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**News Release: FINAL  
FOR IMMEDIATE RELEASE**

## Lattice Announces Third Quarter 2010 Earnings

### *Communication Services Revenue Up 217%*

**Pennsauken, N.J. – November 22, 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 third quarter ended September 30, 2010.

Total revenue for the quarter was \$3.1 million compared to \$3.9 million for the quarter ended September 30, 2009. Net loss was (\$142,988) or EPS of (\$0.01) compared with net loss of (\$301,881) or EPS of (\$0.02) in the same quarter of 2009.

Gross profit for the third quarter was \$1.29 million compared to \$1.25 million a year ago. Gross margin for the quarter was 41.5% compared to 32.1% for the same quarter of 2009. The increase in Gross Profit percentage was mainly attributable to a decrease in lower margin subcontracted or pass-thru revenues relative to higher margin in-house labor.

Total operating expense for the quarter was \$1.43 million, a decrease of 14.7% from \$1.68 million in the comparable period a year ago.

CEO Paul Burgess said, "Government Services revenue, which represented 71% of total company revenue, decreased 39.3% in the quarter primarily due to task orders that ended in 2009 and funding delays on DOD government programs. The decrease consisted primarily of a decline in lower margin subcontractor or pass-through revenues. The majority of bids we currently have and are waiting on are awards with new agencies or new contracts that add to our current contract base. We also have entered into a number of teaming agreements with other government contractors enabling us to provide services on current contracts they already have been awarded. The addition of new contracts will also decrease the concentrated risk we currently have on revenues concentrated in our SPAWAR contracts.

"The decline in Government Services revenue was partially offset by new business from our rapidly growing Communications Services, which was up 217% in the quarter. This was mainly attributable to the new direct service model launched in late 2009, which accounted for \$475,000 or 164% of the increase versus the year ago quarter..

"Although we expect government services revenue to be an important part of our mix of business, we expect to see the percentage of business from our Communications Services segment continue to grow. In the quarter, Communications Services revenue was 29% of the total, up from 7% of the total a year ago.

"Historically our revenue from our Communications Services segment has been derived from wholesaling product and services to service providers providing telecom services to correctional

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facilities. Last year we moved out beyond this to begin offering direct services to end-user inmate facilities either directly or through partnership arrangements. This has enabled us to move into an addressable market of over \$1.2 billion a year.

“So we are pleased with the growth from the communications segment. Last week we announced new contracts in Oregon and Washington. I expect we will have additional announcements in the near future.

“Finally, our new business model requires us to upfront capital investment in equipment with each new contract win. To date, we have secured equipment financing to support our contract wins. In addition, we have made a \$1.3 million investment in licensing technology that we expect will contribute to our growth, Burgess said.

The company will host a conference call **today** with CEO **Paul Burgess** and CFO **Joseph Noto** at **12:30 pm ET** to review the company’s financial results and respond to questions and comments. To participate in this call, dial **1-877-941-4775** any time after 12:20 pm ET. International callers should dial **1-480-629-9761**. The conference ID number is **4387147**.

An audio replay of the call will be available at <http://www.hawkassociates.com> for approximately 90 days after the call.

**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/ltcprofile.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.*

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**LATTICE INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

	<b>September 30, 2010 unaudited</b>	<b>December 31, 2009 audited</b>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$301,148	\$212,616
Accounts receivable	3,185,846	3,560,293
Inventories	29,402	29,402
Other current assets	276,839	133,405
Total current assets	3,793,235	3,935,716
Property and equipmen, net	264,872	264,753
Goodwill	3,599,386	3,599,386
Other intangibles, net	1,761,049	977,455
Other assets	46,512	54,259
Total assets	\$9,465,054	\$8,831,569
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$1,743,343	\$1,780,143
Accrued expenses	1,762,690	1,719,831
Deferred revenues	51,250	-
Customer advances	263,516	94,954
Notes payable - current	932,153	1,503,742
Derivative liability	148,383	161,570
Total current liabilities	4,901,335	5,260,240
Long term liabilities:		
Notes Payable - long term	1,259,953	188,466
Deferred tax liabilities	256,513	440,832
Total long term liabilities	1,516,466	629,298
Total liabilities	6,417,801	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	39,736,457	38,925,743
Accumulated deficit	(36,598,894)	(35,851,892)
Total equity	3,457,495	3,342,832
Stock held in treasury, at cost	(558,096)	(558,096)
Equity Attributable to shareowners of Lattice Incorporated	2,899,399	2,784,736
Equity Attributable to noncontrolling interest	147,854	157,295
Total liabilities and shareholders' equity	\$9,465,054	\$8,831,569

**LATTICE INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue	\$3,122,870	\$3,922,064	\$10,237,621	\$11,896,647
Cost of Revenue	<u>1,828,355</u>	<u>2,664,733</u>	<u>6,362,975</u>	<u>8,105,743</u>
Gross Profit	1,294,515	1,257,331	3,874,646	3,790,904
Operating expenses:				
Selling, general and administrative	1,158,344	1,247,510	3,480,887	3,628,756
Research and development	134,331	132,917	417,706	409,141
Amortization expense and depreciation expense	<u>139,636</u>	<u>299,248</u>	<u>418,906</u>	<u>897,744</u>
Total operating expenses	1,432,311	1,679,675	4,317,499	4,935,641
Loss from operations	<u>(137,796)</u>	<u>(422,344)</u>	<u>(442,853)</u>	<u>(1,144,737)</u>
Other income (expense):				
Derivative Income (expense)	35,075	7,498	(74,598)	(56,572)
Extinguishment ( loss)	-	-	(130,055)	-
Other income	-	-	-	-
Interest expense	<u>(104,854)</u>	<u>(58,043)</u>	<u>(280,694)</u>	<u>(184,158)</u>
Total other income	<u>(69,779)</u>	<u>(50,545)</u>	<u>(485,347)</u>	<u>(240,730)</u>
Minority Interest	3,147	7,653	9,441	18,100
Income before taxes	<u>(204,428)</u>	<u>(465,236)</u>	<u>(918,759)</u>	<u>(1,367,367)</u>
Income taxes (benefit)	(61,440)	(163,355)	(184,320)	(490,065)
Net loss	<u>(142,988)</u>	<u>(301,881)</u>	<u>(734,439)</u>	<u>(877,302)</u>
Reconciliation of net loss to				
Loss applicable to common shareholders:				
Net loss	(142,988)	(301,881)	(734,439)	(877,302)
Preferred stock dividends	<u>(6,277)</u>	<u>(6,277)</u>	<u>(18,831)</u>	<u>(18,831)</u>
Loss applicable to common stockholders	<u>(149,265)</u>	<u>(308,158)</u>	<u>(753,270)</u>	<u>(896,133)</u>
Loss per common share				
Basic	\$(0.01)	\$(0.02)	\$(0.03)	\$(0.05)
Diluted	\$(0.01)	\$(0.02)	\$(0.03)	\$(0.05)
Weighted average shares:				
Basic	22,942,437	16,739,444	22,372,198	16,727,592
Diluted	22,942,437	16,739,444	22,372,198	16,727,592

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

	Nine Month's ended September 30,	
	2010	2009
Cash flow from operating activities:		
Net loss	\$(734,439)	\$(877,302)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Derivative expense	74,598	56,572
Amortization of intangible assets	516,406	897,744
Deferred income taxes	(184,320)	(490,065)
Extinguishment loss	130,055	-
Minority interest	(9,441)	(18,100)
Share-based compensation	393,825	382,541
Depreciation	44,235	9,500
Changes in operating assets and liabilities:	-	
(Increase) decrease in:		
Accounts receivable	374,447	(965,461)
Other current assets	8,904	(141,441)
Other assets	7,747	318
Increase (decrease) in:		-
Accounts payable and accrued liabilities	6,059	102,257
Deferred revenues	51,250	-
Customer advances	168,562	72,625
Total adjustments	1,582,327	(93,510)
Net cash provided by (used for) operating activities	847,888	(970,812)
Cash Used in investing activities:		
Purchase of intangibles	(1,300,000)	-
Purchase of equipment	(44,354)	(89,608)
Net cash used for investing activities	(1,344,354)	(89,608)
Cash flows from financing activities:		
Revolving credit facility (payments) borrowings, net	(667,026)	82,454
Payments on capital equipment lease	(24,641)	(7,994)
Proceeds from the issuance of Note	1,100,000	
Proceeds from issuance of Series A preferred stock	250,000	-
Loans paid director	(73,335)	(34,453)
Net cash provided by (used in) financing activities	584,998	40,007
Net increase (decrease) in cash and cash equivalents	88,532	(1,020,413)
Cash and cash equivalents - beginning of period	212,616	1,363,130
Cash and cash equivalents - end of period	\$301,148	\$342,717
Supplemental cash flow information		
Interest paid in cash	\$280,694	\$181,066
Taxes paid	-	-
Supplemental disclosures of Non-Cash Investing & Financing Activities		
Purchase of Equipment		110,879
Capital Lease		(110,879)
Additional Paid Capital	(36,952)	(720)
Conversion of preferred shares into common	(14,370)	(280)
Conversion of preferred shares into common	51,322	1,000

Exchange of warrants for preferred series A	-
Derivative liabilities	87,785
Additional paid in Capital	453,840
Deferred financing fees	150,000