Earnings Note

Investors should consider this report as only a single factor in making their investment decision.

TranSwitch Corporation

Rating: Speculative Buy

John Nobile
February 6, 2009

TXCC $0.42 — (Nasdaq GM)

Headquartered in Shelton, Connecticut, TranSwitch designs, develops, and markets, highly integrated semiconductor devices, also referred to as very large scale integration (VLSI) devices that provide core functionality in voice, data, and video communications network equipment deployed in the global communications network infrastructure. (www.transwitch.com)

On February 5, 2009, TranSwitch released its fiscal 2008 fourth quarter results. These results along with Taglich Brothers' estimates for this period (in thousands $) are as follows:

	Q4(12/08)A	Q4(12/08)E	Q4(12/07)A
Product revenue	$ 14,573	$ 13,770	$ 6,078
Service revenue	452	1,530	1,092
Total revenue	**15,025**	**15,300**	**7,170**
Cost of product revenue	6,649	5,921	2,588
Provision for excess and obsolete inventories	179	-	-
Cost of service revenue	211	612	558
Gross profit	7,986	8,767	4,024
Research and development	7,633	7,600	5,034
Marketing and sales	2,882	2,900	2,326
General and administrative	2,300	2,300	1,365
Restructuring and other charges, net	5,047	7,600	781
Operating income (loss)	(9,876)	(11,633)	(5,482)
Other income (expense)			
Other income (expense)	4,472	-	-
Interest income	254	100	466
Interest expense	(471)	(500)	(607)
Income (loss) before taxes	(5,621)	(12,033)	(5,623)
Income taxes	121	100	(12)
Net income (loss)	**$ (5,742)**	**$ (12,133)**	**$ (5,611)**
EPS	**$ (0.04)**	**$ (0.08)**	**$ (0.04)**
Basic and Diluted Shares Outstanding	152,287	158,600	133,076
Margin Analysis			
Gross margin (product revenue)	54.37%	57.00%	57.42%
Gross margin (service revenue)	53.32%	60.00%	48.90%
Gross margin (total revenue)	53.15%	57.30%	56.12%
Research and development	50.80%	49.67%	70.21%
Marketing and sales	19.18%	18.95%	32.44%
General and administrative	15.31%	15.03%	19.04%
Operating margin	-65.73%	-76.03%	-76.46%
Net margin	-38.22%	-79.30%	-78.26%
Year / Year Growth			
Total Revenues	109.55%	113.39%	-23.10%

**** Please view our disclaimer located on page 5.***

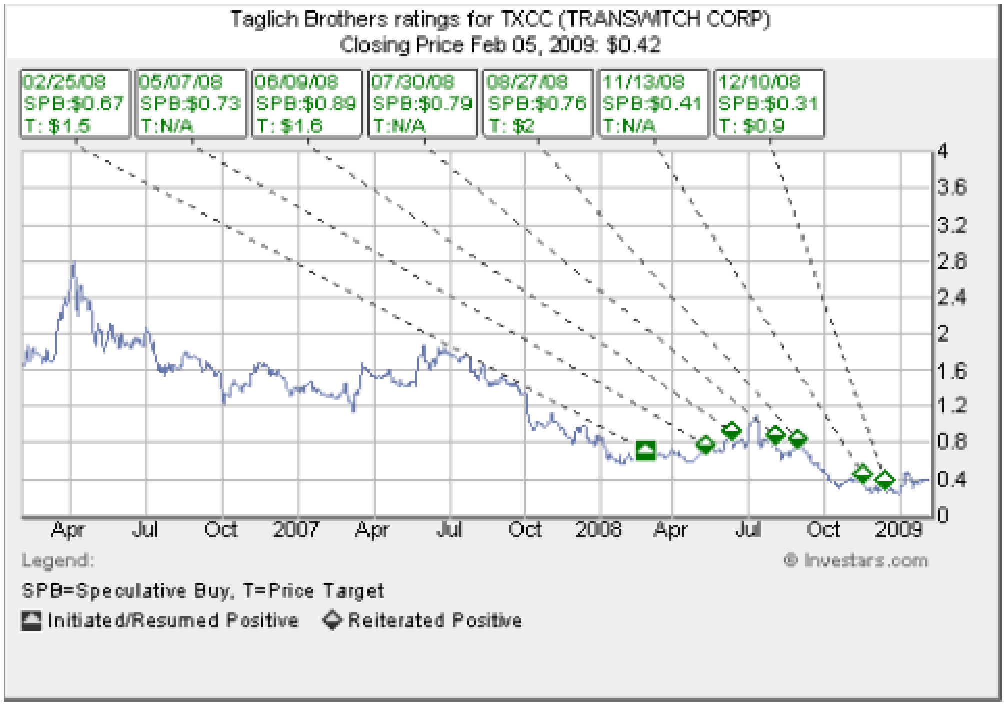
Earnings Comment: Although total revenue was in line with expectations, the net loss was less than anticipated. The fourth quarter of fiscal 2008 included 2 months of contribution from the acquisition of Centillium Communications, which occurred on October 27, 2008.

Excluding a $4.5 million gain from the extinguishment of debt (included in other income), the bottom line loss would have been approximately $10.2 million or $(0.07) per share. Also, actual fourth quarter restructuring charges were significantly less than we had anticipated. We originally believed that fourth quarter restructuring charges would have approximated $7.6 million; actual restructuring charges were $5.2 million.

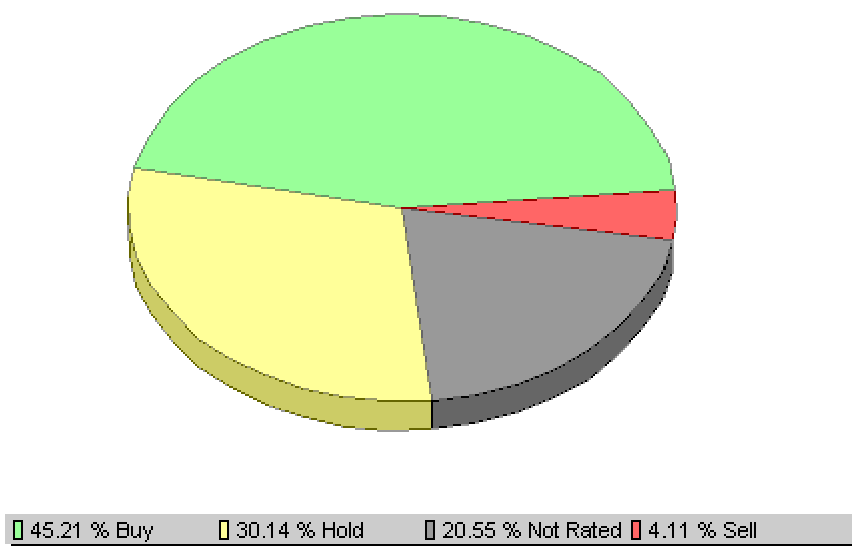
Management provided first quarter 2009 guidance calling for revenues to be around $14.5 million. The Company expects to incur a large expense in the first quarter for the fabrication of a new product which it believes will result in a net loss of approximately $(0.01) per share.

Rating: We are maintaining our Speculative Buy rating on TranSwitch Corporation.

Risks: Please review our latest research report (December 10, 2008) for a summary of the principal risks underlying the stock.



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	1	3.70%
Hold	0	0.00%
Sell	0	0.00%
Not Rated	0	0.00%

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

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All research issued by Taglich Brothers, Inc. is based on public information. The company paid for the creation and dissemination of research reports for the first year a monetary fee of $24,000 (USD) on October 2007, and after the first year of publication will pay a monthly monetary fee of $2,000 (USD) to Taglich Brothers, Inc., for the creation and dissemination of research reports.

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