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**News Release: FINAL
FOR IMMEDIATE RELEASE**

Lattice Announces Q1 2011 Financial Results, Communications Division Revenues of \$1M, and Major Acquisition in Government Services Division

Conference Call Today at 4:30 p.m. EDT

Pennsauken, N.J. – May 16, 2011 -- [Lattice Incorporated](#) (OTC Bulletin Board: LTTTC), a provider of secure technology solutions to key government agencies and enterprise customers, announced today the company's financial results for the first quarter ended March 31, 2011. The company also announced the acquisition of Cummings Creek Capital, the holding company for CLR Group, a provider of technology solutions to government that will be merged with the operations of Lattice Government Services.

Total revenue for the quarter ended March 31, 2011 was \$3.3 million compared to \$3.7 million for the quarter ended March 31, 2010. Net loss was (\$523,000) or EPS of (\$0.02) compared with net loss of (\$532,000) or EPS of (\$0.02) in 2010. Telecom services segment revenues increased 22% to \$1.0 million compared to \$0.8 million in the same quarter a year ago, and comprised 31% of the total revenues for the first quarter.

Gross profit for the quarter was \$1.17 million compared to \$1.19 million a year ago. Gross margin was 35.6% compared to 31.8%. Total operating expense for the quarter was \$1.37 million, a decrease of 7.2% from \$1.48 million in the comparable period a year ago. As a percentage of sales, operating expenses increased to 41.9% from 39.5% for 2010.

CEO Paul Burgess said, "CLR brings us a strong technology platform that will help increase the scale and feature capabilities of our Government Services Division. Based in O'Fallon, IL, CLR has a strong record of delivering technology and systems for the U.S. Military, including the U.S. Transportation Command, NASA, the Air Force Material Command, and the Air Mobility Command.

"The Cummings Creek - CLR Group acquisition will add approximately \$4 million in annualized revenues. In addition, CLR CEO Ralph Alexander, with more than 30 years of building and managing businesses, will play a key role in scaling up our government segment operations.

"Significantly, this was the first million dollar revenue quarter for our rapidly growing telecom business, reflecting the relevance of Lattice offerings to correctional facilities in both the U.S. and Europe. Lattice now provides call management services for secure facilities in 11 states as well as the U.K and Gibraltar.

"During this quarter, Lattice management, directors and other accredited investors invested over a half million dollars to support the growth of our company. This was in addition to the private financing of \$1.2 million by an institutional investor. The proceeds of which are being used for working capital

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and to support the expansion of our Telecom Business. We also strengthened our board of directors with the addition of former NTSB Chairman Mark Rosenker and telecommunications strategist John Boyd.

“We have a lot to look forward to in the coming quarters with rapid growth of our telecom business, and the acquisition is a major boost to our government solutions business,” Burgess said.

Lattice will host a conference call with CEO Paul Burgess and CFO Joseph Noto today, **Monday, May 16 at 4:30 p.m. EDT**. To participate in this call, dial **1-888-549-7704** after 4:20 p.m. EDT. International callers should dial **1-480-629-9810**. 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 Government Services division designs, deploys, and manages secure technology solutions at key government agencies. Lattice's Communications Solutions division develops customized software applications and systems for secure facilities.

A complete profile of Lattice, including copies of press releases and a current price quote, may be found at <http://www.latticeinc.com>.

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**

	March 31, 2011 unaudited	December 31, 2010 audited
ASSETS:		
Current assets:		
Cash and cash equivalents	\$701,972	\$324,149
Accounts receivable	3,143,611	3,059,342
Inventories	22,051	22,052
Subscription receivable	224,500	
Other current assets	202,855	246,589
Total current assets	4,294,989	3,652,132
Property and equipment, net	335,631	258,258
Goodwill	3,599,386	3,599,386
Other intangibles, net	1,451,683	1,588,909
Other assets	46,512	46,512
Total assets	\$9,728,201	\$9,145,197
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$1,895,376	\$2,066,862
Accrued expenses	1,680,971	1,717,271
Deferred revenues	10,000	67,879
Customer deposits	96,737	103,869
Other liabilities	200,000	-
Notes payable	317,428	885,592
Derivative liability	469,025	228,108
Total current liabilities	4,669,537	5,069,581
Long term liabilities:		
Long term debt	1,355,657	1,367,548
Deferred tax liabilities	171,008	256,512
Total long term liabilities	1,526,665	1,624,060
Total liabilities	6,196,202	6,693,641
Shareholders' equity		
Preferred Stock - .01 par value		
Series A 9,000,000 shares authorized 7,530,681 and 7,530,681 issued respectively	75,307	75,307
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
Series D 454,546 shares authorized 454,546 issued	4,545	-
Common stock - .01 par value, 200,000,000 authorized, 27,698,241 and 22,942,427 issued, 27,395,254 and 22,639,450 outstanding respectively	276,983	229,425
Additional paid-in capital	41,414,093	39,853,503
Accumulated deficit	(37,822,460)	(37,293,357)

	3,963,668	2,880,078
Stock held in treasury, at cost	<u>(558,096)</u>	<u>(558,096)</u>
Equity Attributable to shareowners of Lattice Incorporated	<u>3,405,572</u>	<u>2,321,982</u>
Equity Attributable to noncontrolling interest	<u>126,427</u>	<u>129,574</u>
Total liabilities and shareholders' equity	<u>\$9,728,201</u>	<u>\$9,145,197</u>

See accompanying notes to the consolidated financial statements.

LATTICE INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATION
MARCH 31,

	<u>2011</u>	<u>2010</u>
Revenue	\$3,269,867	\$3,741,058
Cost of Revenue	2,104,483	2,552,846
Gross Profit	<u>1,165,384</u>	<u>1,188,212</u>
Operating expenses:		
Selling, general and administrative	1,113,914	1,181,322
Research and development	152,261	155,531
Amortization expense and depreciation expense	105,400	140,596
Total operating expenses	<u>1,371,575</u>	<u>1,477,449</u>
Loss from operations	<u>(206,191)</u>	<u>(289,237)</u>
Other income (expense):		
Derivative expense	(272,917)	(95,947)
Extinguishment (loss)	-	(130,055)
Other income	-	-
Interest expense	(132,370)	(81,771)
Total other income	<u>(405,287)</u>	<u>(307,773)</u>
Minority Interest	3,147	3,147
Income before taxes	<u>(608,331)</u>	<u>(593,863)</u>
Income taxes (benefit)	(85,504)	(61,440)
Net loss	<u>(522,827)</u>	<u>(532,423)</u>
Reconciliation of net loss to		
Loss applicable to common shareholders:		
Net loss	(522,827)	(532,423)
Preferred stock dividends	(6,277)	(6,777)
Loss applicable to common stockholders	<u>(529,104)</u>	<u>(539,200)</u>
Loss per common share		
Basic	\$(0.02)	\$(0.02)
Diluted	\$(0.02)	\$(0.02)
Weighted average shares:		
Basic	23,432,084	22,639,450
Diluted	23,432,084	22,639,450

See accompanying notes to the consolidated financial statements.

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

	March 31,	
	2011	2010
Cash flow from operating activities:		
Net loss	\$(522,826)	\$(532,423)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Derivative expense	272,917	95,947
Amortization of intangible assets	137,228	172,136
Deferred income taxes	(85,504)	(61,440)
Extinguishment loss	-	130,055
Minority interest	(3,147)	(3,147)
Share-based compensation	119,833	131,275
Depreciation	18,339	14,745
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(84,269)	(322,082)
Other current assets	43,734	27,525
Other assets	-	6,997
Increase (decrease) in:		
Accounts payable and accrued liabilities	(214,063)	1,410,829
Deferred revenues	(57,879)	-
Customer advances	(7,132)	84,923
Total adjustments	<u>140,057</u>	<u>1,687,763</u>
Net cash provided by (used for) operating activities	<u>(382,769)</u>	<u>1,155,340</u>
Cash Used in investing activities:		
Purchase of intangibles	-	(1,300,000)
Purchase of equipment	<u>(95,712)</u>	<u>(26,706)</u>
Net cash used for investing activities	<u>(95,712)</u>	<u>(1,326,706)</u>
Cash flows from financing activities:		
Revolving credit facility (payments) borrowings, net	(27,252)	373,579
Payments on capital equipment lease	(12,195)	(9,189)
Payments on Notes	(531,000)	-
Proceeds from issuance of securities, net	1,436,361	250,000
Loans paid director	<u>(9,610)</u>	<u>(75,009)</u>
Net cash provided by (used in) financing activities	<u>856,304</u>	<u>539,381</u>
Net increase (decrease) in cash and cash equivalents	<u>377,823</u>	<u>368,015</u>
Cash and cash equivalents - beginning of period	<u>324,149</u>	<u>212,616</u>
Cash and cash equivalents - end of period	<u><u>\$701,972</u></u>	<u><u>\$580,631</u></u>
Supplemental cash flow information		
Interest paid in cash	\$113,620	\$81,771
Taxes paid	\$-	\$-
Supplemental disclosures of Non-Cash Investing & Financing Activities		

Proceeds from Factoring agreement paid directly to Private Bank Facility		
Exercise of warrants		
Common Stock	1,231	
Derivative liabilities	(31,999)	
Additional paid in capital	30,768	
Conversion of preferred shares into common	-	(14,370)
Conversion of preferred shares into common	-	51,322
Additional paid in capital		(36,951)
Exchange of warrants for preferred series A		
Derivative liabilities		87,785
Additional paid in Capital	-	453,840
See accompanying notes to the consolidated financial statements.		

Lattice Incorporated

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

	March 31,	
	2011	2010
Loss from operations- as reported	\$(206,191)	\$(289,237)
<u>Addback non-cash items:</u>		
Amortization expense	137,228	172,136
Impairment loss	-	-
Amortization expense (Operating expenses)	-	-
Depreciation expense	18,339	14,745
Share-based compensation (SG&A)	119,833	131,275
Income from operations (Adjusted)	\$69,209	\$28,919
