incompatibility across networks, and (2) security, because Java enables the construction of virus-resistant, tamper-resistant systems by using resource-access control and public-key encryption. Because of Java's useful features, it has also become a popular programming language for embedded applications.

Since Java is designed to run on multiple types of devices and operating systems, it allows developers to write a program once for many types of operating systems, instead of having to write new versions for each type. Java does this by interpreting a program's commands into something that a particular type of computer can understand. This interpretive design runs programs slower than if they were tailored for each type of computer and is resulting in a need for specialized microprocessors and compilers to increase Java's speed.

The growth of Java is causing a number of companies to consider it as a basis for a new style of computing tailored to the Internet and not encumbered by the limitations of, or requiring, traditional computer operating systems. The concept is to design inexpensive access devices to communicate via the Internet.

Our Microprocessor Technology.

General Background**.** In 1991, nanoTronics Corporation was formed and acquired a base technology for an advanced microprocessor integrated on a single computer chip. nanoTronics subsequently engaged in substantial technical development and fabricated a first-generation microprocessor in early 1994.

Since the acquisition of the technology from nanoTronics, effective May 31, 1994, we have been engaged in enhancing the microprocessor design, adding additional technical features to further modernize the design, and improving and testing the new design. We initially fabricated a prototype 0.8-micron microprocessor in May 1996. The next generation was a 0.5-micron microprocessor that was delivered in September 1997. The 0.5-micron microprocessor was employed in demonstrations for prospective customers and was shipped in limited numbers to customers as an embedded microprocessor. In 1998 we introduced a 0.35-micron microprocessor whose features included a reduction in size and improved performance. In addition, in September 2000 we completed a VHDL model of this technology which enables customers to purchase intellectual property incorporating microprocessor functions with other parties' applications to arrive at a system on a chip solution. By purchasing this software model, customers can significantly reduce their time to market by simulating results as opposed to trial and error commitment to silicon production. We currently have a 0.18-micron enhancement of silicon production for our Ignite microprocessor technology.

Industry Background**.** The semiconductor logic market has three major sectors:

- standard logic products,
- application specific standard products, and
- application specific integrated circuits.

Standard logic products, such as the Intel's X86 and Pentium and Motorola's 680X0 microprocessor families, are neither application nor customer specific. They are intended to be utilized by a large group of systems designers for a broad range of applications. Because they are designed to be used in a broad array of applications, they may not be cost effective for specific applications. Application specific integrated circuits are designed to meet the specific application of one customer. While cost effective for that application, application specific integrated circuits require large sales volumes of that application to recover their development costs. Application specific standard processors are developed for one or more applications but are not generally proprietary to one customer. Examples of these applications include modems, cellular telephones, wireless communications, multimedia applications, facsimile machines and local area networks. We have designed our microprocessor to be combined with application specific software to serve as an embedded control product for the application specific standard processor market sector.

Application specific standard processors are typically used in embedded control systems by manufacturers to provide an integrated solution for application specific control requirements. Such systems usually contain a microprocessor or microcontroller, logic circuitry, memory and input/output circuitry. Electronic system manufacturers combine one or more of these elements to fit a specific application. The microprocessor provides the intelligence to control the system. The logic circuitry provides functions specific to the end application. The input/output circuitry may also be application specific or an industry standard component. The memory element, if not on the microprocessor, is usually a standard product used to store program instructions and data. In the past, these functions have been executed through multiple integrated circuits assembled on a printed circuit board. The requirements for reduced cost and improved system performance have created market opportunities for semiconductor suppliers to integrate some or all of these elements into a single application specific standard processor or chip set, such as the Ignite family of microprocessors. The Ignite family provides close integration of the microprocessor and input/output function with the logic circuitry, thereby providing an advanced application specific standard processor.

Embedded control systems enable manufacturers to differentiate their products, replace less efficient electromechanical control devices, add product functionality and reduce product costs. In addition, embedded control

systems facilitate the emergence of completely new classes of products. Embedded control systems have been incorporated into thousands of products and subassemblies worldwide, including automotive systems, remote controls, appliances, portable computers and devices, cordless and cellular telephones, motor controls and many other systems.

Microprocessors are generally available in 4-bit through 64-bit architectures, which refers to the amount of data they can process. 4-bit microprocessors are relatively inexpensive, typically less than $1.00 each. Although they lack certain performance and features, they account for more than 40% of worldwide microcontroller volume. Also in general use today are 8-bit architectures, generally costing $1.00 to $10.00 each and accounting for an additional 40% of worldwide microcontroller volume. To date 16-bit, 32-bit and 64-bit architectures, with typical costs of over $10.00 each, have offered very high performance, but are generally considered to be expensive for high-volume embedded control applications. The use of 16-bit, 32-bit and 64-bit architectures offers fewer internal limitations, making programming easier and providing higher performance. Although generally more expensive per unit and requiring more support logic and memory, these devices offer many advantages for more sophisticated embedded control systems.

Electronic system designers, driven by competitive market forces, seek semiconductor products with more intelligence, functionality and control that can be used to reduce system costs and improve performance. For these needs, the Ignite product family was designed to be a sophisticated 32-bit microprocessor with advanced features. The Ignite product family uses a smaller number of transistors compared to other RISC processors which results in less power consumption and more economical prices compared to other embedded control applications. This creates the opportunity for the development of new, cost-effective applications.

Technology Description**.** Conventional high-performance microprocessors are register-based with large register sets. These registers are directly addressable storage locations requiring a complex architecture that consumes costly silicon. This conventional architecture provides processing power for computer applications but complicates and slows the execution of individual instructions and increases silicon size, thereby increasing the microprocessor cost.

Our technology is fundamentally different from most other microprocessors in that the data is stored in groups. Our microprocessor employs certain features of both register and stack designs. The resultant merged stack-register architecture improves program execution for a wide range of embedded applications. Our design combines two processors in one highly integrated package, a microprocessing unit for performing conventional processing tasks, and an input-output processor for performing input-output functions. This replaces many dedicated peripheral functions supplied with other processors. The microprocessor's design simplifies the manipulation of data. Our architecture employs instructions that are shrunk from 32-bits to 8-bits. This simplified instruction scheme improves execution speed for computer instructions. Our architecture incorporates many on-chip system functions, thus eliminating the requirement of support microprocessors and reducing system cost to users.

The 0.8-micron microprocessor was designed to operate at a speed of 50Mhz; the 0.5-micron microprocessor at a speed of 100Mhz; the 0.35-micron microprocessor at 150MHz; and the 0.18-micron to operate at speeds in excess of 300Mhz. They are all compatible with a wide range of memory technology from low cost dynamic random access memory to high-speed static random access memory. The microprocessors can be packaged in various surface-mount and die-form packaging. There can be no assurance that the designed speed will be achieved with the production model of the 0.18-micron microprocessor or future versions or that all of the desired functions will perform as anticipated.

Our technology is not designed or targeted to compete with high-end processors for use in personal computers. It is targeted for embedded control applications. We believe that the features described above differentiate the Ignite family from other 8-bit to 64-bit microprocessors targeted for embedded control applications. Considering the reduced requirement for support microprocessors, the Ignite family is intended to be available at a high volume price that should be price competitive with high-end 8-bit microprocessor and general 16-bit microprocessor systems but with higher performance (speed and functional capability). The Ignite family has been designed to allow high-speed and high-yield fabrication using generally available wafer fabrication technology and facilities.

The Ignite Microprocessor as a Java Processor**.** We believe the Ignite microprocessor architecture is capable of being an efficient and cost effective Java programming language processor, because Java is designed to run on a stack-oriented architecture and the Ignite architecture executes the virtual stack machine internal to Java efficiently. Many Java operation codes or instructions require only a single 8-bit Ignite family instruction to be executed, providing a

performance advantage over other more expensive processors that require six or more 32-bit instructions to do the same task. This feature allows the execution of Java programs with increased speed and reduced code size thereby enabling lower system memory costs. In addition, the incorporation of many on-chip system functions is expected to allow the Ignite family to perform most of the other functions required of an Internet computer device or Java accelerator, thereby eliminating components. Since Internet computers are designed to be inexpensive appliances for Internet access, cost, speed and performance are expected to be key requirements for designers. We believe the Ignite technology can compete favorably on the basis of such requirements, although there can be no assurance we can successfully exploit Java related applications or that competitors will not create superior Java processors.

We have ported the Java operating environment to the Ignite family, which currently uses the C programming language for software support. We are a licensee of Sun Microsystems Inc. This enables us to develop and distribute products based on Sun's personalJava, a platform on which to run Java applications. We have also licensed from Wind River an operating system, VxWorks, and entered into a relationship with Forth Inc. whereby Forth will provide software support and operating system development tools for the Forth Programming language. We believe this solution is competitive in the Java virtual machine and embedded applications markets. We believe that, if the implementation is successfully completed, the Ignite I family will be competitive with Java microprocessors announced by competitors. However, there can be no assurance of successful implementation of this package of software or of a market for an Ignite family Java microprocessor.

Stage of Development**.** In early 1994, nanoTronics initiated production of a first generation of wafers at a contract fabrication facility using 6 inch wafers employing 0.8-micron double-metal CMOS technology. After the May 31, 1994 acquisition, we improved the original design, added new features and performed simulations and tests of the improved designs. In October 1995, a run of six wafers of second generation 0.8-micron microprocessors was fabricated by a contract fabrication facility. Subsequently, we tested these microprocessors, while completing a C computer language compiler and preparing application development tools. The compiler and application development tools are necessary to enable system designers to program the Ignite family for specific applications. We made corrections to the design suggested by the testing of prototype units and produced an additional run of second generation microprocessors from remaining wafers in May 1996. In July 1996, we employed these microprocessors in demonstration boards for use by developers and prospective customers and licensees.

In December 1997, we completed development of and started shipping a 0.5-micron microprocessor based on the Ignite technology and found that 0.5-micron double-metal CMOS technology improved operating speed, reduced power requirements, reduced physical size and reduced fabrication cost. In May 1998, we began a production run of a 0.35-micron microprocessor that further increased operating speed and cost performance over the previous generations of the Ignite family of microprocessors.

At each stage of development, microprocessors require extensive testing to ascertain performance limitations and the extent and nature of errors (bugs), if any. When significant limitations or errors are discovered, additional rounds of design modifications and fabrication are required prior to having functional and demonstrable microprocessors for prospective customers and licensees. Although our 0.5 and 0.35-micron microprocessors have been sent to prospective customers in anticipation of production orders, there can be no assurance that we, during our continued testing of these products, will not identify errors requiring additional rounds of design and fabrication prior to commercial production. Additional delays could have an adverse effect on the marketability of our technology and financial condition.

In September 2000, we completed the VHDL soft-core version of the Ignite microprocessor family. The hardware design inside a microprocessor, or silicon device, can be represented as a software program. This, in essence, replaces the old style of designing microprocessors using schematics. VHDL is the predominant software language used to design semiconductors. In addition to the design aspects, VHDL also contains sophisticated simulation tools that allow the designer to simulate the functionality of the entire design before committing to silicon. Also VHDL enables a designer to easily modify and enhance the design. A design represented in VHDL goes through a synthesis process whereby it is converted to the most basic element of a design, logical gates. This gate level representation in turn is used with computer aided engineering tools to translate the design into the most fundamental component of semiconductors, transistors. The characteristics of the transistors can be given as a library to a foundry. Therefore, a

design represented in VHDL is technology and foundry independent and can be targeted for any given transistor geometry (such as 0.18, 0.25, or 0.35- micron) for any foundry of choice.

We have developed marketing materials, product manuals and application development tools for use by licensees and customers. The manuals and tools are necessary to enable system designers to quickly and easily program the Ignite family for specific applications.

We believe that the Ignite family is ready for licensing or sale and that any additional changes encountered in current testing will be minor and can be made during subsequent production runs of Ignite family microprocessors for customers, when and if orders are obtained. We also believe the core technology is ready for licensing for use by others to develop custom microprocessors.

Business Strategy**.** The increasing demand for embedded control has made the market for microprocessors one of the largest segments of the semiconductor logic market. This demand will drive the need for embedded processors. Our strategy does not entail competing directly with suppliers who have multiple microprocessor types addressing all parts of the embedded systems market, but on identifying certain market niches that the Ignite would best address due to its low cost, low power consumption, small number of transistors and higher performance.

Because of the above factors, we intend to focus the majority of our efforts on the embedded microprocessor business, a market without an established base of microprocessor products and for which we believe the Ignite has desirable technical and market advantages.

We believe that our architecture is suited for controller applications requiring high performance and low system cost, such as smart cards, cell phones, printers, video terminals, robotics, motion controllers, industrial controllers, digital communication devices, video games, kiosks, cable and satellite modems and TV set top boxes. We expect that early licensing of the technology and product applications will focus on embedded control.

We have three international representatives for foreign markets and are addressing the domestic market with an in-house business development person. We also have a strategic alliance with an outside microprocessor design house.

We believe the appropriate approach for us initially lies in a balanced effort of cultivating licensees and developing specific product enhancement partnerships, producing original equipment manufactured products, and providing technical support to third parties on a contract basis. The overall balance of these approaches will be monitored and modified as we attempt to ascertain and capitalize on the highly dynamic and competitive embedded microprocessor market. There can be no assurance that we can successfully exploit our microprocessor technology.

Subject to the availability of financial and personnel resources, while we are commercializing the Ignite family and the core technology, our strategy is to also design and develop future versions of the microprocessor with more demanding sub-micron technology and with more features. However, our resources are limited, and there can be no assurance that we will be able to continue microprocessor enhancement.

Initial fabrications of the 0.8-micron and 0.5-micron processors were performed by contract fabrication facilities. The 0.35-micron microprocessor was fabricated by a contract fabrication facility that had agreed to provide production quantities for our customers. We have completed work with a contract fabrication facility and our design house partner to produce a 0.18-micron version of the Ignite. There can be no assurance fabrication facilities will be available to produce the Ignite family in the future. However, since there are a large number of fabrication facilities with the capability to produce the Ignite family of microprocessors, we believe microprocessors can be produced on a contract basis. Industry shortages of fabrication facilities that may exist and are predicted to exist in the future are generally limited to the more demanding architectures. If a shortage of fabrication facilities develops, it could have a material adverse effect on our financial condition.

Competition**.** The semiconductor industry is intensely competitive and has been characterized by price erosion, rapid technological change and foreign competition in many markets. The industry consists of major domestic and international semiconductor companies, most of which have greater financial, technical, marketing, distribution,

development and other resources than ours. The market for microprocessors and for embedded control applications is at least as competitive.

While our strategy is to target high-volume licensees and microprocessor customers requiring more sophisticated but low-cost, low-power consumption devices, we can still expect significant competition. We may also elect to develop embedded control system products utilizing our own architecture or by contract for other manufacturers.

We expect that the Ignite family, if successfully commercialized in the embedded controller market, will compete with a variety of 16/64-bit microprocessors including those based on intellectual property from ARM and MIPS and microprocessors from Hitachi, Motorola and IBM. As a Java processor, we expect our Ignite family will compete with a broad range of microprocessors including those incorporating co-processor accelerator technology. The producers of these microprocessors have significantly greater resources than ours.

A new entrant, such as ours, is at a competitive disadvantage compared to these and other established producers. A number of factors contribute to this, including:

- the lack of product performance experience,
- lack of experience by customers in using application development systems,
- no record of technical service and support, and
- limited marketing and sales capabilities.

JUICEtechnology

During 2001 we introduced a technology to enhance the users experience of the wireless internet by expanding the capabilities of his device (either a cell phone, PDA, smart phone or pocket PC). By varying the speed at which the microprocessor processes information, the device could have presented information in a richer format than was available from current technologies and, additionally, doing so with less drain on the device's battery. Due to a lack of funds to develop and commercialize JUICEtechnology, we assigned our rights in this technology back to the inventor in April 2003.

High Speed Data Communications Products.

The communication products that reached the end of their life cycles are:

VME Product Line - a line of intelligent high-speed communications engines in a virtual memory European form factor. Some of our customers for these products included the military as well as large satellite based data communications companies.

Atcomm2/4 Product Line - an intelligent two or four channel product that was used for high-speed data communications.

Except for minor repeat orders, we no longer support this product line. We have disposed of or fully reserved the communication product line inventory and are concentrating our efforts and resources on Ignite.

Radar and Antenna Technology.

General Background. We commenced active development of our ground penetrating radar technology in April 1992. By May 1993, we were able to demonstrate the sensing, processing and crude visualization of images from our technology, and by May 1994 we had completed our prototype device. Since May 1994, we have focused our efforts and limited financial resources on the microprocessor technology and communication products, effectively suspending development and marketing efforts related to ground penetrating radar.

Gas Antenna Technology Description**.**

We sold our gas plasma technology in August 1999.

Research and Development. Our current development efforts are focused on improvement of and additional features for the Ignite family microprocessor. The development of this technology has taken longer than anticipated and could be subject to additional delays. Therefore, there can be no assurance of timely or successful marketing of this technology.

We incurred research and development expenditures of $723,287, $1,372,421 and $2,218,433 for our fiscal years ended May 31, 2003, 2002 and 2001. The majority of these expenditures have been devoted to our microprocessor technology. We believe that technical advances are essential to our success and expect that we will continue to expend substantial funds on research and development of our technology. However, there can be no assurance that such research and development efforts will result in the design and development of a competitive technology in a timely manner.

Licenses, Patents, Trade Secrets and Other Proprietary Rights. We rely on a combination of patents, copyright and trademark laws, trade secrets, software security measures, license agreements and nondisclosure agreements to protect our proprietary technologies. Our policy is to seek the issuance of patents that we consider important to our business to protect inventions and technology that support our microprocessor technology.

We have six U.S. patents issued dating back to 1989 on the microprocessor technology. We have one microprocessor technology patent pending in five European countries and one patent issued in Japan and may file additional applications under international treaties depending on an evaluation of the costs and anticipated benefits that may be obtained by expanding possible patent coverage. In addition, we have one U.S. patent issued on the ground penetrating radar technology and one U.S. patent issued on one of the communications products.

In addition to such factors as innovation, technological expertise and experienced personnel, we believe that a strong patent position is becoming increasingly important to compete effectively in the semiconductor industry. It may become necessary or desirable in the future for us to obtain patent and technology licenses from other companies relating to certain technology that may be employed in future products or processes. To date, we have not received notices of claimed infringement of patents based on our existing processes or products; but, due to the nature of the industry, we may receive such claims in the future.

We believe that we may have claims against other semiconductor companies and companies that use semiconductors with capabilities in excess of 125 MHz in their products. In 2003 we initiated contacts with companies we believe are infringing on methodologies covered by our patents. If discussions with potential infringers do not result in favorable business relationships, we may resort to legal actions to enforce our patents. However, there can be no assurance that we will be successful in enforcing any potential patent claims against larger competitors.

Based on the asset purchase agreement and plan of reorganization between Patriot, nanoTronics and Mr. Falk, we were the recipients of a number of warranties and indemnities. We believe nanoTronics has been liquidated and, due to Mr. Falk's death in July 1995, we may be limited in our ability to obtain satisfaction should we have any future claims against nanoTronics or its successor, the Falk Family Estate.

We have entered into the following licenses related to the microprocessor technology:

- Sierra Systems. In June 1994, we entered into an agreement with Sierra Systems whereby we could provide the C programming language on the Ignite. We currently provide development boards with the C programming language.

- Sun Microsystems Inc. In June 1997, we entered into an agreement with Sun Microsystems, Inc. which enabled us to develop and distribute products based on Sun's Java's technology. In June 1998, we exercised an option under that agreement to license from Sun, personalJava, a smaller platform on which to run Java applications that did not include an operating system. We determined that personalJava was better suited to the markets available to the Ignite. We have ported personalJava to the Ignite.

- Wind River. In July 1997, we entered into an agreement with Wind River that provided us with a license for an operating system, VxWorks, to be used in conjunction with personalJava. We have ported VxWorks to the Ignite.

- Forth Inc. In July 1997, we entered into a license agreement with Forth Inc. whereby Forth will provide software support and operating system development tools for the Forth programming language.

We had one U.S. patent on our gas plasma antenna technology that was sold in August 1999.

We have one U.S. patent on our ground penetrating radar technology. No foreign application has been made. There are a large number of patents owned by others in the radar field generally and in the field of ground penetrating radar specifically. Accordingly, although we are not aware of any possible infringement and have not received any notices of claimed infringement, we may receive such claims in the future.

There can be no assurance that any patents will be issued from pending or future applications or that any patents that are issued will provide meaningful protection or other commercial advantages to us. Although we intend to protect our rights vigorously, there can be no assurance that these measures will be successful.

We generally require all of our employees and consultants, including our management, to sign a non-disclosure and invention assignment agreement upon employment with us.

Marketing and Distribution. Our products are marketed through a combination of direct sales and distributors. Approximate sales by principal geographic area (as a percentage of sales) for fiscal years ended May 31 were as follows:

	2003	2002	2001
Domestic sales	91%	99%	75%
Foreign sales			
Asia	- %	- %	7%
Europe	9%	1%	6%
North America	- %	- %	12%
Total sales	100%	100%	100%

All of our operating assets are located within the United States. While sales to certain geographic areas generally vary from year to year, we do not expect that changes in the geographic composition of sales will have a material adverse effect on operations.

Dependence upon Single Customers. Ten percent (10%) or more of our consolidated net sales were derived from shipments to the following customers for the fiscal years ended May 31as follows:

	2003	2002	2001
Long Wave, Inc.	$43,000	$ -	$ -
General Dynamics	23,000	-	-
Centratech	15,000	-	-
Advanced Relay	15,000	151,000	-
Schindler	-	59,000	-
Raytheon	-	-	88,000
SAIC	-	-	41,000
Spellcaster	-	-	40,000

All of the above sales were shipped against multiple purchase orders from each customer.

We had no backlog as of May 31, 2003 or 2002.

Employees. We currently have eight personnel. Four persons are employed in research and development, one in marketing and sales and three are engaged in general and administrative activities. We also engage additional consultants and part-time persons as needed from time to time.

Our future success depends in significant part upon the continued service of our key technical and senior management personnel. The competition for highly qualified personnel is intense, and there can be no assurance that we will be able to retain our key managerial and technical employees or that we will be able to attract and retain additional highly qualified technical and managerial personnel in the future. None of our employees is represented by a labor union, and we consider our relations with our employees to be good. None of our employees is covered by key man life insurance policies.

Government Regulation. To our knowledge, our products are not subject to governmental regulation by any federal, state or local agencies that would affect the manufacture, sale or use of our products, other than occupational health and safety laws and labor laws which are generally applicable to most companies. We cannot, of course, predict what sort of regulations of this type may be imposed in the future but do not anticipate any unusual difficulties in complying with governmental regulations which may be adopted in the future.

We have not incurred costs associated with environmental laws and do not anticipate such laws will have any significant effect on our future business.

Item 2. DESCRIPTION OF PROPERTY

We have one 10,300 square foot office located at 10989 Via Frontera, San Diego, California. The facility is leased through July 2006. In July 2002, we sublet approximately 5,000 square feet of our facility to an independent third party. The term of the sublease coincides with the remaining term of our lease. The reduced floor space provides adequate and suitable facilities for all of our corporate functions.

Item 3. LEGAL PROCEEDINGS

In January 1999, we were sued in the Superior Court of San Diego County, California by the Fish Family Trust, a co-inventor of the original ShBoom technology. The suit also named as defendants nanoTronics and Gloria Felcyn on behalf of the Falk Family Trust. The suit sought a judgment for damages, a rescission of the Technology Transfer Agreement and a restoration of the technology to the co-inventor. In March 1999, we joined with nanoTronics and Gloria Felcyn and filed our response and cross-complaint against the Fish Family Trust. In November 2000, the judge issued a summary ruling in favor of the defendants on all counts. The Fish Family Trust filed an appeal in January 2001. In June 2003, the Appellate Court confirmed the trial court's ruling, thereby, bringing the dispute to a favorable conclusion.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is traded in the over-the-counter market and is quoted on the NASD OTC Bulletin Board system maintained by the National Association of Securities Dealers, Inc. Prices reported represent prices between dealers, do not include markups, markdowns or commissions and do not necessarily represent actual transactions. The market for our shares has been sporadic and at times very limited.

The following table sets forth the high and low closing bid quotations for the Common Stock for the fiscal years ended May 31, 2003 and 2002.

	Bid Quotations	
	High	**Low**
Fiscal Year Ended May 31, 2003		
First Quarter	$0.08	$0.06
Second Quarter	$0.14	$0.04
Third Quarter	$0.09	$0.04
Fourth Quarter	$0.09	$0.04
Fiscal Year Ended May 31, 2002		
First Quarter	$0.53	$0.25
Second Quarter	$0.25	$0.10
Third Quarter	$0.15	$0.07
Fourth Quarter	$0.14	$0.07

We have approximately 550 shareholders of record as of May 31, 2003. Because most of our common stock is held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. We have never paid a cash dividend on our common stock and do not expect to pay one in the foreseeable future.

Recent Sale of Unregistered Securities

During the fourth fiscal quarter ended May 31, 2003, we offered and sold the following common stock for cash without registration under the Securities Act of 1933, as amended, and exemption for such sale from registration under the Act is claimed in reliance upon the exemption provided by Section 4(2) thereof on the basis that such offer and sale was a transaction not involving any public offering. Appropriate precautions against transfer have been taken, including the placing of a restrictive legend on the certificate evidencing such securities. The sale was effected without the aid of underwriters, and no sales commissions were paid.

Name	Date of Sale	Number of Shares	Aggregate Purchase Price	Purchase Price Per Share	
Michael Korbiak	March 3, 2003	155,807	$5,500	$0.035	Cash

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

You should read the selected consolidated financial data set forth below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to those statements included elsewhere in this report. The selected consolidated financial data set forth below for the fiscal years ended May 31, 2003, 2002, 2001, 2000, and 1999 have been derived from our consolidated financial statements which have been audited by Nation Smith Hermes Diamond, independent auditors, for the years ended May 31, 2003 and 2002 and BDO Seidman, LLP, independent auditors, for the preceding three years.

	Years Ended May 31,				
	2003	2002	2001	2000	1999
Statements of Operations Data:					
Revenue:					
Sales	$ 123,903	$ 358,809	$ 337,384	$ 716,960	$ 1,134,545
Costs and expenses:					
Cost of sales	18,660	393,980	544,320	725,008	711,195
Research and development	723,287	1,372,421	2,218,433	3,170,166	2,149,361
Selling, general and administrative	1,821,902	2,708,579	2,588,579	3,501,128	2,015,058
Total costs and expenses	2,563,849	4,474,980	5,351,332	7,396,302	4,875,614
Operating loss	(2,439,946)	(4,116,171)	(5,013,948)	(6,679,342)	(3,741,069)
Other income (expense), net	(1,448,353)	(1,370,880)	45,045	(809,366)	(535,387)
Net loss	$ (3,888,299)	$ (5,487,051)	$ (4,968,903)	$ (7,488,708)	$ (4,276,456)
Basic and diluted loss per common share	$ (0.04)	$ (0.08)	$ (0.09)	$ (0.17)	$ (0.11)
Weighted average number of shares- basic and diluted	93,791,470	66,810,028	53,433,788	44,156,418	38,042,734

	May 31,				
	2003	2002	2001	2000	1999
Balance Sheet Data:					
Cash and cash equivalents	$ 32,663	$ 88,108	$ 464,350	$ 2,100,242	$ 35,813
Working capital (deficiency)	(1,457,003)	(918,768)	328,605	1,769,340	(1,545,055)
Total assets	465,234	934,526	1,543,693	2,733,148	1,145,027
Long-term obligations, net of current maturities	290,436	331,929	-	-	-
Total stockholders' equity (deficit)	(1,411,764)	(444,825)	922,388	2,209,882	(981,234)

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Results of Operations have been and may continue to be subject to significant variations. The results for a particular period may vary due to a number of factors. These include:

- the overall state of the semiconductor industry,
- the development status of and demand for our products,
- economic conditions in our markets,
- the timing of orders,
- the timing of expenditures in anticipation of future sales,
- the mix of products sold by us,
- the introduction of new products,
- product enhancements by us or our competitors, and
- pricing and other competitive conditions.

Critical Accounting Policies

We believe that the following represent our critical accounting policies:

Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is computed over the estimated useful life of three to five years using the straight-line method. Long-lived assets and certain identifiable intangibles to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We continuously evaluate the recoverability of our long-lived assets based on estimated future cash flows from and the estimated fair value of such long-lived assets, and provide for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived asset.

Patents and Trademarks

Patents and trademarks are carried at cost less accumulated amortization and are amortized over their estimated useful lives of four years. The carrying value of patents and trademarks is periodically reviewed and impairments, if any, are recognized when the expected future benefit to be derived from an individual intangible asset is less than its carrying value.

Revenue Recognition

We recognize revenue on the shipment to our customers of communication products, microprocessor integrated chips and evaluation boards. We also derive revenue from fees for the transfer of proven and reusable intellectual property components or the performance of engineering services. We enter into licensing agreements that will provide licensees the right to incorporate our intellectual property components in their products with terms and conditions that will vary by licensee. Generally, these payments will include a nonrefundable technology license fee, which will be payable upon the transfer of intellectual property, or a nonrefundable engineering service fee, which generally will be payable upon achievement of defined milestones. In addition, we anticipate these agreements will include royalty payments, which will be payable upon sale of a licensee's product, and maintenance and limited support fees. We will classify all revenue that involves the future sale of a licensee's products as royalty revenue. Royalty revenue will be generally recognized in the quarter in which a report is received from a licensee detailing the shipments of products incorporating our intellectual property components (i.e., in the quarter following the sale of licensed product by the licensee). We will classify all revenue that does not involve the future sale of a licensee's products, primarily license fees and engineering service fees and maintenance and support fees, as contract revenue. License fees will be recognized upon the execution of the license agreement and transfer of intellectual property, provided no further significant performance obligations exist and collectibility is deemed probable. Fees related to engineering services contracts, which will be performed on a best efforts basis and for which we will receive periodic milestone payments, will be recognized as revenue over the estimated development period, using a cost-based percentage of completion method. Annual maintenance and support fees, which will be renewable by the licensee, will be classified as contract revenue and will be amortized over the period of support, generally 12 months.

Research and Development Costs

Research and development costs are expensed as incurred.

Stock Options

The Company applies Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for all stock option plans. Under APB Opinion 25, compensation cost has been recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," requires the Company to provide pro forma information regarding net income as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS No. 123. To

provide the required pro forma information, the Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. During the year ended May 31, 2002, based upon information then available, we revised our estimates regarding the recovery of our inventories. As a result, we increased existing reserves for obsolescence by $111,381.

Results of Operations for the Years Ended May 31, 2003, 2002 and 2001

Our net sales in fiscal 2003, 2002 and 2001 were as follows:

Fiscal Year	Amount	% Change from the Previous Fiscal Year
2003	$ 123,903	Decrease of 65.5%
2002	$ 358,809	Increase of 6.3%
2001	$ 337,384	

Net sales. Net sales for the year ended May 31, 2003 decreased over the previous year as a result of minimal sales for the communications products all of which reached the end of their life cycles and only minimal sales of the microprocessor products. Net sales for the year ended May 31, 2002 increased slightly over the previous year as a result of a last buy program for the communications products. We have stopped production of our communications products and are now concentrating on the microprocessor product line. We anticipate only minor, if any, future communication product revenue. We have not been successful in selling this line and have liquidated substantially all of the inventory related thereto. Future sales will be derived from sales of microprocessors and licensing of microprocessor technology.

Our cost of sales in fiscal 2003, 2002 and 2001 were as follows:

Fiscal Year	Amount	% Change from the Previous Fiscal Year	% of Net Sales
2003	$ 18,660	Decrease of 95.3%	15.1%
2002	$ 393,980	Decrease of 27.6%	109.8%
2001	$ 544,320		161.3%

Cost of sales. Cost of sales as a percentage of net sales decreased significantly in the fiscal year ended May 31, 2003 compared to the previous fiscal year. This reduction was a result of the end of production of our communication products and the elimination of manufacturing and overhead costs necessary to support that product line. Cost of sales as a percentage of net sales decreased in the fiscal year ended May 31, 2002 compared to the previous fiscal year. This decrease was due to a reduction in fixed manufacturing overhead as a result of cost cutting programs instituted in conjunction with the completion of the communication product line during the current fiscal year.

Our research and development expenses in fiscal 2003, 2002 and 2001 were as follows:

Fiscal Year	Amount	% Change from the Previous Fiscal Year
2003	$ 723,287	Decrease of 47.3%
2002	$1,372,421	Decrease of 38.1%
2001	$2,218,433	

Research and development expenses decreased during the fiscal year ended May 31, 2003 compared to the previous fiscal year. This decrease was due primarily to a reduction of approximately $428,000 in personnel costs and a $143,000 reduction in the costs of outside consultants. Research and development expenses decreased during the fiscal year ended May 31, 2002 compared to the previous fiscal year. This decrease was due primarily to a reduction of approximately $406,000 in personnel costs, a $221, 000 reduction in the costs of outside consultants and a reduction in software maintenance costs of $77,000. The reductions in costs were as a result of a cost cutting program initiated during the first half of the 2002 fiscal year.

Our selling, general and administrative expenses in fiscal 2003, 2002 and 2001 were as follows:

Fiscal Year	Amount	% Change from the Previous Fiscal Year
2003	$1,821,902	Decrease of 32.7%
2002	$2,708,579	Increase of 4.6%
2001	$2,588,579	

Selling, general and administrative expenses decreased during the fiscal year ended May 31, 2003, compared to the previous fiscal year. This decrease was due primarily to a reduction of approximately $519,000 in personnel costs, $178,000 in consulting expenses and $134,000 in professional expenses. The reductions in costs were as a result of a cost cutting program initiated during the first half of the 2002 fiscal year. Selling, general and administrative expenses increased during the fiscal year ended May 31, 2002. This increase was due primarily to approximately $294,000 of legal, accounting and shareholder costs associated with several registrations of securities and two shareholder meetings, non-cash compensation of $105,000 related to services provided to support our merger and acquisition activities, offset by reductions in consulting expenses of $286,000.

Our other income (expenses) in fiscal 2003, 2002 and 2001 were as follows:

Fiscal Year	Amount	% Change from the Previous Fiscal Year
2003	$(1,448,353)	Not meaningful
2002	$(1,370,880)	Not meaningful
2001	$ 45,045	

Other income (expense) increased for the fiscal year ended May 31, 2003 compared to the previous fiscal year. This change resulted primarily from the recognition of non-cash interest expense of approximately $1,305,000 related to the amortization of the debt discount associated with the issuance of warrants under the convertible debentures and interest expense of $144,000 related to our debt. Other income (expense) changed significantly for the fiscal year ended May 31, 2002 compared to the previous fiscal year. This change resulted primarily from the recognition of non-cash interest expense of approximately $1,324,000 related to the amortization of the debt discount associated with the issuance of warrants under the secured note payable, convertible debentures, and equity line of credit and interest expense related to the excess of the market price over the carrying value of the common shares sold to Swartz for which the proceeds were applied to the note payable balance.

Liquidity and Capital Resources

In connection with their report on our consolidated financial statements as of and for the year ended May 31, 2003, Nation Smith Hermes Diamond, our independent certified public accountants, expressed substantial doubt about our ability to continue as a going concern because of recurring net losses and negative cash flow from operations.

At May 31, 2003, we had deficit working capital of $1,457,003 and cash and cash equivalents of $32,663. We have historically funded our operations primarily through the issuance of securities and debt financings. Cash and cash equivalents decreased $55,445 during the year ended May 31, 2003 due to net cash used in operations of $1,885,762 offset by funds generated primarily from the issuance of convertible debentures of $1,507,000 and short term notes

payable of $180,000. The net cash used in operations was $1,855,762 for the year ended May 31, 2003 compared to $3,632,534 for the corresponding period of the previous fiscal year. The decrease in cash required in operations was due primarily to a $1,400,801 reduction in net loss as adjusted to reconcile to cash used in operating activities coupled with a $299,529 change in prepaid expenses and other assets between the two periods. Cash used in investing activities was $2,194 for the year ended May 31, 2003 compared to $146,156 for the corresponding period of the previous fiscal year. This decrease was the result of a paydown of $60,000 on a note receivable coupled with a $83,962 reduction in additions to property, equipment and patents. Cash provided by financing activities was $1,832,511 for the year ended May 31, 2003 compared to $3,402,448 for the corresponding period of the previous fiscal year. This decrease was primarily the result of a reduced issuance of common stock of $759,255 during the current fiscal year compared to the previous fiscal year coupled with a reduction in the issuance of notes payable and convertible debentures of $611,000 and the sale of accounts receivable of $123,881.

We estimate our current cash requirements to sustain our operations through August 2004 to be $2.1 million. Since we are no longer supporting the communications product line, we are assuming that there will be no communications product revenue. We have a note payable to Swartz Private Equity, LLC ("Swartz") of $635,276 at May 31, 2003 which is due March 1, 2004. We also have convertible debentures with a group of investors as of May 31, 2003 aggregating $1,165,000 and advances of $50,000 on a convertible debenture that closed subsequent to May 31, 2003. At the option of the debenture holders, they may purchase additional debentures up to $1 million at any time during the next two years as long as the price of our common stock is in excess of $0.20 per share. During the year ended May 31, 2003, we obtained $120,350 from the sale of equity to several private investors and $180,000 from short term notes entered into with a related party. Subsequent to May 31, 2003, we obtained an additional $422,500 from the issuance of convertible debentures net of advances discussed above, $50,100 from the exercise of a warrant, $10,000 from a loan issued to a related party, and $31,000 from the sale of common stock.

If the optional amounts under the convertible debentures are not raised in sufficient amounts, then we may not have funds sufficient to meet our cash requirements. In such circumstances, we may need to secure additional short-term debt, private placement debt and/or equity financings with individual or institutional investors. In addition, we may need to make additional cost reductions if our cash requirements cannot be met from external sources. We expect that the $2.1 million requirement will be provided by:

- additional debt and/or equity financings; and
- proceeds from the exercise of outstanding stock options and warrants.

In addition, we have formulated additional cost reduction plans which can be implemented if the required funds are not obtainable. We also have a $400,000 accounts receivable factoring agreement with our bank. As of May 31, 2003 there was a balance due under the factoring agreement of $3,811.

We anticipate our future revenue to be derived primarily from the sale of licenses and royalties. To receive this revenue, we may require additional equipment, fabrication, components and supplies during the next twelve months to support potential customer requirements and further develop our technologies. Product introductions such as those currently underway for the Ignite I may require significant product launch, marketing personnel and other expenditures that cannot be currently estimated. Further, if expanded development is commenced or new generations of microprocessor technology are accelerated beyond current plans, additional expenditures we cannot currently estimate, may be required. It is possible therefore, that higher levels of expenditures may be required than we currently contemplate resulting from changes in development plans or as required to support new developments or commercialization activities or otherwise.

If we are unable to obtain the necessary funds, we could be forced to substantially curtail or cease operations which would have a material adverse effect on our business. Further, there can be no assurance that we will be able to timely receive shareholder approval to increase the number of authorized shares or that required funds, if available, will be available on attractive terms or that they will not have a significantly dilutive effect on our existing shareholders. As such, there is substantial doubt about our ability to continue as a going concern. The consolidated financial statements

do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from our possible inability to continue as a going concern.

$25 Million Equity Line of Credit

Overview. On September 17, 2001, we entered into an investment agreement with Swartz. The investment agreement entitles us to issue and sell our common stock to Swartz for up to an aggregate of $25 million from time to time during a three-year period following the effective date of the registration statement. This is also referred to as a put right. We filed a registration statement on Form S-1 on October 11, 2001 that was declared effective on November 5, 2001 for 15,000,000 shares of our common stock which we issued to Swartz during the fiscal year ended May 31, 2002. There remains approximately $24 million available under this line conditioned on us filing one or more additional registration statements. As of May 31, 2003, we have not filed a statement requesting the registration of additional shares to put to Swartz under the $25 million equity line of credit.

Put Rights. In order to invoke a put right, we must have an effective registration statement on file with the SEC registering the resale of the common shares which may be issued as a consequence of the invocation of that put right. Additionally, we must give at least ten but not more than twenty business days advance notice to Swartz of the date on which we intend to exercise a particular put right, and we must indicate the number of shares of common stock we intend to sell to Swartz. At our option, we may also designate a maximum dollar amount of common stock (not to exceed $3 million) which we will sell to Swartz during the put and/or a minimum purchase price per common share at which Swartz may purchase shares during the put. The number of common shares sold to Swartz may not exceed 20% of the aggregate daily reported trading volume during each of two consecutive ten business day periods beginning on the business day immediately following the day we invoked the put right.

The price Swartz will pay for each share of common stock sold in a put is equal to the lesser of (i) the market price for each of the two consecutive ten business day periods beginning on the business day immediately following the day we invoked the put right minus $0.10, or (ii) X percent of the market price for each of the two ten day periods, where, X is equal to 90% if the market price is below $2.00 and 93% if market price is equal to or greater than $2.00. Market price is defined as the lowest closing bid price for the common stock during each of the two consecutive ten business day periods. However, the purchase price may not be less than the designated minimum per share price, if any, that we indicated in our notice.

Limitations and Conditions Precedent to Our Put Rights. We may not initiate a put if, as of the proposed date of such put:

- we have issued shares of our common stock that have been paid for by Swartz and the amount of proceeds we have received is equal to the maximum offering amount;
- the registration statement covering the resale of the shares becomes ineffective or unavailable for use;
- our common stock is not actively trading on the OTC Bulletin Board, the Nasdaq Small Cap Market, the Nasdaq National Market, the American Stock Exchange, or the New York Stock Exchange, or is suspended or delisted with respect to the trading on such market or exchange.

If any of the following events occur during the pricing period for a put, the volume accrual shall cease. For the put, the pricing period shall be adjusted to end 10 business days after the date that we notify Swartz of the event, and any minimum price per share we specified shall not apply to the put:

- we have announced or implemented a stock split or combination of our common stock between the advanced put notice date and the end of the pricing period;
- we have paid a common stock dividend or made any other distribution of our common stock between the advanced put notice date and the end of the pricing period;

- we have made a distribution to the holders of our common stock or of all or any portion of our assets or evidences of indebtedness between the put notice date and the end of the pricing period;

- we have consummated a major transaction (including a transaction, which constitutes a change of control) between the advance put notice date and the end of the pricing period, the registration statement covering the resale of the shares becomes ineffective or unavailable for use, or our stock becomes delisted for trading on our then primary exchange; or

- we discover the existence of facts that cause us to believe that the registration statement contains an untrue statement or omits to state a material fact.

Short Sales. Swartz and its affiliates are prohibited from engaging in short sales of our common stock unless they have received a put notice and the amount of shares involved in a short sale does not exceed the number of shares specified in the put notice.

Shareholder Approval. We may currently issue more than 20% of our outstanding shares under the investment agreement. If we become listed on the Nasdaq Small Cap Market or Nasdaq National Market, then we must get shareholder approval to issue more than 20% of our outstanding shares. Since we are currently a bulletin board company, we do not need shareholder approval.

Termination of Investment Agreement. We may also terminate our right to initiate further puts or terminate the investment agreement by providing Swartz with notice of such intention to terminate; however, any such termination will not affect any other rights or obligations we have concerning the investment agreement or any related agreement.

Restrictive Covenants. During the term of the investment agreement and for a period of two months thereafter, we are prohibited from certain transactions. These include the issuance of any debt or equity securities in a private transaction which are convertible or exercisable into shares of common stock at a price based on the trading price of the common stock at any time after the initial issuance of such securities or with a fixed conversion or exercise price subject to adjustment without obtaining Swartz's prior written approval.

Right of First Refusal. Swartz has a right of first refusal to purchase any variable priced securities offered by us in any private transaction which closes on or prior to two months after the termination of the investment agreement and a right of participation for any equity securities offered by us in any private transaction which closes on or prior to two months after the termination of the investment agreement.

Swartz's Right of Indemnification. We are obligated to indemnify Swartz (including their stockholders, officers, directors, employees and agents) from all liability and losses resulting from any misrepresentations or breaches we made in connection with the investment agreement, our registration rights agreement, other related agreements, or the registration statement.

Waiver and Agreement. On March 12, 2002, we entered into an amended waiver and agreement with Swartz which replaced and superseded all previous waivers and agreements. This amended waiver and agreement extended the time of the put beyond twenty days and redefined the price of the put to be the lesser of the factor of (a) the volume weighted average price per share, as defined by Bloomberg L.P., for each day of the put multiplied by .70 or (b) the volume weighted average price per share minus $0.05 multiplied by 20% of the acceptable daily volume as defined in the waiver. At the discretion of Swartz, the 20% daily volume limitation could be increased up to 30% of the daily volume. In addition, the amended waiver and agreement increased the intended put share amount for the first put to 14,100,000 shares, which is the total number of shares we had registered so far under the $25 million equity line of credit. On May 30, 2002 we closed the first put under the $25 million equity line of credit by applying the proceeds of $926,924 to the secured note payable discussed below.

Warrants. In connection with closing the $25 million equity line of credit, we issued to Swartz a commitment warrant to purchase 900,000 shares of our common stock as discussed further in Note 6 to the consolidated financial statements. This warrant was valued on the issuance date using the Black-Scholes pricing model and the value was recorded as a debt discount.

Secured Note Payable

On March 12, 2002, we replaced and superceded a previously issued Secured Promissory Note with Swartz with an Amended Secured Promissory Note and Agreement with an effective date of October 9, 2001, an Addendum to Amended Secured Promissory Note dated March 12, 2002 and an Antidilution Agreement and Addendum to Warrants dated March 19, 2003. The amended note, which originally was to mature on January 9, 2003, has been extended to March 1, 2004 and amounts outstanding under the note bear interest at the rate of 5% per annum. Per the antidilution agreement, principal and interest payments are deferred until March 1, 2004.

As part of the consideration for entering into the above amended note, we agreed to issue warrants to Swartz related to each advance against the note. In connection with each advance, we issued to Swartz a warrant to purchase a number of shares of common stock equal to the amount of the advance multiplied by 8.25 at an initial exercise price equal to the lesser of (a) the factor of the average of the volume weighted average price per share, as defined by Bloomberg L.P., for each trading day in the period beginning on the date of the previous advance and ending on the trading day immediately preceding the date of the current advance multiplied by .70 or (b) the volume weighted average price per share minus $0.05. In addition, we were obligated under the addendum to the note to issue to Swartz warrants equal to 20% of the common stock issued between March 12, 2002 and April 1, 2003 and we are obligated under the antidilution agreement to issue to Swartz warrants equal to 30% of the common stock issued subsequent to April 1, 2003 to any parties other than Swartz. In addition, we agreed to extend the expiration date to December 31, 2006 on certain warrants that were to expire previous to December 31, 2006. In exchange for these concessions, Swartz agreed to extend the due date to March 1, 2004 on a note for $635,276 net of accrued interest and unreserved 20,007,350 shares that have been reserved for the exercise of warrants for a period the sooner of 1) March 19, 2004, or 2) 90 days after the date on which our common stock exceeds $0.375 for 10 consecutive trading days.

As of May 31, 2003 we issued warrants to purchase up to 18,243,712 shares of our common stock in accordance with the amended note agreements and antidilution agreement. The warrants issued were valued using the Black-Scholes pricing model based on the expected fair value at issuance and the estimated fair value was also recorded as debt discount.

The note is secured by our assets.

All debt discounts were amortized as additional interest expense over the initial term of the note payable. As of May 31, 2003, $1,107,238 had been reflected as debt discount of which $917,722 and $189,516 was amortized to interest expense during the years ended May 31, 2002 and 2003, respectively.

Advances against the note		$1,790,000
Less amount applied against $30 million equity line of credit		(227,800)
Less amount applied against $25 million equity line of credit		(926,924)
Less debt discount		
Total	1,107,238	
Amount amortized to expense	(1,107,238)	-
Note payable at May 31, 2003		$ 635,276

On November 9, 2001, an offset of $227,800 from the sale of 2,500,000 shares of common stock was applied against the final put under a $30 million equity line of credit.

On May 30, 2002, an offset of $926,924 from the sale of 14,100,000 shares of common stock was applied against the first and only put under the $25 million equity line of credit discussed above.

8% Convertible Debentures

Overview. From April 23, 2002 through August 26, 2003, we sold an aggregate of $2,437,500 of 8% convertible debentures to a group of eleven investors. The convertible debentures entitle the debenture holder to convert the

principal and unpaid accrued interest into our common stock for two years from the date of closing. In addition, the debenture holders received warrants exercisable into a number of our common shares.

Number of Shares Debentures May Be Converted Into. The debentures can be converted into a number of our common shares at conversion prices that initially equaled $0.041 to $0.10289 per share.

Resets of Conversion Price and Conversion Shares. A reset date occurs on each three month anniversary of the closing date of each debenture and on the date the registration statement becomes effective, October 29, 2002 for the first $1,000,000 of principal, March 7, 2003 for the second $605,000 of principal and June 26, 2003 for the third $510,000 of principal. If the volume weighted average price for our common stock for the ten days previous to the reset date is less than the conversion price in effect at the time of the reset date, then the number of common shares issuable to the selling shareholder on conversion will be increased. If the conversion price is reset, the debenture can be converted into a number of our common shares based on the following calculation: the amount of the debenture plus any unpaid accrued interest divided by the reset conversion price which shall equal the volume weighted average price for our common stock for the ten days previous to the reset date. On October 29, 2002, the date the registration statement for the first $1,000,000 of principal became effective, the conversion prices were reset to $0.04457 from initial conversion prices ranging from $0.08616 to $0.10289. On March 7, 2003, the date the registration statement for the second $605,000 of principal became effective, the conversion prices were reset to $0.04722 from initial conversion prices ranging from $0.05126 to $0.0727. On June 26, 2003, the date the registration statement for the third $510,000 of principal became effective, the conversion prices for debentures with initial conversion prices of $0.065 were reset to $0.06346.

Warrants. Concurrent with the issuance of the convertible debentures, we issued to the debenture holders warrants to purchase up to 33,471,953 shares of our common stock. These warrants are exercisable for five years from the date of issuance at either initial negotiated exercise prices or prices equal to 115% of the volume weighted average price for our common stock for the ten days previous to the debenture date. The warrant exercise price is subject to being reset on each six month anniversary of its issuance.

Options to Purchase Additional Debentures. Subject to the price of our common stock being equal to or greater than $0.20 per share and a two year limitation, the debenture holders may purchase additional debentures equal to the value of their initial debentures. The price at which the optional additional debentures could be converted would initially equal 115% of the volume weighted average price for our common stock for the ten days previous to the date on which the optional additional debentures were closed. The optional additional debentures would carry the same warrant amounts and reset privileges as the initial debentures.

Shareholder Approval. We may currently issue more than 20% of our outstanding shares under the convertible debentures. If we become listed on the NASDAQ Small Cap Market or NASDAQ National Market, then we must get shareholder approval to issue more than 20% of our outstanding shares. Since we are currently a bulletin board company, we do not need shareholder approval.

Restrictive Covenants. For a period of 18 months from the date of the debentures, we are prohibited from certain transactions. These include the issuance of any debt or equity securities in a private transaction which are convertible or exercisable into shares of common stock at a price based on the trading price of the common stock at any time after the initial issuance of such securities; the issuance of any debt or equity securities with a fixed conversion or exercise price subject to adjustment; and any private equity line type agreements without obtaining the debenture holders' prior written approval.

Right of First Refusal. The debenture holders have a right of first refusal to purchase or participate in any equity securities offered by us in any private transaction which closes on or prior to the date that is two years after the issue date of each debenture.

Registration Rights. We are responsible for registering the resale of the shares of our common stock which will be issued on the conversion of the debentures. On October 29, 2002, a registration statement covering the first $1,000,000 of debentures was declared effective by the Securities and Exchange Commission. On March 7, 2003, a registration statement covering the second $605,000 of debentures was declared effective by the Securities and Exchange

Commission. On June 26, 2003, a registration statement covering the third $510,000 of debentures was declared effective by the Securities and Exchange Commission.

The convertible debentures are secured by our assets.

Convertbile debenture dated April 23, 2002		$ 225,000
Convertbile debentures dated June 10, 2002		775,000
Convertbile debenture dated August 23, 2002		175,000
Convertbile debentures dated October 29, 2002		180,000
Convertbile debenture dated December 16, 2002		100,000
Convertbile debenture dated January 24, 2003		150,000
Convertbile debenture dated March 24, 2003		162,500
Convertbile debenture dated April 15, 2003		10,000
Convertbile debenture dated May 20, 2003		187,500
Advances against debenture issued subsequent to May 31, 2003		50,000
Less amounts converted to common stock		(800,000)
Less debt discount		
Total discounts recorded	$ 1,965,000	
Amount amortized to expense	(624,922)	
Amount cancelled on conversion	(527,067)	(813,011)
Convertible debentures at May 31, 2003		401,989
Less current portion		121,879
Long term portion		$ 280,110

New Accounting Pronouncements

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS No. 123." SFAS No. 148 amends the disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS is effective for fiscal years ending after December 15, 2002 and is effective for interim periods beginning after December 15, 2002. The Company's adoption of SFAS No. 148 did not have a material effect on the Company's financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures required in financial statements concerning obligations under certain guarantees. It also clarifies the requirements related to the recognition of liabilities by a guarantor at the inception of certain guarantees. The disclosure requirements of this interpretation were effective on December 31, 2002. We adopted the recognition provisions of the interpretation in the quarter ended February 28, 2003. The adoption of this interpretation did not impact our financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." This interpretation provides guidance on: 1) the identification of entities for which control is achieved through means other than through voting rights, known as "variable interest entities" (VIEs); and 2) which business enterprise is the primary beneficiary and when it should consolidate the VIE. This new model for consolidation applies to entities: 1) where the equity investors (if any) do not have a controlling financial interest; or 2) whose equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, this interpretation requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures. This interpretation is effective for all new VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, the provisions of the interpretation must be applied no later than the beginning of the first interim or annual reporting period

beginning after June 15, 2003. Certain disclosures are effective immediately. The adoption of this interpretation did not impact our financial position or results of operations.

In April 2003 the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 requires that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this Statement is not expected to have a material effect on the consolidated financial statements

In May 2003 the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. The adoption of this Statement is not expected to have a material effect on the consolidated financial statements.

Tax Loss Carryforwards

Deferred income taxes are provided for temporary differences in recognizing certain income and expense items for financial and tax reporting purposes. Deferred tax assets consist primarily of income tax benefits from net operating loss carry-forwards. A valuation allowance has been recorded to fully offset the deferred tax asset as it is more likely than not that the assets will not be utilized. The valuation allowance increased approximately $845,000 in the year ended May 31, 2003, from $13,446,000 at May 31, 2002 to $14,291,000 at May 31, 2003.

Item 7A. QUANITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to interest rate risk on investments of our excess cash. The primary objective of our investment activities is to preserve capital. To achieve this objective and minimize the exposure due to adverse shifts in interest rates, we invest from time to time in high quality short-term maturity commercial paper and money market funds operated by reputable financial institutions in the United States. Due to the nature of our investments, we believe that we do not have a material interest rate exposure.

As of May 31, 2003, our notes payable to corporations and individuals totaling $2 million bore interest at fixed rates of 5% to 8%. Our capital lease obligation totaling $16,731 is discounted at a fixed rate of interest of 22.7%.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following table presents selected unaudited quarterly information for fiscal 2003 and 2002

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2003:				
Total revenues	$ 39,889	$ 5,160	$ 41,390	$ 37,464
Operating loss	(661,408)	(743,271)	(514,883)	(520,384)
Net loss	(943,441)	(1,077,288)	(842,661)	(1,024,909)
Net loss per basic and diluted share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Fiscal 2002:				
Total revenues	$ 314,500	$ 7,389	$ 4,620	$ 32,300
Operating loss	(1,039,217)	(1,292,564)	(964,703)	(819,687)
Net loss	(1,046,970)	(1,558,602)	(1,260,676)	(1,620,803)
Net loss per basic and diluted share	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.02)

Also see Part IV, Item 14(a).

The financial statements required by this item begin on page F-1 with the index to consolidated financial statements.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Effective May 20, 2002, the client-auditor relationship between Patriot Scientific Corporation (the "Company") and BDO Seidman, LLP ("BDO") ceased. The Company dismissed BDO on May 20, 2002 as part of its cost reduction program which was initiated earlier in that fiscal year.

The change in certifying accountants was approved by the Company's board of directors.

BDO's reports on the consolidated financial statements of the Company for each of the past two years did not contain an adverse opinion or a disclaimer of opinion, nor were qualified as to any uncertainty in audit scope or accounting principle; however the audit opinion of BDO on the Company's most recent consolidated financial statements as of and for the period ending May 31, 2001 was modified to include an explanatory paragraph which contained a statement that the Company's recurring losses from operations and negative cash flows raised substantial doubt about the Company's ability to continue as a going concern.

During the two years ended May 31, 2001 and the subsequent interim periods preceding the date of the dismissal of BDO on May 20, 2002, there were no disagreements with BDO on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of BDO, would have caused the former accountant to make a reference to the subject matter of the disagreement(s) in connection with its reports covering such periods.

During the two years ended May 31, 2001 and the subsequent interim periods preceding the date of the dismissal of BDO on May 20, 2002, there were no "reportable events" (hereinafter defined) requiring disclosure pursuant to Item 304 (a) (1) (v) of Regulation S-K. As used herein, the term "reportable events" means any of the items listed in paragraphs (a) (1) (v) (A) - (D) of Item 304 of Regulation S-K.

Effective May 20, 2002, the Company engaged Nation Smith Hermes Diamond, a professional corporation, which is a member of the BDO Seidman Alliance ("Nation") , as its independent accountants. During the two years ended May 31, 2001 and the subsequent interim periods preceding the effective date of the engagement of May 20, 2002, neither the Company nor anyone on its behalf consulted Nation regarding either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the

Company's consolidated financial statements, nor has Nation provided to the Company a written report or oral advice regarding such principles or audit opinion.

The Company requested that BDO furnish it with a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with the above statements. A copy of the letter from BDO dated June 4, 2002 was filed as Exhibit 16.1 to the Form 8-K/A filed June 5, 2002.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table and biographical summaries set forth information, including principal occupation and business experience, about our directors and the executive officers at June 1, 2003:

Name	Age	Position and Offices	Director Since
Donald R. Bernier	61	Chairman and Director	January 1995
David H. Pohl	65	Director	April 2001
Jeffrey Wallin	55	President and CEO	n/a
Lowell W. Giffhorn	56	Executive Vice President, CFO, Secretary and Director	August 1999
Carlton M. Johnson, Jr.	43	Director	August 2001
Helmut Falk, Jr.	46	Director	December 1997
Gloria Felcyn	56	Director	October 2002
Joey Maitra	53	Vice President Engineering	n/a
Patrick Nunally	39	Vice President and CTO	n/a

Biographical Information

Donald R. Bernier. Mr. Bernier was appointed Chairman of the Board on August 5, 2001. Since 1971, Mr. Bernier has been the owner and President of Compunetics Incorporated, a Troy, Michigan-based electronics firm of which he is the founder. Compunetics engages in contract research and development, specializing in microelectronics primarily for the automotive industry.

David H. Pohl. Mr. Pohl has served on our board of directors since April 2001, and served as an officer of the Company from January 2001 to March 2002. Except for his service with PTSC, Mr. Pohl has been in the private practice of law counseling business clients since 1997, and from 1995 to 1996 was Special Counsel to the Ohio Attorney General. Previously, he was a senior attorney with a large U.S. law firm, and held positions as a senior officer and general counsel in large financial services corporations. Mr. Pohl earned a J.D. degree in 1962 from the Ohio State University College of Law, and also holds a BS in Administrative Sciences from Ohio State.

Jeffrey E. Wallin. Mr. Wallin has served as our Chief Executive Officer and President since March 2002. Since 1999, Mr. Wallin was president of SDMC Inc., a consulting company serving the multimedia system integration and communications markets. From 1996 to 1999, Mr. Wallin was President and CEO of TV/COM International, a division of Hyundai that developed and manufactured end-to-end digital communications systems. Previously Mr. Wallin held senior level management positions with Snell & Wilcox, General Instrument, now a major division of Motorola, and Teledyne Corporation. Mr. Wallin obtained a B.S. degree from Bemidji State University in 1970.

Lowell W. Giffhorn. Mr. Giffhorn was the principal in his own financial management consulting firm from August 1996 until joining Patriot as Chief Financial Officer (CFO) in May 1997. Mr. Giffhorn has served on our board of directors since August 1999. From June 1992 to August 1996 and from September 1987 to June 1990 he was the CFO of Sym-Tek Systems, Inc. and Vice President of Finance for its successor, Sym-Tek Inc., a major supplier of capital equipment to the semiconductor industry. Mr. Giffhorn obtained a M.B.A. degree from National University in 1975 and he obtained a B.S. in Accountancy from the University of Illinois in 1969. Mr. Giffhorn is also a director and chairman of the audit committee of DND Technologies, Inc., a publicly held company.

Carlton M. Johnson, Jr. Mr. Johnson was appointed a Director on August 5, 2001. Mr. Johnson is in-house legal counsel for Swartz Investments, LLC, a position he has held since June 1996. Mr. Johnson has practiced law in Alabama since 1986, Florida since 1988, and Georgia since 1997. He has been a shareholder in the Pensacola, Florida AV rated law firm of Smith, Sauer, DeMaria & Johnson and as President-Elect of the 500 member Escambia-Santa Rosa Bar Association. He also served on the Florida Bar Young Lawyers Division Board of Governors. Mr. Johnson earned a degree in History/Political Science at Auburn University and Juris Doctor at Samford University - Cumberland School of Law. Mr. Johnson is also a director and member of the audit committee of Peregrine Pharmaceuticals, Inc., a publicly held company.

Helmut Falk, Jr. Since 1992, Dr. Falk has been the Director of Anesthesia for the Johnson Memorial Hospital in Franklin, Indiana. Dr. Falk received his D.O. from the College of Osteopathic Medicine of the Pacific in 1987 and his B.S. in Biology from the University of California, Irvine in 1983. Dr. Falk is the son of the late Helmut Falk, who was the sole shareholder of nanoTronics and the Chairman and CEO of Patriot until his death in July 1995. Dr. Falk is also an heir to the Helmut Falk Estate, which is the beneficial owner of the Company's shares held by the Helmut Falk Family Trust.

Gloria Felcyn. Ms. Felcyn was appointed a Director and chairman of our audit committee on October 10, 2002. Since 1982 Ms. Felcyn has been the principal in her own public accounting firm. Ms. Felcyn received a B.S. degree in Business Economics for Trinity University in 1968.

Patrick O. Nunally. Dr. Nunally joined us as Vice President of Business Development and Chief Technical Officer in June 2001, previous to which he had been providing consulting services to us since May 2000. Dr. Nunally has more than 20 years of entrepreneurial experience in semiconductor and embedded processor design. From December 1998 to May 2000, he was President and CEO of Intertech, a company he founded specializing in intellectual property development for embedded processor and communications systems. From June 1998 to December 1998, he was President and CEO of Gruppe Telekom, Inc., a licensee of Interactive Video and Data Service Spectrum. From April 1996 to June 1998, he served as Chief Technical Officer and co-founder of Aristo, now PlayNet Inc., a Java-based games company. Dr. Nunally also held other senior management positions with Wave Interactive Network, Sensormatic Video Products Division, Intellisys Automation Inc., E-Metrics Inc., General Dynamics Corporation and Interstate Electronics. Dr. Nunally received his PhD in Electrical Engineering from the Pacific Western University in 1996, a MBA from the University of LaVerne in 1993 and a BS in Electrical and Electronics Engineering from California State Polytechnic University in 1987.

Joey Maitra. Mr. Maitra was Vice President of Engineering for Metacomp since 1990 and was appointed Vice President of Engineering of Patriot in December 1996 through February 2001. Mr. Maitra was reappointed to the same position in November 2001. Previously Mr. Maitra held various engineering positions with several computer related technology companies. Mr. Maitra obtained a B.S. in Electrical Engineering from the Indian Institute of Technology in 1972 and a M.S. in Electrical Sciences at State University of New York in 1973.

There is no family relationship between any of our executive officers and directors.

Compliance With Section 16(a) Of The Exchange Act

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who beneficially own 10% or more of a class of securities registered under Section 12 of the Exchange Act to file reports of beneficial ownership and changes in beneficial ownership with the Securities and Exchange Commission. Directors, executive officers and greater than 10% shareholders are required by the rules and regulations of the Commission to furnish us with copies of all reports filed by them in compliance with Section 16(a).

Based solely on our review of copies of the reports we received from persons required to make such filings and our own records, we believe that from the period June 1, 2002 through May 31, 2003, all persons subject to the Section 16(a) reporting requirements timely filed the required reports.

Item 11. EXECUTIVE COMPENSATION

There is shown below information concerning the compensation of our chief executive officer and the most highly compensated executive officers whose salary and bonus exceeded $100,000 (each a "Named Officer") for the fiscal years ended May 31, 2003, 2002, and 2001.

Summary Compensation Table

		Annual Cash Compensation		Long-Term Compensation		
Name and Principal Position	Fiscal Year	Salary	Bonus	(# of Shares)	Repriced Options	All Other Compensation
Jeff Wallin	2003	$127,650 (1)	Nil	250,000	None	None
President and CEO	2002	$68,800 (1)	Nil	1,000,000	None	None
Lowell W. Giffhorn	2003	$150,779 (1)	Nil	115,000	None	None
Exec. V.P., CFO and Secy.	2002	$139,908 (1)	Nil	255,000	None	None
	2001	$126,650 (1)	Nil	125,000	None	None
Joey Maitra	2003	$131,040 (1)	Nil	100,000	None	None
VP Engineering	2002	$125,058 (1)	Nil	335,000	None	None
	2001	$120,000	Nil	None	None	None
Patrick O. Nunally	2003	$189,521 (1)	Nil	400,000	None	$52,500 (2)
VP and CTO	2002	$173,046 (1)	Nil	250,000	None	$105,000 (2)

(1) Included in Mssr. Wallin, Giffhorn, Maitra and Nunally is cash compensation of $400 per month for car allowance.

(2) Payments through November 30, 2002 to Dr. Nunally for assignments to the Company of intellectual property rights. The rights were returned to Dr. Nunally in April 2003.

The Company maintains employee benefits that are generally available to all of its employees, including medical, dental and life insurance benefits and a 401(k) retirement savings plan. The Company did not make any matching contributions under the 401(k) plan for any of the above named officers during the fiscal years ended May 31, 2003, 2002 and 2001.

Option Grants

Shown below is information on grants of stock options pursuant to the Company's 1992, 1996 and 2001 Stock Option Plans to the Named Officers reflected in the Summary Compensation Table shown above.

Option Grants Table for Fiscal Year Ended May 31, 2003

Name	Number of Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price	Expiration Date	Potential Realizable Value of Assumed Annual Rates of Stock Price Appreciation for Option Term (1) 5% ($)	10% ($)
Jeffrey E. Wallin	250,000	20.6%	$ 0.043	4/15/2008	$ 2,935	$ 6,563
Lowell W. Giffhorn	115,000	9.5%	$ 0.070	8/12/2007	$ 2,224	$ 4,915
Joey Maitra	100,000	8.2%	$ 0.059	1/2/2008	$ 1,630	$ 3,602
Patrick Nunally	400,000	32.9%	$ 0.043	4/15/2008	$ 4,697	$ 10,379

(1) These amounts represent certain assumed rates of appreciation only. Actual gains, if any, on stock option exercises are dependent upon the future performance of the company's common stock, overall market conditions and the executive's continued involvement with the company. The amounts represented in this table will not necessarily be achieved.

Aggregated Option Exercises and Fiscal Year-End Option Values

There were no exercises of stock options for the fiscal year ended May 31, 2003 by any of the officers reflected in the Summary Compensation Table shown above. Shown below is information on fiscal year-end values under the Company's 1992, 1996 and 2001 Stock Option Plans to the officers reflected in the Summary Compensation Table shown above.

Name	Number of Unexercised Options Held At May 31, 2003 Exercisable	Unexercisable	Value of Unexercised In-The-Money Options At May 31, 2003 Exercisable	Unexercisable
Jeffrey E. Wallin	1,020,000	250,000	$ 5,625	$ -
Lowell W. Giffhorn	311,667	183,333	$ -	$ -
Joey Maitra	335,000	100,000	$ -	$ 600
Patrick Nunally	787,500	162,500	$ 9,000	$ -

The fair market value of the unexercised in-the-money options at May 31, 2003 was determined by subtracting the option exercise price from the last sale price as reported on the over the counter bulletin board on May 31, 2003, $0.065.

The Company has not awarded stock appreciation rights to any of its employees. The Company has no long-term incentive plans.

Compensation Committee

The Compensation Committee reviews and recommends to the Board the salaries, bonuses and prerequisites of the Company's executive officers. The Compensation Committee also reviews and recommends to the Board any new compensation or retirement plans and administers the Company's 1992, 1996 and 2001 Stock Option Plans.

The Compensation Committee currently consists of three outside directors. Each member of the Compensation Committee is independent as defined under the National Association of Securities Dealers' listing standards.

Compensation of Directors

No direct or indirect remuneration has been paid or is payable by us to the directors in their capacity as directors other than the granting of stock options. We expect that, during the next twelve months, we will not pay any direct or indirect remuneration to any directors of ours in their capacity as directors other than in the form of stock option grants or the reimbursement of expenses of attending directors' or committee meetings.

Employment Contracts

The Company entered into a consulting agreement dated as of March 7, 2002, with SDMC, Inc. whereby SDMC would provide the services of Mr. Wallin to be the President and Chief Executive Officer. The agreement is for a term through March 18, 2004 providing for payments of $133,200 per annum. The agreement provides for a bonus up to 50% of the annual base consideration for the applicable year. The agreement also provides for potential bonuses to be paid based on the increase in the price of the Company's common stock. Should the price of the common stock reach $0.25 for twenty consecutive days, SDMC would receive a cash payment of $10,000, $0.40- $20,000, $0.50- $20,000, $0.60- $30,000, $0.80- $30,000, $1.00- $50,000, $1.50- $100,000, and $2.00- $150,000. The Company may terminate SDMC's agreement with or without cause, but termination without cause (other than disability or death) would result in severance payments equal to the lesser of (i) four months of the then current compensation or (ii) the balance remaining of the current compensation for the term of his agreement. If a change in control, as defined in the agreement, occurs during the term of his agreement, and if Mr. Wallin refuses to accept or voluntarily resigns from a position other than a qualified position, as that term is defined in the agreement, then SDMC will receive a lump sum severance payment equal to twelve months of the then current compensation. Under the agreement, the Company granted SDMC options to purchase 1,000,000 common shares, 500,000 vesting on March 7, 2002, 250,000 vesting on March 7, 2003 and 250,000 vesting on March 7, 2004. The Company also placed in escrow four months of payments which shall be released to SDMC on the termination of Mr. Wallin's services for any reason other than cause or his resignation.

The Company entered into an employment agreement dated as of November 17, 2001, with Mr. Giffhorn providing for his employment as Executive Vice President and Chief Financial Officer. The agreement is for a term through September 4, 2004 providing for a base salary of $144,000 per annum. The base salary may be increased at the discretion of the Board of Directors. The agreement provides for a bonus up to 50% of the annual base salary for the applicable year. The agreement also provides Mr. Giffhorn a monthly car allowance of $400. The Company may terminate Mr.Giffhorn's employment with or without cause, but termination without cause (other than disability or death) would result in severance payments equal to the lesser of (i) four months of the then current base salary or (ii) the balance remaining of the current base salary for the term of his agreement. If a change in control, as defined in the agreement, occurs during the term of his agreement, and if Mr. Giffhorn refuses to accept or voluntarily resigns from a position other than a qualified position, as that term is defined in the agreement, then he will receive a lump sum severance payment equal to twelve months of his then current salary.

The Company entered into an employment agreement dated as of December 23, 2002, with Mr. Maitra providing for his employment as Vice President of Engineering. The agreement is for a term through January 2, 2004 providing for a base salary initially of $126,000 per annum. The base salary may be increased at the discretion of the Board of Directors. The agreement provides for a bonus up to 50% of the annual base salary for the applicable year. The agreement also provides Mr. Maitra a monthly car allowance of $400. The Company may terminate Mr.Maitra's employment with or without cause, but termination without cause (other than disability or death) would result in severance payments equal to the lesser of (i) four months of the then current base salary or (ii) the balance remaining of the current base salary for the term of his agreement. If a change in control, as defined in the agreement, occurs during the term of his agreement, and if Mr. Maitra refuses to accept or voluntarily resigns from a position other than a qualified position, as that term is defined in the agreement, then he will receive a lump sum severance payment equal to twelve months of his then current salary. Under the agreement, the Company granted Mr. Maitra options to purchase 100,000 common shares, 50,000 vesting on January 2, 2004 and 50,000 vesting on January 2, 2005.

The Company entered into a letter of intent dated May 31, 2001 with Dr. Nunally providing for his employment as the Chief Technical Officer of the Company. The terms of the letter provide for a base salary of $180,000 per annum. The letter provides for a bonus up to 50% of the annual base consideration for the applicable year. In addition, the letter provided for monthly payments of $4,500 for the purchase from Dr. Nunally of certain intellectual property assets and assignment of worldwide patent rights. On March 30, 2001, the Company entered into an agreement with Dr. Nunally providing for additional monthly payments of $3,000 for additional intellectual property assets. On April 16, 2003, the agreements were amended to reflect a return of the intellectual property assets to Dr. Nunally, forgiveness by Dr. Nunally of payments due him for the intellectual property assets subsequent to January 1, 2003 and termination of the $7,500 per month payments accruing on the intellectual property assets. In exchange the Company granted a stock option to Dr. Nunally for the purchase of up to 400,000 shares of common stock at an exercise price of $0.0425. The option vested upon grant.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of August 28, 2003, the stock ownership of each officer and director of the Company, of all officers and directors of the Company as a group, and of each person known by the Company to be a beneficial owner of 5% or more of its Common Stock. Except as otherwise noted, each person listed below is the sole beneficial owner of the shares and has sole investment and voting power over such shares. No person listed below has any option, warrant or other right to acquire additional securities of the Company, except as otherwise noted.

Title of Class	Name and Address of Beneficial Owner	Amount & Nature of Beneficial Ownership		Percent of Class
Common stock par value $0.00001	Gloria Felcyn, CPA 10989 Via Frontera San Diego, CA 92127	18,214,527	(1)	15.4%
SAME	Donald R. Bernier 10989 Via Frontera San Diego, CA 92127	487,500	(2)	*
SAME	Helmut Falk, Jr. 10989 Via Frontera San Diego, CA 92127	149,500	(3)	*
SAME	Lowell W. Giffhorn 10989 Via Frontera San Diego, CA 92127	536,614	(4)	*
SAME	SDMC, Inc. 10989 Via Frontera San Diego, CA 92127	1,020,000	(5)	*
SAME	David H. Pohl 10989 Via Frontera San Diego, CA 92127	325,000	(6)	*
SAME	Patrick O. Nunally 10989 Via Frontera San Diego, CA 92127	799,500	(7)	*
SAME	Joey Maitra 10989 Via Frontera San Diego, CA 92127	512,342	(8)	*
SAME	Carlton M. Johnson, Jr. 10989 Via Frontera San Diego, CA 92127	75,000	(9)	*
	All directors & officers as a group (8 persons)	22,119,983	(10)	18.2%

* Less than 1%

1) As trustee of the Helmut Falk Family Trust and executor of the Helmut Falk estate, Ms. Felcyn effectively controls the shares which were subject to an escrow arrangement (as described in "Certain Transactions" below) originally issued to nanoTronics in connection with the ShBoom technology acquisition and shares that remain from 5,000,000 non-escrowed shares that were originally issued to nanoTronics in connection with the ShBoom technology acquisition and were subsequently transferred to the Helmut Falk Family Trust. Includes 11,548,304 shares that are issuable on the conversion of 8% Convertible Debentures and the exercise of warrants into shares of common stock and 50,000 shares issuable upon the exercise of outstanding stock options.

2) Includes 262,500 shares issuable upon the exercise of outstanding stock options.

3) Includes 115,000 shares issuable upon the exercise of outstanding stock options.

4) Includes 311,666 shares issuable upon the exercise of outstanding stock options.

5) Includes 1,020,000 shares issuable upon the exercise of outstanding stock options.

6) Includes 325,000 shares issuable upon the exercise of outstanding stock options.

7) Includes 787,500 shares issuable upon the exercise of outstanding stock options.

8) Includes 335,000 shares issuable upon the exercise of outstanding stock options.

9) Includes 75,000 shares issuable upon the exercise of outstanding stock options.

10) Includes 7,290,013 shares issued and outstanding and 14,829,970 shares issuable upon exercise of stock options, conversion of convertible debentures and exercise of warrants.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights *(a)*	Weighted average exercise price of outstanding options, warrants and rights *(b)*	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column *(a)* *(c)*
Equity compensation plans approved by security holders	5,054,000	$0.28	250,188
Equity compensation plans not approved by security holders	58,992,468	$0.06	None
Total	64,046,468	$0.08	250,188

Common shares issuable on the exercise of stock warrants have not been approved by the security holders and, accordingly, have been segregated in the above table.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There were no transactions, or series of transactions, during fiscal 2003, 2002 or 2001, nor are there any currently proposed transactions, or series of transactions, to which the Company is a party, in which the amount exceeds $60,000, and in which to its knowledge any director, executive officer, nominee, five percent or greater shareholder, or any member of the immediate family of any of the foregoing persons, has or will have any direct or indirect material interest other than as described below.

In June 2000, we entered into a three-year, $80,000 secured promissory note receivable with James T. Lunney, a previous Chairman, President and CEO. The note bore interest at the rate of 6% with interest payments due semi-annually and the principal

due at the maturity of the note. Mr. Lunney pledged 100,000 shares of Patriot's common stock that he held on the date of issuance as security for this note. In April 2003, we negotiated an early payment discount and Mr. Lunney paid $60,000 to retire this note.

During the fiscal years ended May 31, 2002 and 2001, we paid $70,292 and $139,253 to Webster Incorporated for design and maintenance of our web site and for marketing support and materials. The principal in Webster Incorporated, Christine Blum, is the daughter of our previous Chairman, President and CEO, Richard Blum.

From June 10, 2002 through August 23, 2002, we issued to Gloria Felcyn, Trustee of the Helmut Falk Family Trust, two 8% Convertible Debentures with accumulative principal balances of $275,000 due June 10, 2004 through August 23, 2004. The initial exercise prices ranged from $0.0727 to $0.08616 and are subject to a downward revisions if the price of our stock is lower on any three month anniversary of the debentures or on the date that a statement registering the resale of the common stock issuable upon conversion of the debentures becomes effective. Also, in conjunction with the debentures, we issued five year warrants to purchase up to 4,102,431 shares of our common stock at an initial exercise prices ranging from $0.0727 to $0.08616 subject to reset provisions on each six month anniversary of the issuance of the warrants. If the price of our common stock is in excess of $0.20 per share, Ms. Felcyn has a two year option to purchase up to an additional $275,000 of 8% Convertible Debentures on the same terms.

During October 2002 through December 2002, we entered into three 8% short-term notes with Gloria Felcyn, the trustee for the Falk Family Trust, aggregating $180,000 with initial maturity dates ranging from January 1 to January 31, 2003. In July 2003 we issued a new 8% short-term note in the amount of $200,354 with a maturity date of October 7, 2003 in exchange for cancellation of the three 8% short term notes issued in October through December 2002, the accrued interest on the cancelled notes and an additional $10,000 in cash.

Item 14. CONTROLS AND PROCEDURES

Our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer conducted an evaluation of our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-14 and 15d-14) as of July 1, 2003. Based on their evaluation, they concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of this evaluation.

Item 15. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Nation Smith Hermes Diamond was our principal accountant during the year ended May 31, 2003 and for the year end audit for the year ended May 31, 2002. BDO Seidman, LLP was our principal accountant for previous fiscal years and for the review of quarterly reports and registration statements through May 20, 2002. Presented below are the fees billed during the fiscal years ended May 31, 2003 and 2002.

	Nation Smith Hermes Diamond		BDO Seidman	
	2003	2002	2003	2002
Audit fees	$ 72,902	$ 14,875	$ -	$ 121,890
Audit-related fees	40,099	-	20,000	50,550
Tax fees	635	-	-	6,300
All other fees	57	-	-	9,149
Total	$ 113,693	$ 14,875	$ 20,000	$ 187,889

Audit Fees. Represents fees for professional services provided for the audit of Patriot Scientific's annual financial statements and review of Patriot Scientific's quarterly financial statements, and audit services provided in connection with other statutory or regulatory filings.

Audit-related Fees. Represents fees for assurance services related to the audit of Patriot Scientific's financial statements. The fees are primarily for review of registration and proxy statements.

Tax Fees. Represents fees for professional services provided primarily for compliance, advice and tax return preparation.

All Other Fees. Represents fees for products and services not otherwise included in the categories above. The 2002 fees are primarily related to travel expenses and retention review fees.

To help ensure the independence of our independent auditor, the Audit Committee of the Board of Directors of Patriot Scientific has approved and adopted a Policy on Engagement of Independent Auditor, which is available on Patriot Scientific's Web site at *http:/www.ptsc.com.*

Pursuant to the Policy on Engagement of Independent Auditor, the Audit Committee is directly responsible for the appointment, compensation and oversight of the independent auditor. The Audit Committee preapproves all audit services and non-audit services to be provided by our independent auditor. The Audit Committee may delegate to one or more of its members the authority to grant the required approvals, provided that any exercise of such authority is presented at the next Audit Committee meeting.

Each audit, non-audit or tax service that is approved by the Audit Committee will be reflected in a written engagement letter or writing specifying the services to be performed and the cost of such services, which will be signed by either a member of the Audit Committee or by an officer of Patriot Scientific authorized by the Audit Committee to sign on behalf of Patriot Scientific.

The Audit Committee will not approve any prohibited non-audit service or any non-audit service that individually or in the aggregate may impair, in the Audit Committee's opinion, the independence of our independent auditor.

In addition, beginning on January 1, 2003, our independent auditor may not provide any services to Patriot Scientific officers or Audit Committee members, including financial counseling and tax services.

PART IV

Item 16. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Report:

1. Financial Statements. The following consolidated financial statements and supplementary information of the Company and Report of Independent Auditors are included in Part II of this Report:

Report of Nation Smith Hermes Diamond, Certified Public Accountants

Report of BDO Seidman, LLP, Certified Public Accountants

Consolidated Balance Sheets - As of May 31, 2003 and 2002

Consolidated Statements of Operations - Years Ended May 31, 2003, 2002 and 2001

Consolidated Statement of Stockholders' Equity (Deficit) - Years Ended May 31, 2003, 2002 and 2001

Consolidated Statements of Cash Flows - Years Ended May 31, 2003, 2002 and 2001

Notes to Consolidated Financial Statements

2. Exhibits. The following Exhibits are filed as part of, or incorporated by reference into, this Report:

Exhibit No.	Document	No.
2.0	**PLAN OF ACQUISITION, REORGANIZATION, ARRANGEMENT, LIQUIDATION OR SUCCESSION.**	
2.1	Agreement to Exchange Technology for Stock in Patriot Scientific Corporation, incorporated by reference to Exhibit 2.1 to Form 8-K dated August 10, 1989	(1)
2.2	Assets Purchase Agreement and Plan of Reorganization dated June 22, 1994, among the Company, nanoTronics Corporation and Helmut Falk, incorporated by reference to Exhibit 10.4 to Form 8-K dated July 6, 1994	(1)
2.2.1	Amendment to Development Agreement dated April 23, 1996 between the Company and Sierra Systems, incorporated by reference to Exhibit 2.2.1 to Pre-Effective Amendment No. 1 to Registration Statement on Form SB-2 dated April 29, 1996	(1)
2.3	Form of Exchange Offer dated December 4, 1996 between the Company and certain shareholders of Metacomp, Inc. incorporated by reference to Exhibit 2.3 to Form 8-K dated January 9, 1997	(1)

Exhibit No.	Document	No.
2.4	Letter of Transmittal to Accompany Shares of Common Stock of Metacomp, Inc. Tendered Pursuant to the Exchange Offer Dated December 4, 1996 incorporated by reference to Exhibit 2.4 to Form 8-K dated January 9, 1997	(1)
3.0	**ARTICLES AND BYLAWS.**	
3.1	Original Articles of Incorporation of the Company's predecessor, Patriot Financial Corporation, incorporated by reference to Exhibit 3.1 to registration statement on Form S-18, file no. 33-23143-FW	(1)
3.2	Articles of Amendment of Patriot Financial Corporation, as filed with the Colorado Secretary of State on July 21, 1988, incorporated by reference to Exhibit 3.2 to registration statement on Form S-18, File No. 33-23143-FW	(1)
3.3	Certificate of Incorporation of the Company, as filed with the Delaware Secretary of State on March 24, 1992, incorporated by reference to Exhibit 3.3 to Form 8-K dated May 12, 1992	(1)
3.3.1	Certificate of Amendment to the Certificate of Incorporation of the Company, as filed with the Delaware Secretary of State on April 18, 1995, incorporated by reference to Exhibit 3.3.1 to Form 10-KSB for the fiscal year ended May 31, 1995	(1)
3.3.2	Certificate of Amendment to the Certificate of Incorporation of the Company, as filed with the Delaware Secretary of State on June 19,1997, incorporated by reference to Exhibit 3.3.2 to Form 10-KSB for the fiscal year ended May 31, 1997	(1)
3.3.3	Certificate of Amendment to the Certificate of Incorporation of the Company, as filed with the Delaware Secretary of State on April 28, 2000, incorporated by reference to Exhibit 3.3.3 to Registration Statement on Form S-3 dated May 5, 2000	(1)
3.3.4	Certificate of Amendment to the Certificate of Incorporation of the Company, as filed with the Delaware Secretary of State on May 6, 2002, incorporated by reference to Exhibit 3.3.4 to Registration Statement on Form S-3 dated June 27, 2002	(1)
3.4	Articles and Certificate of Merger of Patriot Financial Corporation into the Company dated May 1, 1992, with Agreement and Plan of Merger attached thereto as Exhibit A, incorporated by reference to Exhibit 3.4 to Form 8-K dated May 12, 1992	(1)
3.5	Certificate of Merger issued by the Delaware Secretary of State on May 8, 1992, incorporated by reference to Exhibit 3.5 to Form 8-K dated May 12, 1992	(1)
3.6	Certificate of Merger issued by the Colorado Secretary of State on May 12, 1992, incorporated by reference to Exhibit 3.6 to Form 8-K dated May 12, 1992	(1)

Exhibit No.	Document	No.
3.7	Bylaws of the Company, incorporated by reference to Exhibit 3.7 to Form 8-K dated May 12, 1992	(1)
4.0	**INSTRUMENTS ESTABLISHING RIGHTS OF SECURITY HOLDERS.**	
4.1	Specimen common stock certificate, incorporated by reference to Exhibit 4.1 Form 8-K dated May 12, 1992	(1)
4.2	Form of Stock Purchase Warrant (Labway Corporation) dated February 29, 1996, exercisable to purchase 253,166 common shares at $1.58 per share until August 31, 1996, granted to investors in connection with an offering of securities made in reliance upon Regulation S, incorporated by reference to Exhibit 4.2 to Form 10-QSB for fiscal quarter ended February 29, 1996	(1)
4.3	Form of 6% Convertible Subordinated Promissory Note due September 30, 1998 aggregating $1,500,000 to six investors incorporated by reference to Exhibit 4.3 to Form 10-QSB for fiscal quarter ended August 31, 1996	(1)
4.4	Form of 5% Convertible Term Debenture (CC Investments, LDC) due June 2, 1999 aggregating $2,000,000 to two investors incorporated by reference to Exhibit 4.4 to Form 8-K dated June 16, 1997	(1)
4.5	Form of Stock Purchase Warrant (CC Investments, LDC) dated June 2, 1997 exercisable to purchase an aggregate of 400,000 common shares at $1.69125 per share until June 2, 2002, granted to two investors in connection with the offering of securities in Exhibit 4.4 incorporated by reference to Exhibit 4.5 to Form 8-K dated June 16, 1997	(1)
4.6	Registration Rights Agreement dated June 2, 1997 by and among the Company and CC Investments, LDC and the Matthew Fund, N.V. related to the registration of the common stock related to Exhibits 4.4 and 4.5 incorporated by reference to Exhibit 4.6 to Form 8-K dated June 16, 1997	(1)
4.7	Form of Warrant to Purchase Common Stock (Swartz Family Partnership, L.P.) dated June 2, 1997 exercisable to purchase an aggregate of 211,733 common shares at $1.69125 per share until June 2, 2002, granted to a group of investors in connection with the offering of securities in Exhibit 4.4 incorporated by reference to Exhibit 4.7 to Form 8-K dated June 16, 1997	(1)
4.8	Registration Rights Agreement dated June 2, 1997 by and among the Company and Swartz Investments, LLC related to the registration of the common stock related to Exhibit 4.7 incorporated by reference to Exhibit 4.8 to Form 8-K dated June 16, 1997	(1)
4.9	Form of 5% Convertible Term Debenture (CC Investments, LDC) due June 2, 1999 aggregating $1,000,000 to two investors incorporated by reference to Exhibit 4.9 to Form 10-KSB for the fiscal year ended May 31, 1998	(1)

Exhibit No.	Document	No.
4.10	Form of Stock Purchase Warrant (CC Investments, LDC) dated November 24, 1997 exercisable to purchase an aggregate of 200,000 common shares at $1.50 per share until June 2, 2002, granted to two investors in connection with the offering of securities described in Exhibit 4.9 incorporated by reference to Exhibit 4.10 to Form 10-KSB for the year ended May 31, 1998	(1)
4.11	Form of Warrant to Purchase Common Stock (Swartz Family Partnership, L.P.) dated November 24, 1997 exercisable to purchase an aggregate of 105,867 common shares at $1.50 per share until June 2, 2002, granted to a group of investors in connection with the offering of securities described in Exhibit 4.9 incorporated by reference to Exhibit 4.11 to Form 10-KSB for the year ended May 31, 1998	(1)
4.12	Form of Warrant to Purchase Common Stock (Investor Communications Group, Inc.) dated June 16, 1997 exercisable to purchase an aggregate of 130,000 common shares at prices ranging from $2.50 to $7.50 per share until June 15, 1999 incorporated by reference to Exhibit 4.12 to Form 10-KSB for the year ended May 31. 1998	(1)
4.13	Warrant to Purchase Common Stock issued to Spellcaster Telecommunications, Inc. dated April 28, 1998 exercisable to purchase an aggregate of 100,000 common shares at $1.25 per share until April 28, 2000 incorporated by reference to Exhibit 4.13 to Form 10-KSB for the year ended May 31, 1998	(1)
4.14	Investment agreement dated February 24, 1999 by and between the Company and Swartz Private Equity, LLC for a maximum aggregate amount of $5,000,000 incorporated by reference to Exhibit 4.14 to Form 10-QSB/A for the fiscal quarter ended November 30, 1998	(1)
4.15	Registration Rights Agreement dated February 24, 1999 by and between the Company and Swartz Private Equity, LLC related to the registration of the common stock related to Exhibit 4.14 incorporated by reference to Exhibit 4.15 to Form 10-QSB/A for the fiscal quarter ended November 30, 1998	(1)
4.16	Form of Warrant to Purchase Common Stock (Swartz Private Equity, LLC) dated February 24, 1999 exercisable to purchase common shares in connection with the offering of securities in Exhibit 4.14 incorporated by reference to Exhibit 4.16 to Form 10-QSB/A for the fiscal quarter ended November 30, 1998	(1)
4.17	Amended and Restated Investment Agreement dated July 12, 1999 by and between the Company and Swartz Private Equity, LLC for a maximum aggregate amount of $5,000,000 incorporated by reference to Exhibit 4.17 to Pre-Effective Amendment No. 2 to Registration Statement on Form SB-2 dated July 14, 1999	(1)

Exhibit No.	Document	No.
4.18	Investment Agreement dated April 28, 2000 by and between the Company and Swartz Private Equity, LLC for a maximum aggregate amount of $30,000,000 incorporated by reference to Exhibit 4.18 to Registration Statement on Form S-3 dated May 5, 2000	(1)
4.18.1	Waiver and Agreement dated September 24, 2001 amending the Investment Agreement dated April 28, 2000 by and between the Company and Swartz Private Equity, LLC for a maximum aggregate amount of $30,000,000 incorporated by reference to Exhibit 4.18.1 to Registration Statement on Form S-1 dated October 11, 2001	(1)
4.19	2001 Stock Option Plan of the Company dated February 21, 2001 incorporated by reference to Exhibit 4.19 to Registration Statement on Form S-8 dated March 26, 2001	(1)
4.20	Investment agreement dated September 17, 2001 by and between the Company and Swartz Private Equity, LLC for a maximum aggregate amount of $25,000,000 incorporated by reference to Exhibit 4.20 to Registration Statement on Form S-1 dated October 11, 2001	(1)
4.21	Registration Rights Agreement dated September 17, 2001 by and between the Company and Swartz Private Equity, LLC related to the registration of the common stock related to Exhibit 4.20 incorporated by reference to Exhibit 4.21to Registration Statement on Form S-1 dated October 11, 2001	(1)
4.22	Warrant to Purchase Common Stock dated September 17, 2001 exercisable to purchase common shares in connection with the Offering of securities in Exhibit 4.20 incorporated by reference to Exhibit 4.22 to Registration Statement on Form S-1 dated October 11, 2001	(1)
4.23	Financial Consulting Services Agreement between the Company and M. Blaine Riley, Randall Letcavage and Rosemary Nguyen incorporated by reference to Exhibit 4.23 to Registration Statement on Form S-8 dated January 22, 2002	(1)
4.24	Form of 8% Convertible Debenture (Lincoln Ventures, LLC) due June 10, 2004 aggregating $1,000,000 to six investors incorporated by reference to Exhibit 4.24 to Registration Statement on Form S-3 dated June 27, 2002	(1)
4.25	Form of Stock Purchase Warrant (Lincoln Ventures, LLC) dated June 10, 2002 exercisable to purchase an aggregate of 12,859,175 common shares at initial exercise prices ranging form $0.08616 to $0.10289 per share until June 10, 2007, granted to six investors in connection with the offering of securities described in Exhibit 4.24 incorporated by reference to Exhibit 4.25 to Registration Statement on Form S-3 dated June 27. 2002	(1)

Exhibit No.	Document	No.
4.26	Form of Registration Rights Agreement (Lincoln Ventures, LLC) dated June 10, 2002 by and among the Company and six investors related to the registration of the common stock related to Exhibit 4.24 incorporated by reference to Exhibit 4.26 to Registration Statement on Form S-3 dated June 27, 2002	(1)
10.0	**MATERIAL CONTRACTS.**	
10.1	1992 Incentive Stock Option Plan of the Company, incorporated by reference to Exhibit 10.1 to Form 8-K dated May 12, 1992	(1)
10.1.1	Amendment to 1992 Incentive Stock Option Plan dated January 11, 1995, incorporated by reference to Exhibit 10.1.1 to Form S-8 dated July 17, 1996	(1)
10.2	1992 Non-Statutory Stock Option Plan of the Company, incorporated by reference to Exhibit 10.2 to Form 8-K dated May 12, 1992	(1)
10.2.1	Amendment to 1992 Non-Statutory Stock Option Plan dated January 11, 1995 incorporated by reference to Exhibit 10.2.1 to Form 10-KSB for fiscal year ended May 31, 1996	(1)
10.3	Lease Agreement between the Company's subsidiary Metacomp, Inc. and Clar-O-Wood Partnership, a California limited partnership dated April 11, 1991 as amended November 11, 1992 and November 2, 1995 incorporated by reference to Exhibit 10.3 to Form 10-KSB for fiscal year ended May 31, 1997	(1)
10.4	Stock Purchase Agreement dated November 29 and 30, 1995, between the Company and SEA, Ltd., incorporated by reference to Exhibit 10.4 to Form 8-K dated December 11, 1995	(1)
10.4.1	Letter Amendment to Stock Purchase Agreement dated February 21, 1996, between the Company and SEA, Ltd., incorporated by reference to Exhibit 10.4.1 to Form 10-QSB for fiscal quarter ended 2/29/96	(1)
10.5	1995 Employee Stock Compensation Plan of the Company, incorporated by reference to Exhibit 10.5 to Form 10-QSB for fiscal quarter ended 11/30/95	(1)
10.6	Letter Stock and Warrant Agreement dated January 10, 1996 between the Company and Robert E. Crawford, Jr., incorporated by reference to Exhibit 10.6 to Form 10-QSB for fiscal quarter ended February 29, 1996	(1)
10.7	Non-Exclusive Manufacturing and Line of Credit Agreement dated February 28, 1996, between the Company and Labway Corporation, incorporated by reference to Exhibit 10.7 to Form 10-QSB for fiscal quarter ended February 29, 1996	(1)
10.8	Distribution and Representation Agreement dated February 28, 1996, between the Company and Innoware, Inc., incorporated by reference to Exhibit 10.8 to Form 10-QSB for fiscal quarter ended February 29, 1996	(1)

Exhibit No.	Document	No.
10.9	Employment Agreement dated November 20, 1995 between the Company and Elwood G. Norris, incorporated by reference to Exhibit 10.9 to Registration Statement on Form SB-2 dated March 18, 1996	(1)
10.9.1	First Amendment to Employment Agreement dated May 17, 1996 between the Company and Elwood G. Norris, incorporated by reference to Exhibit 10.9.1 to Pre-Effective Amendment No. 2 to Registration Statement on Form SB-2 dated May 23, 1996	(1)
10.10	Employment Agreement dated November 20, 1995 between the Company and Robert Putnam, incorporated by reference to Exhibit 10.10 to Registration Statement on Form SB-2 dated March 18, 1996	(1)
10.11	Sales Contractual Agreement dated March 19, 1996 between the Company and Evolve Software, Inc., incorporated by reference to Exhibit 10.11 to Pre-Effective Amendment No. 1 to Registration Statement on Form SB-2 dated April 29, 1996	(1)
10.11.1	Two Year Stock Purchase Warrant dated March 19, 1996 Granted to Evolve Software, Inc. Providing for the Purchase of up to 50,000 Common Shares at $2.85, incorporated by reference to Exhibit 10.11.1 to Pre-Effective Amendment No. 1 to Registration Statement on Form SB-2 dated April 29, 1996	(1)
10.12	Employment Agreement dated as of May 8, 1996 between the Company and Michael A. Carenzo, including Schedule A - Stock Option Agreement, incorporated by reference to Exhibit 10.12 to Pre-Effective Amendment No. 2 to Registration Statement on Form SB-2 dated May 23, 1996	(1)
10.12.1	First Amendment to Employment Agreement dated as of May 8, 1996 between the Company and Michael A. Carenzo dated September 23, 1996, incorporated by reference to Exhibit 10.12.1 to Form 10-KSB for the fiscal year ended May 31, 1997	(1)
10.13	1996 Stock Option Plan of the Company dated March 25, 1996 and approved by the Shareholders on May 17, 1996, incorporated by reference to Exhibit 10.13 to Pre-Effective Amendment No. 2 to Registration Statement on Form SB-2 dated May 23, 1996	(1)
10.14	Sales Contractual Agreement dated June 20, 1996 between the Company and Compunetics Incorporated incorporated by reference to Exhibit 10.14 to Form 10-KSB for fiscal year ended May 31, 1996	(1)

Exhibit No.	Document	No.
10.15	Sales Contractual Agreement dated July 31, 1996 between the Company and Premier Technical Sales, Inc. incorporated by reference to Exhibit 10.15 to Form 10-KSB for fiscal year ended May 31, 1996	(1)
10.16	Employment Agreement dated January 1, 1997 between the Company and Norman J. Dawson incorporated by reference to Exhibit 10.16 to Form 10-KSB for fiscal year ended May 31, 1997	(1)
10.17	Employment Agreement dated January 1, 1997 between the Company and Jayanta K. Maitra incorporated by reference to Exhibit 10.17 to Form 10-KSB for fiscal year ended May 31, 1997	(1)
10.18	Technology License and Distribution Agreement dated June 23, 1997 between the Company and Sun Microsystems, Inc. incorporated by reference to Exhibit 10.18 to Form 10-KSB for the fiscal year ended May 31, 1997	(1)
10.19	Employment Agreement dated March 23, 1998 between the Company and James T. Lunney incorporated by reference to Exhibit 10.19 to Form 10-KSB for the fiscal year ended May 31, 1998	(1)
10.20	Employment Agreement dated July 28, 1997 between the Company and Phillip Morettini incorporated by reference to Exhibit 10.20 to Form 10-KSB for the fiscal year ended May 31, 1998	(1)
10.21	Employment Agreement dated July 23, 1998 between the Company and Lowell W. Giffhorn incorporated by reference to Exhibit 10.21 to Form 10-KSB for the fiscal year ended May 31, 1998	(1)
10.22	Secured Promissory Note dated June 12, 2000 between the Company and James T. Lunney incorporated by reference to Exhibit 10.22 to Form 10-KSB for the fiscal year ended May 31, 2000	(1)
10.23	Purchase Agreement dated June 29, 2000 between the Company and 4S 37/38, LLC incorporated by reference to Exhibit 10.23 to Form 10-KSB for the fiscal year ended May 31, 2000	(1)
10.24	Employment Agreement dated October 2, 2000 between the Company and Miklos B. Korodi incorporated by reference to Exhibit 10.24 to Form 10-QSB for the fiscal quarter ended November 30, 2000	(1)
10.25	Employment Agreement dated December 1, 2000 between the Company and Richard G. Blum incorporated by reference to Exhibit 10.25 to Form 10-QSB for the fiscal quarter ended November 30, 2000	(1)
10.26	Employment Agreement dated January 29, 2001 between the Company and Serge J. Miller incorporated by reference to Exhibit 10.26 to Form 10-KSB for the fiscal year ended May 31, 2001	(1)

Exhibit No.	Document	No.
10.27	Lease Agreement dated February 23, 2001 between the Company and Arden Realty Finance IV, LLC incorporated by reference to Exhibit 10.27 to Form 10-KSB for the fiscal year ended May 31, 2001	(1)
10.28	Employment Agreement dated January 1, 2001 between the Company and David H. Pohl incorporated by reference to Exhibit 10.28 to Form 10-KSB for the fiscal year ended May 31, 2001	(1)
10.29	Employment Agreement dated April 26, 2001 between the Company and David H. Pohl incorporated by reference to Exhibit 10.29 to Form 10-KSB for the fiscal year ended May 31, 2001	(1)
10.30	Employment Agreement dated November 17, 2001 between the Company and Lowell W. Giffhorn incorporated by reference to Exhibit 10.30 to Registration Statement on Form S-3 dated June 27, 2002	(1)
10.31	Employment Agreement dated December 20, 2001 between the Company and Jayanta Maitra incorporated by reference to Exhibit 10.31 to Registration Statement on Form S-3 dated June 27, 2002	(1)
10.32	Consulting Agreement dated March 7, 2002 between the Company and SDMC, Inc. incorporated by reference to Exhibit 10.32 to Registration Statement on Form S-3 dated June 27, 2002	(1)
14.0	**CODE OF ETHICS.**	
14.1	Code of Ethics for Senior Financial Officers	(2)
23.0	**CONSENTS OF EXPERTS AND COUNSEL.**	
23.1	Consent of Nation Smith Hermes Diamond, LLP independent certified public accountants	(2)
23.2	Consent of BDO Seidman, LLP independent certified public accountants	(2)

Exhibit No.	Document	No.
31.0	**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.**	
31.1	Certification of Jeffrey E. Wallin, CEO	(2)
31.2	Certification of Lowell W. Giffhorn, CFO	(2)
32.0	**CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.**	
321.1	Certification of Jeffrey E. Wallin, CEO	(2)
32.2	Certification of Lowell W. Giffhorn, CFO	(2)
99.0	**ADDITIONAL EXHIBITS.**	
99.1	Form of ISO Plan Option (Gaspar) dated May 29, 1992, incorporated by reference to Exhibit 28.2 to registration statement on Form SB-2, file no. 33-57858	(1)
99.2	Form of NSO Plan Option (Berlin) dated May 29, 1992, incorporated by reference to Exhibit 28.3 to registration statement on Form SB-2, file no. 33-57858	(1)
99.3	Form of Incentive Stock Option Agreement to the Company's 1996 Stock Option Plan (individual agreements differ as to number of shares, dates, prices and vesting), incorporated by reference to Pre-Effective Amendment No. 2 to Registration Statement on Form SB-2 dated May 23, 1996	(1)
99.4	Form of NonQualified Stock Option Agreement to the Company's 1996 Stock Option Plan (individual agreement differ as to number of shares, date, prices and vesting), incorporated by reference to Pre-Effective Amendment No. 2 to Registration Statement on Form SB-2 dated May 23, 1996	(1)
99.5	Press Release of the Company dated November 4, 1996 incorporated by reference to Exbibit 99.5 to Form 8-K dated January 9, 1997	(1)
99.6	Form of Incentive Stock Option Agreement to the Company's 2001 Stock Option Plan incorporated by reference to Exhibit 99.6 to Registration Statement on Form S-8 filed March 26, 2001	(1)
99.7	Form of Non-Qualified Stock Option Agreement to the Company's 2001 Stock Option Plan incorporated by reference to Exhibit 99.7 to Registration Statement on Form S-8 filed March 26, 2001	(1)

(1) Previously filed in indicated registration statement or report.
(2) Exhibit filed herewith this Annual Report on Form 10-K for the fiscal year ended May 31, 2003

(b) Financial Statement Schedules

The following financial statement schedule filed herein as a part of this report at F-32

Schedule II- Valuation and Qualifying Accounts

All other schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

(c) Reports on Form 8-K – None.

Patriot Scientific Corporation

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Report of Independent Certified Public Accountants

To the Stockholders and Board of Directors
Patriot Scientific Corporation
San Diego, California

We have audited the accompanying consolidated balance sheets of Patriot Scientific Corporation as of May 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years in the two year period ended May 31, 2003. We have also audited the schedule listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Patriot Scientific Corporation at May 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the years in the two year period ended May 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations, has negative cash flows and has negative working capital that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Nation Smith Hermes Diamond

San Diego, California

August 14, 2003, except for note 1,
dated as of August 26, 2003.

Report of Independent Certified Public Accountants

To the Stockholders and Board of Directors
Patriot Scientific Corporation
San Diego, California

We have audited the accompanying consolidated statements of operations, stockholders' equity and cash flows for the year ended May 31, 2001. We have also audited the schedule listed in the accompanying index for the year ended May 31, 2001. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the consolidated results of Patriot Scientific Corporation's operations and cash flows for the year ended May 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein for the year ended May 31, 2001.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has negative cash flows that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BDO Seidman, LLP

Los Angeles, California
August 9, 2001, except for Note 1, dated as
of August 15, 2001

Consolidated Balance Sheets

May 31,		2003		2002
ASSETS (Notes 4 and 5)				
Current assets:				
Cash and cash equivalents	**$**	**32,663**	$	88,108
Accounts receivable, net of allowance of $10,000 and $6,000 for uncollectible accounts		**3,866**		4,797
Prepaid expenses		**93,030**		35,749
Total current assets		**129,559**		128,654
Property and equipment, net (Note 2)		**153,530**		285,488
Other assets, net of accumulated amortization of none and $20,333		**53,220**		330,863
Patents and trademarks, net of accumulated amortization of $522,948 and $400,158		**128,925**		189,521
	$	**465,234**	$	934,526
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Secured note payable, net of debt discount of none and $189,516 (Note 4)	**$**	**635,276**	$	445,760
Current portion of 8% Convertible Debentures, net of debt discount of $103,121 and none (Note 5)		**121,879**		-
Secured notes payable to shareholder		**180,000**		-
Accounts payable		**397,180**		385,255
Accrued liabilities		**245,822**		211,291
Current portion of capital lease obligation		**6,405**		5,116
Total current liabilities		**1,586,562**		1,047,422
8% Convertible Debentures, net of debt discount of $709,890 and $192,802 (Note 5)		**280,110**		315,198
Long term portion of capital lease obligation		**10,326**		16,731
Commitments and contingencies (Notes 1, 7 and 11)				
Stockholders' deficit (Notes 4, 5, 6 and 7):				
Preferred stock, $.00001 par value; 5,000,000 shares authorized: none outstanding		**-**		-
Common stock, $.00001par value; 200,000,000 shares authorized: 106,547,807 and 81,465,757 issued and outstanding at May 31, 2003 and 2002, respectively		**1,066**		815
Additional paid-in capital		**44,281,210**		41,440,101
Accumulated deficit		**(45,694,040)**		(41,805,741)
Note receivable (Note 3)		**-**		(80,000)
Total stockholders' deficit		**(1,411,764)**		(444,825)
	$	**465,234**	$	934,526

See accompanying reports of independent certified public accountants, summary of accounting policies and notes to Consolidated financial statements.

Patriot Scientific Corporation
Consolidated Statements of Operations

Years Ended May 31,	**2003**	2002	2001
Net sales (Note 12):			
Product	**$ 108,403**	$ 358,809	$ 336,684
Licenses and royalties	**15,500**	-	700
Net sales	**123,903**	358,809	337,384
Cost of sales:			
Product costs	**18,660**	244,547	444,320
Inventory obsolescence	**-**	149,433	100,000
Cost of sales	**18,660**	393,980	544,320
Gross profit (loss)	**105,243**	(35,171)	(206,936)
Operating expenses:			
Research and development	**723,287**	1,372,421	2,218,433
Selling, general and administrative	**1,821,902**	2,708,579	2,588,579
Operating expenses	**2,545,189**	4,081,000	4,807,012
Operating loss	**(2,439,946)**	(4,116,171)	(5,013,948)
Other income (expenses):			
Interest income	**191**	2,662	48,329
Interest expense (Notes 4, 5 and 6)	**(1,448,544)**	(1,373,542)	(3,284)
Other income (expenses)	**(1,448,353)**	(1,370,880)	45,045
Net loss	**$ (3,888,299)**	$ (5,487,051)	$ (4,968,903)
Basic and diluted loss per common share (Note 8)	**$ (0.04)**	$ (0.08)	$ (0.09)
Weighted average number of common shares outstanding during the period (Note 8)	**93,791,470**	66,810,028	53,433,788

See accompanying reports of independent certified public accountants, summary of accounting policies and notes to consolidated financial statements.

Patriot Scientific Corporation

Consolidated Statements of Stockholders' Equity (Deficit)

Years Ended May 31, 2003, 2002 and 2001

	Common Stock		Additional	Accumulated	Stockholders'
	Shares	Amount	Paid-in Capital	Deficit	Equity (Deficit)
Balance, June 1, 2000	51,126,675	$ 511	$ 33,559,158	$ (31,349,787)	$ 2,209,882
Issuance of common stock at $.43 to $1.05 per share (Note 7)	5,411,320	54	3,342,143	-	3,342,197
Exercise of common stock warrants and options at $.25 to $.32 per share (Note 7)	997,416	10	289,063	-	289,073
Issuance of options for services	-	-	130,139	-	130,139
Issuance of note receivable (Note 3)	-	-	(80,000)	-	(80,000)
Net loss	-	-	-	(4,968,903)	(4,968,903)
Balance, May 31, 2001	57,535,411	$ 575	$ 37,240,503 (1)	$ (36,318,690)	$ 922,388
Issuance of common stock at $.07 to $.30 per share (Notes 6 and 7)	4,888,680	49	879,556	-	879,605
Exercise of common stock warrants and options at $.25 to $.32 per share (Note 7)	241,666	3	73,830	-	73,833
Issuance of options for services	-	-	106,926	-	106,926
Issuance of common stock for services at $.09 per share	2,200,000	22	197,978	-	198,000
Conversion of notes payable at $.07 to $.09 per share (Note 4)	16,600,000	166	1,552,885	-	1,553,051
Value of warrants issued	-	-	1,308,423	-	1,308,423
Net loss	-	-	-	(5,487,051)	(5,487,051)
Balance, May 31, 2002	81,465,757	$ 815	$ 41,360,101 (1)	$ (41,805,741)	$ (444,825)
Issuance of common stock at $.03 to $.05 per share (Notes 6 and 7)	3,765,266	38	120,312	-	120,350
Collection of note receivable (Note 3)	-	-	80,000	-	80,000
Issuance of common stock for services at $.04 to $.06 per share	2,780,000	28	148,772	-	148,800
Conversion of debentures payable plus accrued interest at $.04 to $.05 per share (Note 4)	18,536,784	185	836,375	-	836,560
Value of warrants issued	-	-	1,735,650	-	1,735,650
Net loss	-	-	-	(3,888,299)	(3,888,299)
Balance, May 31, 2003	106,547,807	$ 1,066	$ 44,281,210	$ (45,694,040)	$ (1,411,764)

See accompanying reports of independent certified public accountants, summary of accounting policies and notes to consolidated financial statements.

(1) Additional Paid-In Capital included a note receivable of $80,000 and additional paid-in capital of $37,320,503 at May 31, 2001 and $41,440,101 at May 31, 2002.

Patriot Scientific Corporation
Consolidated Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents			
Years Ended May 31,	**2003**	2002	2001
Operating activities:			
Net loss	**$ (3,888,299)**	$ (5,487,051)	$ (4,968,903)
Adjustments to reconcile net loss to cash used in operating activities:			
Amortization and depreciation	**258,915**	285,759	260,316
Provision for doubtful accounts	**24,000**	76,000	49,000
Provision for inventory obsolescence	**-**	149,433	100,000
Common stock, options and warrants issued for services	**148,800**	99,000	119,565
Non -cash interest expense related to convertible debentures, notes payable and warrants	**1,304,957**	1,324,431	-
Changes in:			
Accounts receivable	**(33,346)**	(45,973)	(242,405)
Inventories	**-**	73,960	(252,229)
Prepaid and other assets	**216,195**	(83,334)	(2,563)
Accounts payable and accrued expenses	**83,016**	(24,759)	98,039
Net cash used in operating activities	**(1,885,762)**	(3,632,534)	(4,839,180)
Investing activities:			
Note receivable (Note 3)	**60,000**	-	(80,000)
Web site development costs	**-**	-	(25,000)
Purchase of property, equipment and patents, net	**(62,194)**	(146,156)	(388,557)
Net cash used in investing activities	**(2,194)**	(146,156)	(493,557)
Financing activities:			
Proceeds from issuance of secured notes payable	**180,000**	1,790,000	-
Payments for capital lease obligations	**(5,116)**	(3,148)	-
Proceeds from issuance of convertible debentures	**1,507,000**	508,000	-
Proceeds from issuance of common stock	**120,350**	879,605	3,342,197
Proceeds from exercise of common stock warrants and options	**-**	73,833	289,073
Proceeds from sale of accounts receivable	**30,277**	154,158	65,575
Net cash provided by financing activities	**1,832,511**	3,402,448	3,696,845
Net decrease in cash and cash equivalents	**(55,445)**	(376,242)	(1,635,892)
Cash and cash equivalents, beginning of year	**88,108**	464,350	2,100,242
Cash and cash equivalents, end of year	**$ 32,663**	$ 88,108	$ 464,350
Supplemental Disclosure of Cash Flow Information:			
Convertible debentures, notes payable and accrued interest exchanged for common stock	**$ 836,560**	$ 1,154,725	$ -
Cash payments for interest	**$ 15,083**	$ 19,719	$ -
Common stock issued for prepaid services	**$ -**	$ 198,000	$ -
Warrants and options paid issued for prepaid services	**$ -**	$ 117,500	$ 10,574
Write-off of inventory	**$ -**	$ 38,052	$ 177,000
Capital lease obligation	**$ -**	$ 24,996	$ -
Debt discount	**$ 1,763,816**	$ 1,308,423	$ -
Debt discount cancelled	**$ 527,067**	$ -	$ -

See accompanying report of independent certified public accountants, summary of accounting policies and notes to consolidated financial statements.

Patriot Scientific Corporation
Summary of Accounting Policies

Organization and Business
Patriot Scientific Corporation (the "Company") is engaged in the development, marketing, and sale of patented microprocessor technology and the sale of high-performance high-speed data communication products. The Company also owns innovative radar technology. The Company sold its antenna technology in August 1999.

Basis of Presentation and Consolidation
The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include the accounts of the Company, its majority owned subsidiaries, Metacomp, Inc. ("Metacomp") and Plasma Scientific Corporation. All material intercompany transactions and balances have been eliminated in consolidation.

Reclassifications
Certain reclassifications have been made to the 2002 and 2001 financial statements in order for them to conform to the 2003 presentation. Such reclassifications have no impact on the Company's financial position or results of operations.

Financial Instruments and Concentrations of Credit Risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivable.

The Company's cash equivalents are placed in high quality money market accounts with major financial institutions and high grade short-term commercial paper. The investment policy limits the Company's exposure to concentrations of credit risk. Money market accounts are federally insured; however, commercial paper is not insured. The Company has not experienced any losses in such accounts.

Concentrations of credit risk with respect to accounts receivable are limited due to the wide variety of customers and markets which comprise the Company's customer base, as well as their dispersion across many different geographic areas. The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its accounts receivable credit risk exposure is limited. Generally, the Company does not require collateral or other security to support customer receivables.

The carrying value of financial instruments including cash, cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturity of these instruments. With respect to long-term debt, the carrying amounts approximate fair value due to the relative consistency in interest rates and the short term nature of the debt, with all debt maturing within two years of issuance.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is computed over the estimated useful life of three to five years using the straight-line method. The Company follows the provisions of the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment of Long-lived Assets." Long-lived assets and certain identifiable intangibles to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company continuously evaluates the recoverability of its long-lived assets based on estimated future cash flows from and the estimated fair value of such long-lived assets, and provides for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived asset.

Patents and Trademarks

Patents and trademarks are carried at cost less accumulated amortization and are amortized over their estimated useful lives of four years. The carrying value of patents and trademarks is periodically reviewed and impairments, if any, are recognized when the expected future benefit to be derived from individual intangible assets is less than its carrying value determined based on the provisions of SFAS No. 144 as discussed above.

Revenue Recognition

We recognize revenue on the shipment to our customers of communication products, microprocessor integrated chips and evaluation boards. We also derive revenue from fees for the transfer of proven and reusable intellectual property components or the performance of engineering services. We enter into licensing agreements that will provide licensees the right to incorporate our intellectual property components in their products with terms and conditions that will vary by licensee. Generally, these payments will include a nonrefundable technology license fee, which will be payable upon the transfer of intellectual property, or a nonrefundable engineering service fee, which generally will be payable upon achievement of defined milestones. In addition, we anticipate these agreements will include royalty payments, which will be payable upon sale of a licensee's product, and maintenance and limited support fees. We will classify all revenue that involves the future sale of a licensee's products as royalty revenue. Royalty revenue will be generally recognized in the quarter in which a report is received from a licensee detailing the shipments of products incorporating our intellectual property components (i.e., in the quarter following the sale of licensed product by the licensee). We will classify all revenue that does not involve the future sale of a licensee's products, primarily license fees and engineering service fees and maintenance and support fees, as contract revenue. License fees will be recognized upon the execution of the license agreement and transfer of intellectual property, provided no further significant performance obligations exist and collectibility is deemed probable. Fees related to engineering services contracts, which will be performed on a best efforts basis and for which we will receive periodic milestone payments, will be recognized as revenue over the estimated development period, using a cost-based percentage of completion method. Annual maintenance

and support fees, which will be renewable by the licensee, will be classified as contract revenue and will be amortized over the period of support, generally 12 months.

Research and Development Costs
Research and development costs are expensed as incurred.

Advertising
The Company expenses advertising costs as incurred. Advertising expenses were approximately $3,400, $9,000 and $7,400 for the years ended May 31, 2003, 2002 and 2001, respectively.

Income Taxes
The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes". Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the combination of the tax payable for the year and the change during the year in deferred tax assets and liabilities.

Net Loss Per Share
The Company applies SFAS No. 128, "Earnings Per Share" for the calculation of "Basic" and "Diluted" earnings (loss) per share. Basic earnings (loss) per share includes no dilution and is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflect the potential dilution of securities that could share in the earnings (loss) of an entity.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

During the year ended May 31, 2002, based upon information then available, the Company revised its estimates regarding the recovery of certain inventories. As a result, the Company increased existing reserves for obsolescence by $111,381.

Inventories
Inventories consist of raw materials, work in process and finished goods and are valued at the weighted average cost method, which approximates cost on a first-in, first-out basis, not in excess of market value. As of May 31, 2003 and 2002 both inventory amounts were fully reserved.

Sale of Accounts Receivable

The Company has adopted SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 140"). SFAS 140 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. A $400,000 factoring line established by the Company with a bank enables the Company to sell selected accounts receivable invoices to the bank with full recourse against the Company. These transactions qualify for a sale of assets since (1) the Company has transferred all of its right, title and interest in the selected accounts receivable invoices to the bank, (2) the bank may pledge, sell or transfer the selected accounts receivable invoices, and (3) the Company has no effective control over the selected accounts receivable invoices since it is not entitled to or obligated to repurchase or redeem the invoices before their maturity and it does not have the ability to unilaterally cause the bank to return the invoices. Under SFAS 140, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. During fiscal 2003 and 2002, the Company sold approximately $38,000 and $193,000, respectively, of its accounts receivable to a bank under a factoring agreement for approximately $30,000 and $177,000, respectively. Pursuant to the provisions of SFAS 140, the Company reflected the transaction as a sale of assets and established an accounts receivable from the bank for the retained amount less the costs of the transaction and less any anticipated future loss in the value of the retained asset. The retained amount is equal to 20% of the total accounts receivable invoice sold to the bank less 1% of the total invoice as an administrative fee and 1.75% per month of the total outstanding accounts receivable invoices as a finance fee. The estimated future loss reserve for each receivable included in the estimated value of the retained asset is based on the payment history of the accounts receivable customer. At May 31, 2003, accounts receivable invoices totaling $3,811 were outstanding and $396,189 was available for future factoring of accounts receivable invoices.

Stock Options

The Company applies Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for all stock option plans. Under APB Opinion 25, compensation cost has been recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant.

SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and disclosure," require the Company to provide pro forma information regarding net income as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS No. 123. To provide the required pro forma information, the Company estimates the fair value of each stock option at the grant date

by using the Black-Scholes option-pricing model. SFAS No. 148 also provides for alternative methods of transition for a voluntary change to the fair value based method

of accounting for stock-based employee compensation. The Company has elected to continue to account for stock based compensation under APB No. 25.

The Company applies SFAS No. 123 in valuing options granted to consultants and estimates the fair value of such options using the Black-Scholes option-pricing model. The fair value is recorded as consulting expense as services are provided. Options granted to consultants for which vesting is contingent based on future performance are measured at their then current fair value at each period end, until vested.

Under the accounting provisions for SFAS No. 123, the Company's net loss per share would have been increased by the pro forma amounts indicated below:

	2003	2002	2001
Net loss as reported	$ (3,888,299)	$ (5,487,051)	$ (4,968,903)
Compensation expense	(289,023)	(567,010)	(379,626)
Net loss pro forma	$ (4,177,322)	$ (6,054,061)	$ (5,348,529)
As reported per share			
Basic and diluted loss	$ (0.04)	$ (0.08)	$ (0.09)
Pro forma per share			
Basic and diluted loss	$ (0.04)	$ (0.09)	$ (0.10)

Recent Accounting Pronouncements

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS No. 123." SFAS No. 148 amends the disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS is effective for fiscal years ending after December 15, 2002 and is effective for interim periods beginning after December 15, 2002. The Company's adoption of SFAS No. 148 did not have a material effect on the Company's financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures required in financial statements concerning obligations under certain guarantees. It also clarifies the requirements related to the recognition of liabilities by a guarantor at the inception of certain guarantees. The disclosure requirements of this interpretation were effective on December 31, 2002. We adopted the recognition provisions of the interpretation in the quarter ended

February 28, 2003. The adoption of this interpretation did not impact our financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." This interpretation provides guidance on: 1) the

identification of entities for which control is achieved through means other than through voting rights, known as "variable interest entities" (VIEs); and 2) which business enterprise is the primary beneficiary and when it should consolidate the VIE. This new model for consolidation applies to entities: 1) where the equity investors (if any) do not have a controlling financial interest; or 2) whose equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, this interpretation requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures. This interpretation is effective for all new VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, the provisions of the interpretation must be applied no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. Certain disclosures are effective immediately. The adoption of this interpretation did not impact our financial position or results of operations.

In April 2003 the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 requires that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this Statement is not expected to have a material effect on the consolidated financial statements

In May 2003 the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. The adoption of this Statement is not expected to have a material effect on the consolidated financial statements.

Patriot Scientific Corporation
Notes to Consolidated Financial Statements

1. Continued Existence and Management's Plan

Our consolidated financial statements are presented on the going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is contingent upon our obtaining sufficient financing to sustain our operations. We incurred a net loss of $3,888,299, $5,487,051, and $4,968,903 and negative cash flow from operations of $1,885,762, $3,632,534, and $4,839,180 in the years ended May 31, 2003, 2002 and 2001, respectively. At May 31, 2003, we had deficit working capital of $1,457,003 and cash and cash equivalents of $32,663. We have historically funded our operations primarily through the issuance of securities and debt financings. Cash and cash equivalents decreased $55,445 during the year ended May 31, 2003.

We estimate our current cash requirements to sustain our operations through August 2004 to be $2.1 million. Since we are no longer supporting the communications product line, we are assuming that there will be no communications product revenue. We have a note payable to Swartz Private Equity, LLC ("Swartz") of $635,276 at May 31, 2003 which is due March 1, 2004. We also have convertible debentures with a group of investors as of May 31, 2003 aggregating $1,165,000 and advances of $50,000 on a convertible debenture that closed subsequent to May 31, 2003. At the option of the debenture holders, they may purchase additional debentures up to $1 million at any time during the next two years as long as the price of our common stock is in excess of $0.20 per share. During the year ended May 31, 2003, we obtained $120,350 from the sale of equity to several private investors and $180,000 from short term notes entered into with a related party. . Subsequent to May 31, 2003, we obtained an additional $422,500 from the issuance of convertible debentures net of advances discussed above, $50,100 from the exercise of a warrant, $10,000 from a loan issued to a related party, and $31,000 from the sale of common stock.

If the optional amounts under the convertible debentures are not raised in sufficient amounts, then we may not have funds sufficient to meet our cash requirements. In such circumstances, we may need to secure additional short-term debt, private placement debt and/or equity financings with individual or institutional investors. In addition, we may need to make additional cost reductions if our cash requirements cannot be met from external sources. We expect that the $2.1 million requirement will be provided by:

- additional debt and/or equity financings; and
- proceeds from the exercise of outstanding stock options and warrants.

In addition, we have formulated additional cost reduction plans which can be implemented if the required funds are not obtainable. We also have a $400,000 accounts receivable factoring agreement with our bank. As of May 31, 2003 there was a balance due under the factoring agreement of $3,811.

We anticipate our future revenue to be derived primarily from the sale of licenses and royalties. To receive this revenue, we may require additional equipment, fabrication, components and supplies during the next twelve months to support potential customer requirements and further develop our technologies. Product introductions such as those currently underway for the Ignite I may require significant product launch, marketing personnel and other expenditures that cannot be currently estimated. Further, if expanded development is commenced or new generations of microprocessor technology are accelerated beyond current plans, additional expenditures we cannot currently estimate, may be required. It is possible therefore, that higher levels of expenditures may be required than we currently contemplate resulting from changes in development plans or as required to support new developments or commercialization activities or otherwise.

If we are unable to obtain the necessary funds, we could be forced to substantially curtail or cease operations which would have a material adverse effect on our business. Further, there can be no assurance that we will be able to timely receive shareholder approval to increase the number of authorized shares or that required funds, if available, will be available on attractive terms or that they will not have a significantly dilutive effect on our existing shareholders. As such, there is substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from our possible inability to continue as a going concern.

2. Property and Equipment

Property and equipment consisted of the following:

	May 31, 2003	May 31, 2002
Computer equipment and software	$ 1,660,707	$ 1,660,707
Furniture and fixtures	499,274	499,274
Laboratory equipment	205,594	205,594
	2,365,575	2,365,575
Less accumulated depreciation and amortization	2,212,045	2,080,087
Net property and equipment	$ 153,530	$ 285,488

Depreciation expense was $131,958, $211,850 and $186,621 for the years ended May 31, 2003, 2002 and 2001.

3. Note Receivable

In June 2000, the Company entered into a three-year, $80,000 Secured Promissory Note Receivable with an individual who was, at the time of the issuance of the note, an executive officer of the Company. The note had an interest rate of 6% per annum with interest payments due semi-annually and the principal due at the maturity of the note. The individual pledged 100,000 shares of the Company's common stock that he held on the date of issuance as security for this note. In April 2003, the Company negotiated an early payment discount and the individual paid $60,000 to retire this note. The balance of $20,000 was written off to bad debt expense during the year ended May 31, 2003.

4. Secured Note Payable

On March 12, 2002, we replaced and superceded a previously issued Secured Promissory Note with Swartz with an Amended Secured Promissory Note and Agreement with an effective date of October 9, 2001, an Addendum to Amended Secured Promissory Note dated March 12, 2002 and an Antidilution Agreement and Addendum to Warrants dated March 19, 2003. The amended note, which originally was to mature on January 9, 2003, has been extended to March 1, 2004 and amounts outstanding under the note bear interest at the rate of 5% per annum. Per the antidilution agreement, principal and interest payments are deferred until March 1, 2004.

As part of the consideration for entering into the above amended note, we agreed to issue warrants to Swartz related to each advance against the note. In connection with each advance, we issued to Swartz a warrant to purchase a number of shares of common stock equal to the amount of the advance multiplied by 8.25 at an initial exercise price equal to the lesser of (a) the factor of the average of the volume weighted average price per share, as defined by Bloomberg L.P., for each trading day in the period beginning on the date of the previous advance and ending on the trading day immediately preceding the date of the current advance multiplied by .70 or (b) the volume weighted average price per share minus $0.05. In addition, we were obligated under the addendum to the note to issue to Swartz warrants equal to 20% of the common stock issued between March 12, 2002 and April 1, 2003 and we are obligated under the antidilution agreement to issue to Swartz warrants equal to 30% of the common stock issued subsequent to April 1, 2003 to any parties other than Swartz. In addition, we agreed to extend the expiration date to December 31, 2006 on certain warrants that were to expire previous to December 31, 2006. In exchange for these concessions, Swartz agreed to extend the due date to March 1, 2004 on a note for $635,276 net of accrued interest and unreserved 20,007,350 shares that have been reserved for the exercise of warrants for a period the sooner of 1) March 19, 2004, or 2) 90 days after the date on which our common stock exceeds $0.375 for 10 consecutive trading days.

As of May 31, 2003 we issued warrants to purchase up to 18,243,712 shares of our common stock in accordance with the amended note agreements and antidilution agreement. The warrants issued were

valued using the Black-Scholes pricing model based on the expected fair value at issuance and the estimated fair value was also recorded as debt discount.

The note is secured by our assets.

All debt discounts were amortized as additional interest expense over the initial term of the note payable. As of May 31, 2003, $1,107,238 had been reflected as debt discount of which $189,516 and $917,722 was amortized to interest expense during the years ended May 31, 2003 and 2002, respectively.

Advances against the note		$1,790,000
Less amount applied against $30 million equity line of credit		(227,800)
Less amount applied against $25 million equity line of credit		(926,924)
Less debt discount		
Total	1,107,238	
Amount amortized to expense	(1,107,238)	-
Note payable at May 31, 2003		$ 635,276

On November 9, 2001, an offset of $227,800 from the sale of 2,500,000 shares of common stock was applied against the final put under a $30 million equity line of credit.

On May 30, 2002, an offset of $926,924 from the sale of 14,100,000 shares of common stock was applied against the first and only put under the $25 million equity line of credit discussed above

5. 8% Convertible Debentures

Overview. From April 23, 2002 through August 26, 2003, we sold an aggregate of $2,437,500 of 8% convertible debentures to a group of eleven investors. The convertible debentures entitle the debenture holder to convert the principal and unpaid accrued interest into our common stock for two years from the date of closing. In addition, the debenture holders received warrants exercisable into a number of our common shares.

Number of Shares Debentures May Be Converted Into. The debentures can be converted into a number of our common shares at conversion prices that initially equaled $0.041 to $0.10289 per share.

Resets of Conversion Price and Conversion Shares. A reset date occurs on each three month anniversary of the closing date of each debenture and on the date the registration statement becomes effective, October 29, 2002 for the first $1,000,000 of principal, March 7, 2003 for the second $605,000 of principal and June 26, 2003 for the third $510,000 of principal. If the volume weighted average price for our common stock for the ten days previous to the reset date is less than the conversion price in effect at the time of the reset date, then the number of common shares issuable to the selling shareholder on conversion will be increased. If the conversion price is reset, the debenture can be converted into a

number of our common shares based on the following calculation: the amount of the debenture plus any unpaid accrued interest divided by the reset conversion price

which shall equal the volume weighted average price for our common stock for the ten days previous to the reset date. On October 29, 2002, the date the registration statement for the first $1,000,000 of principal became effective, the conversion prices were reset to $0.04457 from initial conversion prices ranging from $0.08616 to $0.10289. On March 7, 2003, the date the registration statement for the second $605,000 of principal became effective, the conversion prices were reset to $0.04722 from initial conversion prices ranging from $0.05126 to $0.0727. On June 26, 2003, the date the registration statement for the third $510,000 of principal became effective, the conversion prices for debentures with initial conversion prices of $0.065 will reset to $0.06346.

Warrants. Concurrent with the issuance of the convertible debentures, we issued to the debenture holders warrants to purchase up to 33,471,953 shares of our common stock. These warrants are exercisable for five years from the date of issuance at either initial negotiated exercise prices or prices equal to 115% of the volume weighted average price for our common stock for the ten days previous to the debenture date. The warrant exercise price is subject to being reset on each six month anniversary of its issuance.

Options to Purchase Additional Debentures. Subject to the price of our common stock being equal to or greater than $0.20 per share and a two year limitation, the debenture holders may purchase additional debentures equal to the value of their initial debentures. The price at which the optional additional debentures could be converted would initially equal 115% of the volume weighted average price for our common stock for the ten days previous to the date on which the optional additional debentures were closed. The optional additional debentures would carry the same warrant amounts and reset privileges as the initial debentures.

Shareholder Approval. We may currently issue more than 20% of our outstanding shares under the convertible debentures. If we become listed on the NASDAQ Small Cap Market or NASDAQ National Market, then we must get shareholder approval to issue more than 20% of our outstanding shares. Since we are currently a bulletin board company, we do not need shareholder approval.

Restrictive Covenants. For a period of 18 months from the date of the debentures, we are prohibited from certain transactions. These include the issuance of any debt or equity securities in a private transaction which are convertible or exercisable into shares of common stock at a price based on the trading price of the common stock at any time after the initial issuance of such securities; the issuance of any debt or equity securities with a fixed conversion or exercise price subject to adjustment; and any private equity line type agreements without obtaining the debenture holders' prior written approval.

Right of First Refusal. The debenture holders have a right of first refusal to purchase or participate in any equity securities offered by us in any private transaction which closes on or prior to the date that is two years after the issue date of each debenture.

Registration Rights. We are responsible for registering the resale of the shares of our common stock which will be issued on the conversion of the debentures. On October 29, 2002, a registration

statement covering the first $1,000,000 of debentures was declared effective by the Securities and Exchange Commission. On March 7, 2003, a registration statement covering the second $605,000 of debentures was declared effective by the Securities and Exchange Commission. On June 26, 2003, a registration statement covering the third $510,000 of debentures was declared effective by the Securities and Exchange Commission.

The convertible debentures are secured by our assets.

Convertbile debenture dated April 23, 2002		$ 225,000
Convertbile debentures dated June 10, 2002		775,000
Convertbile debenture dated August 23, 2002		175,000
Convertbile debentures dated October 29, 2002		180,000
Convertbile debenture dated December 16, 2002		100,000
Convertbile debenture dated January 24, 2003		150,000
Convertbile debenture dated March 24, 2003		162,500
Convertbile debenture dated April 15, 2003		10,000
Convertbile debenture dated May 20, 2003		187,500
Advances against debenture issued subsequent to May 31, 2003		50,000
Less amounts converted to common stock		(800,000)
Less debt discount		
Total discounts recorded	$ 1,965,000	
Amount amortized to expense	(624,922)	
Amount cancelled on conversion	(527,067)	(813,011)
Convertible debentures at May 31, 2003		401,989
Less current portion		121,879
Long term portion		$ 280,110

6. Investment Agreement

$25 Million Equity Line of Credit Agreement

Overview. On September 17, 2001, we entered into an investment agreement with Swartz. The investment agreement entitles us to issue and sell our common stock to Swartz for up to an aggregate of $25 million from time to time during a three-year period following the effective date of the registration statement. This is also referred to as a put right. We filed a registration statement on Form S-1 on October 11, 2001 that was declared effective on November 5, 2001 for 15,000,000 shares of our common stock which we issued to Swartz during the fiscal year ended May 31, 2002. There remains approximately $24 million available under this line conditioned on us filing one or more additional registration statements. As of May 31, 2003, we have not filed a statement requesting the registration of additional shares to put to Swartz under the $25 million equity line of credit.

Put Rights. In order to invoke a put right, we must have an effective registration statement on file with the SEC registering the resale of the common shares which may be issued as a consequence of the invocation of that put right. Additionally, we must give at least ten but not more than twenty

business days advance notice to Swartz of the date on which we intend to exercise a particular put right, and we must indicate the number of shares of common stock we intend to sell to Swartz. At our option, we may also designate a maximum dollar amount of common stock (not to exceed $3 million) which we will sell to Swartz during the put and/or a minimum purchase price per common share at which Swartz may purchase shares during the put. The number of common shares sold to Swartz may not exceed 20% of the aggregate daily reported trading volume during each of two consecutive ten business day periods beginning on the business day immediately following the day we invoked the put right.

The price Swartz will pay for each share of common stock sold in a put is equal to the lesser of (i) the market price for each of the two consecutive ten business day periods beginning on the business day immediately following the day we invoked the put right minus $0.10, or (ii) X percent of the market price for each of the two ten day periods, where, X is equal to 90% if the market price is below $2.00 and 93% if market price is equal to or greater than $2.00. Market price is defined as the lowest closing bid price for the common stock during each of the two consecutive ten business day periods. However, the purchase price may not be less than the designated minimum per share price, if any, that we indicated in our notice.

Limitations and Conditions Precedent to Our Put Rights. We may not initiate a put if, as of the proposed date of such put:

- we have issued shares of our common stock that have been paid for by Swartz and the amount of proceeds we have received is equal to the maximum offering amount;

- the registration statement covering the resale of the shares becomes ineffective or unavailable for use;

- our common stock is not actively trading on the OTC Bulletin Board, the Nasdaq Small Cap Market, the Nasdaq National Market, the American Stock Exchange, or the New York Stock Exchange, or is suspended or delisted with respect to the trading on such market or exchange.

If any of the following events occur during the pricing period for a put, the volume accrual shall cease. For the put, the pricing period shall be adjusted to end 10 business days after the date that we notify Swartz of the event, and any minimum price per share we specified shall not apply to the put:

- we have announced or implemented a stock split or combination of our common stock between the advanced put notice date and the end of the pricing period;

- we have paid a common stock dividend or made any other distribution of our common stock between the advanced put notice date and the end of the pricing period;

- we have made a distribution to the holders of our common stock or of all or any portion of our assets or evidences of indebtedness between the put notice date and the end of the pricing period;

- we have consummated a major transaction (including a transaction, which constitutes a change of control) between the advance put notice date and the end of the pricing period, the registration statement covering the resale of the shares becomes ineffective or unavailable for use, or our stock becomes delisted for trading on our then primary exchange; or

- we discover the existence of facts that cause us to believe that the registration statement contains an untrue statement or omits to state a material fact.

Short Sales. Swartz and its affiliates are prohibited from engaging in short sales of our common stock unless they have received a put notice and the amount of shares involved in a short sale does not exceed the number of shares specified in the put notice.

Shareholder Approval. We may currently issue more than 20% of our outstanding shares under the investment agreement. If we become listed on the Nasdaq Small Cap Market or Nasdaq National Market, then we must get shareholder approval to issue more than 20% of our outstanding shares. Since we are currently a bulletin board company, we do not need shareholder approval.

Termination of Investment Agreement. We may also terminate our right to initiate further puts or terminate the investment agreement by providing Swartz with notice of such intention to terminate; however, any such termination will not affect any other rights or obligations we have concerning the investment agreement or any related agreement.

Restrictive Covenants. During the term of the investment agreement and for a period of two months thereafter, we are prohibited from certain transactions. These include the issuance of any debt or equity securities in a private transaction which are convertible or exercisable into shares of common stock at a price based on the trading price of the common stock at any time after the initial issuance of such securities or with a fixed conversion or exercise price subject to adjustment without obtaining Swartz's prior written approval.

Right of First Refusal. Swartz has a right of first refusal to purchase any variable priced securities offered by us in any private transaction which closes on or prior to two months after the termination of the

investment agreement and a right of participation for any equity securities offered by us in any private transaction which closes on or prior to two months after the termination of the investment agreement.

Swartz's Right of Indemnification. We are obligated to indemnify Swartz (including their stockholders, officers, directors, employees and agents) from all liability and losses resulting from

any misrepresentations or breaches we made in connection with the investment agreement, our registration rights agreement, other related agreements, or the registration statement.

Waiver and Agreement. On March 12, 2002, we entered into an amended waiver and agreement with Swartz which replaced and superseded all previous waivers and agreements. This amended waiver and agreement extended the time of the put beyond twenty days and redefined the price of the put to be the lesser of the factor of (a) the volume weighted average price per share, as defined by Bloomberg L.P., for each day of the put multiplied by .70 or (b) the volume weighted average price per share minus $0.05 multiplied by 20% of the acceptable daily volume as defined in the waiver. At the discretion of Swartz, the 20% daily volume limitation could be increased up to 30% of the daily volume. In addition, the amended waiver and agreement increased the intended put share amount for the first put to 14,100,000 shares, which is the total number of shares we had registered so far under the $25 million equity line of credit. On May 30, 2002 we closed the first put under the $25 million equity line of credit by applying the proceeds of $926,924 to the secured note payable discussed in Note 4.

Warrants. In connection with closing the $25 million equity line of credit, we issued to Swartz a commitment warrant to purchase 900,000 shares of our common stock. This warrant was valued on the issuance date using the Black-Scholes pricing model and the value was recorded as a debt discount.

7. Stockholders' Equity (Deficit)

Private Offerings and Warrants

During fiscal 2003, 3,765,266 restricted shares of common stock were issued to a group of individual investors for $120,350; 2,000,000 shares of common stock were issued to a consultant in exchange for services valued at $110,000; and 400,000 shares valued at $16,000 were issued to a former executive of the company as partial settlement of a legal action. The fair value (as determined by the quoted market price) for the consulting services and legal settlement were recorded as additional general and administrative expense during the year ended May 31, 2003. Also, during fiscal 2003, the Company issued 380,000 shares of common stock to a vendor in satisfaction of $22,800 of trade accounts payable.

At May 31, 2003, the Company had warrants outstanding to purchase 58,992,468 common shares at exercise prices ranging from $0.033 to $1.12 per share expiring beginning in 2004 through 2008.

During fiscal 2003, the Company issued warrants to purchase 35,005,013 common shares of stock at exercise prices ranging from $0.04 to $0.065 per share. Of this amount, warrants to purchase 5,355,562 common shares of stock were issued to Swartz related to the Addendum to Amended Secured Promissory Note dated March 12, 2002 and an Antidilution Agreement and Addendum to Warrants dated March 19, 2003 discussed in Note 4, warrants to purchase 28,649,451 common

shares of stock were issued to a group of eleven individual and institutions investors related to the 8% Convertible Debentures discussed in Note 5, and warrants to purchase 1,000,000 common shares of stock were issued to two consultants.

During fiscal 2002, the Company issued warrants to purchase 23,197,201 common shares of stock at exercise prices ranging from $0.048 to $0.54 per share. Of this amount, warrants to purchase 3,113,302 common shares of stock were issued to Swartz related to a $30 million investment agreement, a warrant to purchase 900,000 common shares of stock was issued to Swartz related to the $25 million investment agreement, warrants to purchase 16,519,090 common shares of stock were issued to Swartz related to the 5% Secured Note Payable of which 3,630,940 were cancelled, a warrant to purchase 2,514,809 common shares of stock was issued to Lincoln Ventures LLC related to the first funding under the 8% Convertible Debenture and a warrant to purchase 150,000 common shares of stock was issued to a consultant. See Notes 4, 5 and 6 for further discussion.

Also, during fiscal 2002, the Company's shareholders approved an increase in the authorized number of common shares from 100,000,000 to 200,000,000.

1992 Incentive Stock Option Plan ("ISO")

The Company has an ISO Plan which expired March 20, 2002. The ISO Plan provided for grants to either full or part time employees, at the discretion of the board of directors, to purchase common stock of the Company at a price not less than the fair market value of the shares on the date of grant. In the case of a significant stockholder, the option price of the share could not be less than 110 percent of the fair market value of the share on the date of grant. Any options granted under the ISO
Plan must be exercised within ten years of the date they were granted (five years in the case of a significant stockholder). At May 31, 2003, options to purchase up to 17,500 shares of common stock remained outstanding and will expire in 2005.

1992 Non-Statutory Stock Option Plan("NSO")

The Company has an NSO Plan which expired March 20, 2002. The NSO Plan provided, at the discretion of the board of directors, for grants to either full or part time employees, directors and consultants of the Company to purchase common stock of the Company at a price not less than the fair market value of the shares on the date of grant. Any options granted under the NSO Plan must be exercised within ten years of the date they were granted. At May 31, 2003, options to purchase up to 50,000 shares of common stock remained outstanding and will expire in 2005.

1996 Stock Option Plan

Effective March 1996, the Company adopted the 1996 Stock Option Plan, which was amended by the Stockholders in December 1997, expiring March 24, 2006, reserving for issuance 4,000,000 shares of the Company's common stock. The 1996 Stock Option Plan provides, at the discretion of the board of directors, for grants to either full or part time employees, directors and consultants of

the Company to purchase common stock of the Company at a price not less than the fair market value on the date of grant for incentive stock options or not less than 85% of the fair market value on the date of grant for non-qualified stock options. In the case of a significant stockholder, the option price of the share is not less than 110 percent of the fair market value of the shares on the date of grant. Any option granted under the 1996 Stock Option Plan must be exercised within ten years of the date they are granted (five years in the case of a significant stockholder). During the fiscal years ended May 31, 2003 and 2002, the Company granted options to purchase 340,500 and 1,000,000 shares of stock at market value.

2001 Stock Option Plan

Effective February 2001, the Company adopted the 2001 Stock Option Plan, expiring February 21, 2011, reserving for issuance 3,000,000 shares of the Company's common stock. The 2001 Stock Option Plan provides, at the discretion of the board of directors, for grants to either full or part time employees, directors and consultants of the Company to purchase common stock of the Company at a price not less than the fair market value on the date of grant for incentive stock options or not less than 85% of the fair market value on the date of grant for non-qualified stock options. In the case of a significant stockholder, the option price of the share is not less than 110 percent of the fair market value of the shares on the date of grant. Any option granted under the 2001 Stock Option Plan must be exercised within ten years of the date they are granted (five years in the case of a significant stockholder). During the fiscal years ended May 31, 2003 and 2002, the Company granted options to purchase 875,000 and 3,145,000 shares of stock at market value.

During fiscal 2000, the Company repriced a stock option to purchase 36,000 shares of common stock at an exercise prices originally of $0.40 using fixed accounting rules in effect at the time. The stock option was repriced to an exercise price of $.32 and no additional compensation expense was recorded. Subsequent to the repricing, the Company adopted accounting principles generally accepted in the United States of America that require stock options that have been modified to reduce the exercise price to be accounted for using variable accounting. Accordingly, if the market price of the Company's stock increases subsequent to July 1, 2000, it will recognize additional compensation expense that it otherwise would not have incurred. As of May 31, 2003, there was no additional compensation expense recorded because the market price of the Company's common stock was lower than the price at July 1, 2000. However, the ultimate impact cannot be determined as it is dependent on the change in the market price of the stock from July 1, 2000 until the stock option is exercised, forfeited or expires unexercised.

SFAS No. 123, "Accounting for Stock-Based Compensation," requires the Company to provide pro forma information regarding net loss and net loss per share as if compensation costs for the Company's stock option plans and other stock awards had been determined in accordance with the fair value based method prescribed in SFAS No. 123. The Company estimates the fair value of each stock award at the grant date by using the Black-Scholes option-pricing model with the following weighted-average assumptions used for the three years ended May 31, 2003, 2002, and 2001 respectively: dividend yield of zero percent for all years; expected volatility of 100 to 120, 90 and

90 percent; risk-free interest rates of 2.3 to 4.3, 3.5 to 4.8, and 4.8 to 6.4 percent; and expected lives of 3 to 5 years for all years.

A summary of the status of the Company's stock option plans and warrants as of May 31, 2003, 2002 and 2001 and changes during the years ending on those dates is presented below:

	Options		Warrants	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, June 1, 2000	1,431,324	$ 0.38	4,756,181	$ 0.40
Granted	2,092,500	1.16	836,698	0.74
Cancelled	(580,000)	0.72	-	-
Exercised	(366,000)	0.32	(631,416)	0.27
Outstanding, May 31, 2001	2,577,824	0.92	4,961,463	0.42
Granted	4,145,000	0.21	23,197,201	0.09
Cancelled	(2,281,419)	0.67	(3,630,940)	0.10
Exercised	(191,666)	0.32	(50,000)	0.25
Outstanding, May 31, 2002	4,249,739	$ 0.39	24,477,724	$ 0.11
Granted	1,215,500	0.05	35,005,013	0.05
Cancelled	(411,239)	0.81	(490,269)	0.30
Exercised	-	0	-	-
Outstanding, May 31, 2003	5,054,000	$ 0.28	58,992,468	$ 0.06
Exercisable, May 31, 2001	1,200,158	$ 0.68	4,961,463	$ 0.42
Exercisable, May 31, 2002	2,418,072	$ 0.48	24,477,724	$ 0.11
Exercisable, May 31, 2003	4,138,633	$ 0.29	57,992,468	$ 0.06
Weighted average fair value of options and warrants granted during the year ended May 31, 2001		$ 0.86		$ 0.44
Weighted average fair value of options and warrants granted during the year ended May 31, 2002		$ 0.07		$ 0.11
Weighted average fair value of options and warrants granted during the year ended May 31, 2003		$ 0.04		$ 0.05

Included in the above table are certain options for which vesting is contingent based on various future performance measures.

The following table summarizes information about stock options and warrants outstanding at May 31, 2003:

	Outstanding			Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Options					
$ 0.0425-0.059	850,000	4.74	$ 0.05	525,000	$ 0.04
0.07-0.09	1,365,500	3.89	0.08	1,213,467	0.08
0.11-0.1325	1,885,000	3.36	0.11	1,530,000	0.11
0.32-0.69	291,000	1.53	0.64	291,000	0.64
1.16-1.325	662,500	2.04	1.26	579,166	1.25
$ 0.0425-1.325	5,054,000	3.46	$ 0.28	4,138,633	$ 0.29
Warrants					
$ 0.033-0.495	38,464,610	4.07	$ 0.04	38,464,610	$ 0.04
0.05-0.0592	8,013,741	3.84	0.06	7,013,741	0.06
0.0616-0.0715	9,806,840	3.76	0.07	9,806,840	0.07
0.25-0.40	2,607,277	1.36	0.28	2,607,277	0.28
0.59-1.12	100,000	1.64	0.68	100,000	0.68
$ 0.033-1.12	58,992,468	3.86	$ 0.06	57,992,468	$ 0.06

8. Net Loss Per Share

The Company has implemented Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share." SFAS No. 128 provides for the calculation of “Basic” and “Diluted” earnings per share (“EPS”). Basic EPS includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings of an entity. The Company's net losses for the periods presented cause the inclusion of potential common stock instruments outstanding to be antidilutive and, therefore, in accordance with SFAS No. 128, the Company is not required to present a diluted EPS. During the years ended May 31, 2003, 2002 and 2001, common stock options and warrants convertible or exercisable into approximately 64,046,468, 28,727,463, and 7,539,287 shares of common stock were not included in diluted loss per share as the effect was antidilutive due to the Company recording losses in each of those years.

9. Income Taxes The net deferred tax asset recorded and its approximate tax effect consisted of the following:

	May 31, 2003	May 31, 2002
Net operating loss carryforwards	$ 12,073,000	$ 11,030,000
Purchased technology	420,000	470,000
Depreciation and amortization	1,607,000	1,754,000
Other, net	191,000	192,000
	14,291,000	13,446,000
Valuation allowance	14,291,000	13,446,000
Net deferred tax asset	$ -	$ -

A reconciliation of the income taxes at the federal statutory rate to the effective tax rate is as follows:

May 31,	2003	2002	2001
Federal income tax benefit computed at the Federal statutory rate	$ (1,322,000)	$ (1,866,000)	$ (1,689,000)
State income tax benefit net of Federal benefit	(139,000)	(211,000)	(298,000)
Other- permanent differences	521,000	502,000	43,000
Expiration of state net operating loss carryforwards	95,000	118,000	81,000
Change in valuation allowance	845,000	1,457,000	1,863,000
Income tax benefit	$ -	$ -	$ -

As of May 31, 2003 and 2002, valuation allowances equal to the net deferred tax asset recognized have been recorded, as Management has not determined that it is more likely than not that the deferred tax asset will be realized. No current tax provision was recorded for fiscal 2003, 2002 and 2001 due to reported losses. The valuation allowance increased $845,000 for the year ended May 31, 2003 and $1,457,00 for the year ended May 31, 2002.

At May 31, 2003, the Company has federal net operating loss carryforwards of approximately $31,814,000 that expire through 2022 and are subject to certain limitations under the Internal

Revenue Code of 1986, as amended. As such, certain federal net operating loss carryforwards may expire unused.

At May 31, 2003, the Company has state net operating loss carryforwards of approximately $20,927,000 that expire through 2010. The state of California has suspended the utilization of net operating losses for 2002 and 2003.

10. Profit-Sharing Plan

Effective July 1, 1993, the Company adopted a savings and profit-sharing plan that allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. At the Company's discretion, the Company may match contributions at 20% of the employee's contribution up to 6% of the employee's salary. The Company contributions are vested 20% per year beginning with the first year of service. The Company made no matching contribution in fiscal 2003, 2002 or 2001.

11. Commitments and Contingencies

In January 1999, we were sued in the Superior Court of San Diego County, California by the Fish Family Trust, a co-inventor of the original ShBoom technology. The suit also named as defendants nanoTronics and Gloria Felcyn on behalf of the Falk Family Trust. The suit sought a judgment for damages, a rescission of the Technology Transfer Agreement and a restoration of the technology to the co-inventor. In March 1999, we joined with nanoTronics and Gloria Felcyn and filed our response and cross-complaint against the Fish Family Trust. In November 2000, the judge issued a summary ruling in favor of the defendants on all counts. The Fish Family Trust filed an appeal in January 2001. In June 2003, the Appellate Court confirmed the trial court's ruling, thereby, bringing the dispute to a favorable conclusion.

The Company is obligated under employment contracts with certain key employees to pay severance upon termination under certain defined conditions. Generally, unless relieved of their duties for cause, the executive officers are entitled to severance pay equal to four months of their then current monthly salary. In the case of a change in control, generally, the executive officers are entitled to severance pay equal to twelve months of their then current monthly salary unless they continue to work for the new controlling interest in the same function as previous to the change.

The Company granted a lien and security interest in substantially all of its assets to the bank under the accounts receivable factoring line and to investors under its notes payable and convertible debentures.

The Company has a non-cancellabe operating lease for its office and manufacturing facilities located in San Diego, California.

Future minimum lease payments required under the operating lease are as follows:

Years ending May 31,	Gross Payments	Sublease Income	Net Payments
2004	$ 129,250	$ 68,850	$ 60,400
2005	135,454	70,470	64,984
2006	141,658	72,540	69,118
2007	23,782	12,150	11,632
Total minimum lease payments	$ 430,144	$ 224,010	$ 206,134

Rent expense for fiscal 2003, 2002 and 2001 was $189,423, $147,373, and $149,494, respectively.

The Company has one capital lease at May 31, 2003.

Future minimum lease payments are as follows:

Year ending May 31,	
2004	$ 9,562
2005	9,562
2006	2,391
Total minimum lease payments	21,515
Amount representing interest	4,784
Present value of minimum lease payments	16,731
Total obligation	16,731
Less current portion	(6,405)
Long-term portion	$ 10,326

Capital leases included in fixed assets at May 31, 2003 and 2002, were $11,803 and $20,135, net of an allowance for depreciation of $13,192 and $4,860. Depreciation expense related to the capitalized lease was $8,332 and $4,860 for the years ended May 31, 2003 and 2002.

12. Segment Information

Export Sales

The Company is engaged in one business segment, the development and marketing of microprocessor technology related products and licenses. Telecommunication products have

reached the end of their life cycles and no longer provide any significant sales. During the fiscal years ended May 31, 2003, 2002 and 2001, the Company's product sales of high technology computer products and licenses were $31,340, $9,625, and $50,511 and telecommunication products and licenses were $92,563, $349,184, and $286,173.

For the purpose of allocating revenues by geographic location, the Company uses the physical location of its customers as its basis. During the fiscal years ended May 31, 2003, 2002 and 2001, the Company's sales by geographic location consisted of the following:

	2003	2002	2001
Domestic sales	$ 113,000	$ 355,000	$ 253,000
Foreign sales:			
Europe	11,000	4,000	19,000
North America	-	-	40,000
Asia	-	-	25,000
Total foreign sales	11,000	4,000	84,000
Total net product sales	$ 124,000	$ 359,000	$ 337,000

The Company has no foreign assets.

Sales to Major Customers

During the fiscal years ended May 31, 2003, 2002 and 2001, revenues from significant customers consisted of the following:

	2003		2002		2001	
Customer	Sales	Percent	Sales	Percent	Sales	Percent
A	$ 43,000	34.3%	$ -	-	$ -	-
B	23,000	18.6%	-	-	-	-
C	15,000	11.9%	-	-	-	-
D	15,000	11.9%	151,000	42.0%	-	-
E	-	-	-	-	-	-
F	-	-	59,000	16.4%	-	-
G	-	-	-	-	88,000	26.1%
H	-	-	-	-	41,000	12.2%
I	-	-	-	-	40,000	11.9%

13. Related Party Transactions

During fiscal years 2002 and 2001, the Company contracted with a company, which was owned by the daughter of our previous President, Chairman and CEO, for web site development, marketing support and other various services. The Company paid $70,292 and $139,253, respectively, in fiscal years 2002 and 2001 to the related party for these services. No such related party transactions occurred during fiscal year 2003.

14. Subsequent Events

Subsequent to year end, we concluded additional fundings of our 8% Convertible Debentures. We received advances against these closings of $50,000 as of May 31, 2003 and the balance of $295,000 subsequent to year end from a group of four investors. In conjunction with the debentures we also issued warrants to purchase up to 7,870,191 shares of our common stock at initial exercise prices of $0.03 to $0.065 per share, subject to being reset at each six month anniversary to the closings.

Patriot Scientific Corporation
Schedule II- Valuation and Qualifying Accounts

Allowance for Doubtful Accounts

Description	Balance at beginning of period	Charged to costs and expenses	Deductions	Balance at end of period
Year ended May 31, 2003	$ 6,000	$ 24,000	$ 20,000	$ 10,000
Year ended May 31, 2002	$ 54,000	$ 76,027	$ 124,027	$ 6,000
Year ended May 31, 2001	$ 5,000	$ 49,000	$ -	$ 54,000

Reserve for Inventory Obsolescence

Description	Balance at beginning of period	Charged to costs and expenses	Deductions	Balance at end of period
Year ended May 31, 2003	$ 373,381	$ -	$ 301,343	$ 72,038
Year ended May 31, 2002	$ 262,000	$ 149,433	$ 38,052	$ 373,381
Year ended May 31, 2001	$ 339,000	$ 100,000	$ 177,000	$ 262,000

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATED: August 29, 2003 **PATRIOT SCIENTIFIC CORPORATION**

By: /s/ LOWELL W. GIFFHORN
Lowell W. Giffhorn
Executive Vice President, Chief Financial Officer and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/JEFFREY E. WALLIN Jeffrey E. Wallin	President and Chief Executive Officer	August 29, 2003
/s/LOWELL W. GIFFHORN Lowell W. Giffhorn	Chief Financial Officer, Principal Financial Officer, Principal Accounting Officer, Secretary and Director	August 29, 2003
/s/DAVID POHL David Pohl	Director	August 29, 2003
/s/CARLTON JOHNSON Carlton Johnson	Director	August 29, 2003
/s/DONALD BERNIER Donald Bernier	Chairman of the Board and Director	August 29, 2003
/s/HELMUT FALK JR. Helmut Falk Jr.	Director	August 29, 2003
/s/GLORIA FELCYN Gloria Felcyn	Director	August 29, 2003

EXHIBIT 14.1

Code of Ethics for Senior Financial Officers

The Company's Board of Directors has adopted the following Code of Ethics for its CEO, CFO and other senior financial officers performing similar functions who have been identified by the CEO (collectively, the "Senior Financial Officers"):

1. The CEO and all Senior Financial Officers are responsible for full, fair, accurate, timely and understandable disclosure in the reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company. Accordingly, it is the responsibility of the CEO and each Senior Financial Officer promptly to bring to the attention of the Company's Corporate Counsel or the CEO any material information of which he or she may become aware that affects the disclosures made by the Company in its public filings.

2. The CEO and each Senior Financial Officer shall promptly bring to the attention of the Company's Corporate Counsel or CEO any information he or she may have concerning (a) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's financial reporting, disclosures or internal controls.

3. The CEO and each Senior Financial Officer shall act with honesty and integrity in the performance of his or her duties at the Company, shall comply with laws, rules and regulations of federal, state and local governments and other private and public regulatory agencies that affect the conduct of the Company's business and the Company's financial reporting.

4. The CEO and each Senior Financial Officer shall promptly bring to the attention of the Company's Corporate Counsel or the CEO any information he or she may have concerning evidence of a material violation of the securities or other laws, rules or regulations applicable to the Company and the operation of its business, by the Company or any agent thereof, or any violation of this Code of Ethics.

5. The CEO and each Senior Financial Officer shall avoid actual or apparent conflicts of interest between personal and business relationships, such as holding a substantial equity, debt, or other financial interest in any competitor, supplier or customer of the Company, or having a personal financial interest in any transaction involving the purchase or sale by the Company of any products, materials, equipment, services or property, other than through Company-sponsored programs. Any such actual or apparent conflicts of interest shall be brought to the attention of the Company's Corporate Counsel or the CEO.

6. The Board of Directors shall determine, or designate appropriate persons to determine, appropriate actions to be taken in the event of violations of this Code of Ethics by the CEO and the Company's Senior Financial Officers. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to this Code of Ethics, and may include written notices to the individual involved that the Board has determined that there has been a violation, censure by the Board, demotion or re-assignment of the individual involved, suspension with or without pay or benefits and termination of the individual's employment.

The Audit Committee of the Board of Directors shall consider any request for a waiver of this Code and any amendments to this Code, and all such waivers or amendments shall be disclosed promptly as required by law.

EXHIBIT 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Patriot Scientific Corporation
San Diego, California

We hereby consent to the incorporation by reference in the previously filed Registration Statements (No. 333-36418, No. 333-57602 and No. 333-81156) of Patriot Scientific Corporation of our report dated August 14, 2003, except for note 1 dated as of August 26, 2003 relating to the consolidated financial statements of Patriot Scientific Corporation, appearing in the Company's Annual Report on Form 10-K for the year ended May 31, 2002. Our report contained an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ Nation Smith Hermes Diamond

San Diego, California
August 28, 2003

EXHIBIT 23.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Patriot Scientific Corporation
San Diego, California

We hereby consent to the incorporation by reference in the previously filed Registration Statements (No. 333-36418, No. 333-57602 and No. 333-81156) of Patriot Scientific Corporation of our report dated August 9, 2001, except for note 1 dated as of August 15, 2001 relating to the consolidated financial statements and the financial statement schedule of Patriot Scientific Corporation, appearing in the Company's Annual Report on Form 10-K for the year ended May 31, 2003. Our report contained an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ BDO Seidman, LLP

Los Angeles, California
August 28, 2003

EXHIBIT 31.1

CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey E. Wallin, Chief Executive Officer of the registrant, certify that:

1. I have reviewed this annual report on Form 10-K of Patriot Scientific Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/S/ JEFFREY E. WALLIN
Name: Jeffrey E. Wallin
Title: President and CEO

Date: August 28, 2003

EXHIBIT 31.2

CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lowell W. Giffhorn, Chief Financial Officer of the registrant, certify that:

1. I have reviewed this annual report on Form 10-K of Patriot Scientific Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    d. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    e. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/S/ LOWELL W. GIFFHORN
Name: Lowell W. Giffhorn
Title: Ex. V.P. and CFO
Date: August 28, 2003

EXHIBIT 32.1

Certification pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Patriot Scientific Corporation (the "Company") for the period ended May 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey E. Wallin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ JEFFREY E. WALLIN
Name: Jeffrey E. Wallin
Title: President and CEO
Date: August 28, 2003

EXHIBIT 32.2

Certification pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Patriot Scientific Corporation (the "Company") for the period ended May 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lowell W. Giffhorn, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ LOWELL W. GIFFHORN
Name: Lowell W. Giffhorn
Title: Exec. V.P. and CFO
Date: August 28, 2003