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Investment Profile

OTCBB: LTTC

August 15, 2011

Lattice Continues Rapid Expansion with New 600 Bed Installation. Company's Secure Communications Division Serving Nearly 10,000 Inmates at 49 Correctional Facilities

Company Description

Lattice Incorporated has been a provider of advanced information and communications technology to the government and commercial markets since 1977, beginning as a provider of specialized solutions to the telecom industry. Responding to the converged communications industry of today, Lattice is focused on providing advanced solutions for several vertical markets through software and applications developed using its core platform technology.

The company currently derives the majority of its revenue from its Government Services segment, providing technology solutions on a contract basis to the federal government. The company's Communication Services group, which provides telecom products and services, expanded in 2009 from a wholesale business model to offering its products and services directly to end-user facilities. The company has operations in 11 states as well as in Europe.

Government Services

The company's Government Services division designs, deploys and manages advanced technological solutions including software consulting and development services for the command and control of biological sensors and other Department of Defense requirements to United States federal governmental agencies either directly or through prime contractors of governmental agencies. The company's proprietary products include SensorView, which provides clients with the capability to command, control and monitor multiple distributed chemical, biological, nuclear, explosive and hazardous material sensors.

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Closing Price (08/12/11)	\$0.10
Market Cap.	\$2.71 mil.
52-Week Range	\$0.06 - \$0.35
Average Daily Trading	29,612
2010 Revenue	\$13.5 mil.
2010 Net Income (Loss)*	(\$1.4 mil)
2010 EPS (diluted)*	(\$0.06)
Total Assets (6/30/11)	\$8.9 mil.
Total Liabilities (6/30/11)	\$6.5 mil.
Basic Shares	25.46 mil.
Diluted Shares	70.1 mil.
Insider Ownership	23.4%
Est. Public Float	16.05 mil.
Fiscal Year End	Dec. 31

*Income applicable to common stockholders

Lattice also designs, develops and implements business management applications, geographic information systems, web services applications and secure geospatial solutions. Consulting services offered to federal clients include network engineering, architectural guidance, database management and functional area analysis, as well as support for business requirements, change management and financial analysis for several major federal customers.

Lattice maintains a proprietary Department of Defense certified software development platform enabling developers to rapidly create fully compliant, highly secure .NET applications. The company also owns

Highlights

08/15/11
Q2'11 rev. \$3.2M vs. \$3.4M in Q2'10.
Gross profit \$1.2M. Net loss (\$1.97M)

08/08/11
LTTC adds 600 bed facility in OK; inmate call capacity nears 10,000 at 49 facilities.

07/06/11
LTTC Builds Revenue Momentum with Communications Installations at Larger Oklahoma Jails

06/22/11
LTTC Continues Record Growth with Three More Oklahoma Installations

06/15/11
LTTC Accelerates Recurring Revenues, Adding Three Oklahoma Jails

06/08/11
LTTC Call Management Services Selected for Choctaw County Jail

05/16/11
Lattice Acquires CLR Group. Will add \$4M to Government Services revenue. Q1 revenue \$3.3M. Telecom revenue reaches \$1M.

04/08/11
LTTC adds call services in IA and WA; U.S inmate call capacity exceeds 7,000

03/31/11
2010 revenue \$13.5M. Gross profit \$5.0 M. Net loss applicable to common shareholders (\$1.44 M). EPS (\$0.06)

11/22/10
Q3'10 rev. \$3.1M vs. \$3.9 in Q3'09.
Gross profit \$1.4M. Net loss (\$143k)



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a proprietary transaction processing platform used to develop and enhance a variety of customizable communications platforms. Lattice uses its proprietary technologies to develop customized solutions for all levels of the federal government and enterprise-level customers.

Using DOD-certified platforms, the company develops low-cost web services that incorporate military grade security. Lattice's products are specifically designed to reduce the time and cost of developing advanced solutions for clients requiring highly secure, extremely reliable communications systems. The company's expertise in securing web services with military-grade technology enables more powerful IP-based communications in the defense, intelligence and homeland security agencies.

Government Market

Lattice competes in a highly competitive and fragmented market servicing the federal government. In addition to its proprietary technologies and long operating history, the company has ties to key government agencies and the possession of a Department of Defense certification on a core development platform.

Lattice believes it has significant hidden assets and future revenue streams not currently reflected in its financial statements. Many contracts in the government market are initially awarded on a single-year basis but are effectively multi-year awards, providing the original firm satisfactory performs. Based on its historical track record of successful execution, the company believes it has a high probability of realizing recurring revenue streams from such contract extensions.

Communications Group

Historically, Lattice's revenue from the Communications Group has been derived from wholesaling product and services to service providers providing telecom services to inmate facilities. Based on growth of the inmate telecommunications market, the company expanded its offerings to include direct services to end-user inmate facilities either provided directly to inmate facilities or via a partnering arrangement with other service providers. The transition to the new services model was completed late in 2009.

The opening of the company's first European call center in Gibraltar is considered a significant milestone in penetrating new markets and a strong reference site.

The new services model opens an addressable market of approximately \$1.5 billion per year, based on the current inmate population in the U.S. Average revenue per inmate is estimated at \$600 - \$750 per year, depending on the facility.

The new communication business model will require the company to make upfront capital investments in equipment with each new contract win. To date, Lattice has secured equipment financing to support its contract wins. In the quarter ended June 30, 2010 Lattice made a \$1.3 M investment in licensing technology that was financed with a \$1.25 M debt financing closed in the third quarter.



The Outlook

Revenues for Q2 were \$3.2M with Telecom Group revenue reporting \$1.2M. Telecom revenue was up 40% reflecting rapid growth in both domestic and international operations.

Government services segment revenues decreased 21% in the quarter compared with the prior year. Only partially offsetting the decrease were new revenues from the Cummings Creek/ CLR acquisition of \$572,000, not present a year ago. The decrease, excluding CLR, was mainly due to a major restructuring of the company's prime SPAWAR contract vehicle, which was rebid and awarded on May 15th to a new prime contractor. Management says Lattice expects to continue to participate in services under the SPAWAR contract vehicle, given its partnering relationship with the winning bidder. In addition, government cutbacks resulted in

decreased funding for the company's direct or in-house labor staffing on the SPAWAR contract. The company says it expects its results will continue to be impaired through next quarter as the company moves through the transition from prime contractor to a teaming arrangement supporting the new prime contractor, although management said it anticipates the transition back to the resumption of growth in the government services segment would be short. The company's acquisition of CLR Group during the quarter is expected to add approximately \$4 million in annualized revenue.

Lattice now provides call management services for over 10,000 inmates at 49 secure facilities in the U.S. as well as the U.K and Gibraltar. During the quarter the company's communications segment revenues increased by 40% to \$1,197,000 from \$855,000 in the prior year.

Management Team

- Paul Burgess: Chairman, CEO
- Joe Noto: Chief Financial Officer
- Thomas Spadaro: VP Engineering
- John E. Boyd: Director
- Mark V. Rosenker: Director

Website Information

Investor information may be found at:
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Risk Factors

- Potential competition from larger, better-funded companies
- Need for additional financing
- Highly competitive market
- Ability to successfully commercialize and derive revenue from products