



227 ATLANTIC BLVD | KEY LARGO, FL 33037 | TEL: 305.451.1888
CHRYSLER BUILDING | 405 LEXINGTON AVE, 26TH FL | NEW YORK, NY 10174 | TEL: 212.541.2465



7150 N. PARK DRIVE, SUITE 500
PENNSAUKEN, NJ 08109
TEL: 856.910.1166
WWW.LATTICEINCORPORATED.COM

WWW.HAWKASSOCIATES.COM
IR CONTACT: FRANK HAWKINS

**News Release: FINAL
FOR IMMEDIATE RELEASE**

Lattice Announces First Quarter 2010 Earnings

Communication Services Revenue Up 175%

Pennsauken, N.J. – May 24, 2010 -- [Lattice Incorporated](#) (OTC Bulletin Board: LTTTC), a provider of advanced technological solutions to key government agencies and enterprise customers, announced today the company's financial results for the first quarter ended March 31, 2010.

Total revenue for the quarter ended March 31, 2010 was \$3.7 million compared to \$3.8 million for the quarter ended March 31, 2009. Net loss was (\$532,000) or EPS of (\$0.02) compared with net loss of (\$403,000) or EPS of (\$0.02) in 2009.

Gross profit for the quarter was \$1.19 million compared to \$1.25 million a year ago. Gross margin was 31.8% compared to 32.9%.

Total operating expense for the quarter was \$1.48 million, a decrease of 5.9% from \$1.57 million in the comparable period a year ago. As a percentage of sales, operating expenses decreased to 39.5% from 41.2% for 2009.

CEO Paul Burgess said, "Our first quarter results are continued confirmation of our successful business transition. Communication Services segment revenue increased to \$829,000, or 22.2% of our total revenues in Q1 '10 compared to \$301,000 or just 7.9% of total revenues in the first quarter a year ago. We are gratified by this significant 175% increase in our communications revenues, a clear demonstration of the success we are experiencing due to our entry into the services model late last year.

"As we explained last month in our year-end conference call, our communications services segment opens a new market for us that exceeds \$1 billion. We anticipate continued growth in this area and expect that our services model will provide us with monthly recurring revenues. The dip in government revenue should be short lived as we have a strong pipeline.

Financial tables are attached.

About Lattice Incorporated

Lattice Incorporated is a provider of advanced information and communications technology solutions to the government and commercial markets. The company's technology services division designs,

deploys and manages advanced technological solutions at key government agencies and for mid- to large-sized enterprises. Lattice's technology products division consists of several core proprietary platforms used to develop customized software applications with military grade security in a number of different markets. For more information, visit <http://www.latticeincorporated.com>.

An investment profile about Lattice Incorporated may be found at <http://www.hawkassociates.com/latticeprofile.aspx>.

An online investor relations kit including copies of press releases, current price quotes, stock charts and other valuable information for investors may be found at <http://www.hawkassociates.com>. To receive free e-mail notification of future releases for this company, sign up at <http://www.hawkassociates.com/about/alert/>.

Safe Harbor Statement

Safe-Harbor Statement under the Private Securities Litigation Reform Act of 1995: This press release may contain forward-looking information within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including all statements that are not statements of historical fact regarding the intent, belief or current expectations of the company, its directors or its officers with respect to, among other things: (i) the company's financing plans; (ii) trends affecting the company's financial condition or results of operations; (iii) the company's growth strategy and operating strategy; and (iv) the risk factors disclosed in the Company's periodic reports filed with the SEC. The words "may," "would," "will," "expect," "estimate," "anticipate," "believe," "intend" and similar expressions and variations thereof are intended to identify forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond the company's ability to control, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors including the risk factors disclosed in the company's Forms 10-K previously filed with the SEC.

Investor Relations contact:

Hawk Associates

Frank Hawkins

305-451-1888

e-mail: lattice@hawkassociates.com.

LATTICE INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2010	December 31, 2009
	unaudited	audited
ASSETS:		
Current assets:		
Cash and cash equivalents	\$580,631	\$212,616
Accounts receivable	3,882,375	3,560,293
Inventories	29,402	29,402
Other current assets	105,880	133,405
Total current assets	4,598,288	3,935,716
Property and equipment, net	276,714	264,753
Goodwill	3,599,386	3,599,386
Other intangibles, net	2,105,319	977,455
Other assets	78,262	54,259
Total assets	\$10,657,969	\$8,831,569
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,140,530	\$1,780,143
Accrued expenses	1,615,539	1,719,831
Licensing agreement payable	1,100,000	-
Customer deposits	240,888	94,954
Notes payable	1,396,579	1,503,742
Derivative liability	169,732	161,570
Total current liabilities	6,663,268	5,260,240
Long term liabilities:		
Long term debt	616,011	188,466
Deferred tax liabilities	379,392	440,832
Total long term liabilities	995,403	629,298
Total liabilities	7,658,671	5,889,538
Shareholders' equity		
Preferred Stock - .01 par value		
Series A 9,000,000 shares authorized 7,530,681 and 7,567,685 issued respectively	75,307	75,677
Series B 1,000,000 shares authorized 1,000,000 issued and 502,160 outstanding	10,000	10,000
Series C 520,000 shares authorized 520,000 issued	5,200	5,200
Common stock - .01 par value, 200,000,000 authorized, 22,942,437 and 17,810,281 issued, 22,639,450 and 17,507,294 outstanding respectively	229,425	178,104
Additional paid-in capital	39,473,907	38,925,743
Accumulated deficit	(36,390,593)	(35,851,892)
Stock held in treasury, at cost	3,403,246	3,342,832
Equity Attributable to shareowners of Lattice Incorporated	(558,096)	(558,096)
Equity Attributable to non-controlling interest	2,845,150	2,784,736
Equity Attributable to non-controlling interest	154,148	157,295
Total liabilities and shareholders' equity	\$10,657,969	\$8,831,569

LATTICE INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATION
MARCH 31,

	2010	2009
Revenue	\$3,741,058	\$3,807,883
Cost of Revenue	2,552,846	2,555,164
Gross Profit	1,188,212 31.8%	1,252,719 32.9%
Operating expenses:		
Selling, general and administrative	1,181,322 31.6%	1,117,470 29.3%
Research and development	155,531	152,494
Amortization expense and depreciation expense	140,596	300,086
Total operating expenses	1,477,449	1,570,050
Loss from operations	(289,237)	(317,331)
EBITDA	28,919	108,385
Other income (expense):		
Derivative expense	(95,947)	(172,443)
Extinguishment (loss)	(130,055)	-
Other income	-	(4,840)
Interest expense	(81,771)	(77,217)
Total other income	(307,773)	(254,500)
Minority Interest	3,147	5,395
Income before taxes	(593,863)	(566,436)
Income taxes (benefit)	(61,440)	(163,355)
Net loss	(532,423)	(403,081)
Reconciliation of net loss to		
Loss applicable to common shareholders:		
Net loss	(532,423)	(403,081)
Preferred stock dividends	(6,777)	(6,777)
Loss applicable to common stockholders	(539,200)	(409,858)
Loss per common share		
Basic	\$(0.02)	\$(0.02)
Diluted	\$(0.02)	\$(0.02)
Weighted average shares:		
Basic	22,639,450	16,700,554
Diluted	22,639,450	16,700,554

**LATTICE INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	March 31,	
	2010	2009
Cash flow from operating activities:		
Net loss	\$(532,423)	\$(403,081)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Derivative income	95,947	172,443
Amortization of intangible assets	172,136	299,248
Deferred income taxes	(61,440)	(163,355)
Extinguishment loss	130,055	-
Minority interest	(3,147)	(5,395)
Share-based compensation	131,275	125,631
Depreciation	14,745	837
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(322,082)	(359,568)
Other current assets	27,525	(61,862)
Other assets	6,997	32
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,410,829	205,554
Customer advances	84,923	-
Total adjustments	1,687,763	213,565
Net cash provided by (used for) operating activities	1,155,340	(189,516)
Cash Used in investing activities:		
Purchase of intangibles	(1,300,000)	-
Purchase of equipment	(26,706)	-
Net cash used for investing activities	(1,326,706)	-
Cash flows from financing activities:		
Revolving credit facility (payments) borrowings, net	373,579	(775,950)
Payments on capital equipment lease	(9,189)	-
Proceeds from issuance of Series A preferred stock	250,000	-
Loans paid director	(12,509)	(21,000)
Payments on short term notes payable	(62,500)	-
Net cash provided by (used in) financing activities	539,381	(796,950)
Net increase (decrease) in cash and cash equivalents	368,015	(986,466)
Cash and cash equivalents - beginning of period	212,616	1,363,130
Cash and cash equivalents - end of period	\$580,631	\$376,664
Supplemental cash flow information		
Interest paid in cash	\$81,771	\$57,289
Taxes paid		\$4,805
Supplemental disclosures of Non-Cash Investing & Financing Activities		
Proceeds from Factoring agreement paid directly to Private Bank Facility		682,232
Preferred stock dividends		6,277
Conversion of preferred shares into common	(14,370)	(280)
Conversion of preferred shares into common	51,322	1,000
Additional paid in capital	(36,951)	(720)
Exchange of warrants for preferred series A		
Derivative liabilities	87,785	
Additional paid in Capital	453,840	

LATTICE INCORPORATED AND SUBSIDIARIES
CONDENSED SEGMENT DATA
(unaudited)

	Three Months Ended	
	March 31,	
	2010	2009
Revenues:		
Government Services	\$ 2,911,835	\$ 3,506,525
Communication Services	829,222	301,358
Total Consolidated Revenues	\$ 3,741,057	\$ 3,807,883
Gross Profit:		
Government Services	\$ 967,177	\$ 1,066,768
Communication Services	221,035	185,951
Total Consolidated	\$ 1,188,212	\$ 1,252,719