



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 2010 Financial Results

Conference Call Today at 12:00 Noon EDT

Pennsauken, N.J. – March 31, 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 year ended December 31, 2010.

FY 2010 Review

- Telecom services segment revenues increased 220% to \$3.6 million compared to \$1.1 million in 2009.
- The company generated positive cash flow from operations of \$777,000, compared to negative (\$119,000) in 2009.
- Gross margin increased to 37.2% for 2010 from 33.6% in 2009.
- Total revenues decreased 13.2% to \$13.5 million in 2010, compared to \$15.6 million in 2009.
- Adjusted operating income, a non-GAAP measure (after adding back non-cash amortization, depreciation and share-based compensation) was \$357,000 positive for 2010. (A reconciliation to reported loss from operations is provided on the last page of the attached schedules)
- Loss from operation decreased 53% from \$1.9 million in 2009 to \$907,000 in 2010
- Earnings per share loss decreased from \$0.08 per share in 2009 to \$0.06 per share in 2010.

CEO Paul Burgess said, "2010 has been a year of significant and positive change for Lattice. A year ago we reported our successful transition to a service model for our telecom business that we anticipated would provide us with stronger monthly recurring revenues. During the year we announced various new contracts for our correctional facility call management services in the U.S. and in Europe. I am pleased to report that for the full year 2010 our Telecom Business segment comprised 26% of our total revenues, compared to just 7% of total revenues in the prior year.

With the February 2011 financing of \$1 million to support the growth of our communications business, we anticipate further expansion of our telecom business both domestically and internationally. We are confident there are some exciting developments on the horizon for this rapidly developing business, and we are looking forward to providing updates on our progress.

Our wholly-owned subsidiary Lattice Government Services continued to be awarded contracts during the year, including a prime contract with the United States Air Force to develop a system for detecting improvised explosive devices, and a Homeland Security Contract for smuggled currency detection.

Although total revenue decreased 13% for the year, this was primarily due to a decrease in lower margin subcontracted revenues under existing contract vehicles in our government services business. Our gross profit as a percentage of net sales increased to 37.2% for 2010, compared to 33.6% for 2009, and on the bottom line, our per share loss narrowed to \$0.06 from \$0.08.

The company will host a conference call with CEO Paul Burgess and CFO Joseph Noto today, **Thursday, March 31 at 12:00 p.m. noon EDT**. To participate in this call, dial **1-877-941-8602** any time after 11:50 a.m. EDT. International callers should **dial 1-480-629-9811**. If an operator is needed at anytime during the call press the **star** followed by the **zero** button.

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/ltpcprofile.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

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
ASSETS:		
Current assets:		
Cash	\$324,149	\$212,616
Accounts receivable	3,059,342	3,560,293
Inventories	22,052	29,402
Other current assets	246,589	133,405
Total current assets	3,652,132	3,935,716
Property and equipment, net	258,258	264,753
Goodwill	3,599,386	3,599,386
Other intangibles, net	1,588,909	977,455
Other assets	46,512	54,259
Total assets	\$9,145,197	\$8,831,569
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,066,862	\$1,780,143
Accrued expenses	1,717,271	1,719,831
Deferred revenues	67,879	-
Customer advances	103,869	94,954
Notes payable - current	885,592	1,503,742
Derivative liability	228,108	161,570
Total current liabilities	5,069,581	5,260,240
Long term liabilities:		
Notes Payable - long term	1,367,548	188,466
Deferred tax liabilities	256,512	440,832
Total long term liabilities	1,624,060	629,298
Total liabilities	6,693,641	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	39,853,503	38,925,743
Accumulated deficit	(37,293,357)	(35,851,892)
Stock held in treasury, at cost	2,880,078	3,342,832
Equity Attributable to shareowners of Lattice Incorporated	(558,096)	(558,096)
Equity Attributable to noncontrolling interest	2,321,982	2,784,736
Equity Attributable to noncontrolling interest	129,574	157,295
Total liabilities and shareholders' equity	\$9,145,197	\$8,831,569

LATTICE INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
DECEMBER 31,

	2010	2009
Sales	\$13,538,319	\$15,595,433
Cost of sales	8,507,902	10,355,860
Gross Profit	5,030,417	5,239,573
Operating expenses:		
Selling, general and administrative	4,830,024	5,189,848
Research and development	549,186	541,783
Impairment loss	-	235,301
Amortization expense	558,546	1,196,992
Total operating expenses	5,937,756	7,163,924
Loss from operations	(907,339)	(1,924,351)
Other income (expense):		
Derivative expense	(154,323)	39,036
Extinguishment (loss)	(130,055)	-
Interest expense	(436,676)	(237,088)
Total other income	(721,054)	(198,052)
Noncontrolling interest	27,721	35,985
(Loss) before taxes	(1,600,672)	(2,086,418)
Income taxes (benefit)	(184,320)	(759,451)
Net loss	(1,416,352)	(1,326,967)
Reconciliation of net loss to income applicable to common shareholders:		
Net (loss)	(1,416,352)	(1,326,967)
Preferred stock dividends	(25,108)	(25,108)
Loss applicable to common stockholders	(1,441,460)	(1,352,075)
Income (loss) per common share		
Basic	\$(0.06)	\$(0.08)
Diluted	\$(0.06)	\$(0.08)
Weighted average shares:		
Basic	22,639,450	16,634,610
Diluted	22,639,450	16,634,610

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

	Year ended December 31,	
	2010	2009
Cash flow from operating activities:		
Net loss	\$(1,416,352)	\$(1,326,967)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Derivative income	154,323	(39,036)
Amortization of intangible assets	688,546	1,196,992
Impairment	-	235,301
Deferred income taxes	(184,320)	(759,451)
Extinguishment loss	130,055	-
Minority interest	(27,721)	(35,985)
Share-based compensation	510,870	513,816
Depreciation	64,495	40,797
Changes in operating assets and liabilities:	-	
(Increase) decrease in:		
Accounts receivable	500,951	397
Other current assets	12,667	(12,329)
Other assets	7,747	200
Increase (decrease) in:		
Accounts payable and accrued liabilities	259,050	(12,223)
Deferred revenues	67,879	-
Customer advances	8,915	79,954
Total adjustments	2,193,457	1,208,433
Net cash provided by (used for) operating activities	777,105	(118,534)
Cash Used in investing activities:		
Purchase of intangibles	(1,300,000)	-
Purchase of equipment	(58,000)	(284,460)
Net cash used for investing activities	(1,358,000)	(284,460)
Cash flows from financing activities:		
Revolving credit facility (payments) borrowings, net	(578,405)	(619,651)
Payments on capital equipment lease	(41,242)	94,297
Proceeds from the issuance of Note	1,100,000	
Proceeds from issuance of Series A preferred stock	250,000	-
Loans paid director	(37,920)	(222,166)
Net cash provided by (used in) financing activities	692,433	(747,520)
Net increase (decrease) in cash and cash equivalents	111,538	(1,150,514)
Cash - beginning of period	212,616	1,363,130
Cash - end of period	\$324,154	\$212,616
Supplemental cash flow information		
Interest paid in cash	\$436,676	\$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	

LATTICE INCORPORATED AND SUBSIDIARIES

Reconciliation of reported loss from operations to adjusted income from operations adjusted (Non-GAAP measure):

	2010	2009
Loss from operations- as reported	\$(907,339)	\$(1,924,351)
<u>Addback non-cash items:</u>		
Amortization expense (Cost of Sales)	130,000	-
Impairment loss	-	235,301
Amortization expense (Operating expenses)	558,546	1,196,992
Depreciation expense (SG&A)	64,495	40,797
Share-based compensation (SG&A)	510,870	513,816
<u>Income from operations (Adjusted)</u>	<u>\$356,572</u>	<u>\$62,555</u>
