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**News Release: FINAL
FOR IMMEDIATE RELEASE**

Lattice Announces Q2 2011 Financial Results

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

Pennsauken, N.J. – August 15, 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 second quarter ended June 30, 2011.

Total revenue for the quarter ended June 30, 2011 was \$3.2 million compared to \$3.4 million for the quarter ended June 30, 2010. Net loss was (\$1,966,800) or EPS of (\$0.08) compared with net loss of (\$59,000) or EPS of \$0.00 in 2010.

Telecom services segment revenues increased 40% to \$1.2 million compared to \$0.85 million in the same quarter a year ago, and comprised 37% of the total revenues for the second quarter, up from 25% a year ago. Included in the net loss for the quarter was a non-cash impairment charge of nearly \$1.6 million related to the ending of the company's role as SPAWAR prime contractor.

CEO Paul Burgess said, "This was a difficult quarter for Lattice. Our 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 our prime SPAWAR contract vehicle, which was rebid and awarded on May 15th to a new prime contractor. We expect to continue to participate in services under this SPAWAR contract vehicle, given our partnering relationship with the winning bidder. In addition, government cutbacks resulted in decreased funding for our direct or in-house labor staffing on the SPAWAR contract. We expect our results will continue to be impaired through next quarter as we move through this transition from prime contractor to a teaming arrangement supporting the new prime contractor. We anticipate it being a short transition back to the resumption of growth in the government services segment.

"On the positive side, we are steadily building momentum in our telecom business. 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 our communications segment revenues increased by 40% to \$1,197,000 from \$855,000 in the prior year. The increase in revenues was attributable to volume growth from the continuing increase in the number of facilities contracted where we provide direct telecommunication services combined with an increase in technology equipment and software sales wholesaled to other service providers.

"Because of the major impact of the changes in our SPAWAR business, we are restructuring Lattice to maximize our revenue and earnings capability in our new role as a SPAWAR subcontractor under the teaming arrangement. We recorded a non-cash impairment charge to the carrying value of

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goodwill of \$1,575,000 based on a write down of projected revenues and cash flows in our Government services reporting unit reflecting the end of our role as primary contractor combined with some uncertainty of funding on this contract going forward. We have estimated the annual impact to revenues and cash flows to be approximately \$5,000,000 and \$800,000 respectively.

We took several steps to offset the SPAWAR loss. These include steps which reduce our costs, increase our revenues and add to our operating cash flow, such as from the Cumming Creek/CLR acquisition with expectations of producing annual addition revenue of \$4,000,000, cost savings of \$800,000 and resulting in an addition of \$400,000 to cash flow. We have also obtained wins for direct labor position task orders, which are expected to result in additional annual revenues of \$1,000,000 and \$300,000 in operating cash flows. Further, our direct telecom business is expected to increase during the latter part of 2011, contributing further to our financial performance.

“We believe the CLR acquisition and the new management team of Lattice Government Services will enable us to successfully work through the current changes and will lead us to a solid track record in growing government contracting businesses,” Burgess said.

Lattice will host a conference call with CEO Paul Burgess and CFO Joseph Noto today, **Monday, August 15 at 4:30 p.m. EDT**. To participate in this call, dial **1-877-941-8416** after 4:20 p.m. EDT. International callers should dial **1-480-629-9808**. 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

	June 30, 2011 <u>unaudited</u>	December 31, 2010 <u>audited</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$395,454	\$324,149
Accounts receivable	357,809	3,059,342
Inventories	\$22,051	22,052
Other current assets	<u>239,417</u>	<u>246,589</u>
Total current assets	4,235,013	3,652,132
Property and equipment, net	451,056	258,258
Goodwill	2,871,938	3,599,386
Other intangibles, net	1,314,456	1,588,909
Other assets	<u>46,512</u>	<u>46,512</u>
Total assets	<u>\$8,918,975</u>	<u>\$9,145,197</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,040,420	\$2,066,862
Accrued expenses	1,489,063	1,717,271
Deferred revenues	-	67,879
Customer deposits	229,136	103,869
Notes payable	1,713,113	885,592
Deferred tax liabilities	85,504	-
Derivative liability	<u>214,317</u>	<u>228,108</u>
Total current liabilities	5,771,553	5,069,581
Long term liabilities:		
Long term debt	707,738	1,367,548
Deferred tax liabilities	-	256,512
Total long term liabilities	<u>707,738</u>	<u>1,624,060</u>
Total liabilities	<u>6,479,291</u>	<u>6,693,641</u>
 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 590,910 shares authorized 590,910 issued	5,909	-
Common stock - .01 par value, 200,000,000 authorized, 29,667,475 and 22,942,427 issued, 29,364,488 and 22,639,450 outstanding respectively	304,983	229,425
Additional paid-in capital	42,286,245	39,853,503
Accumulated deficit	<u>(39,813,144)</u>	<u>(37,293,357)</u>
	2,874,500	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>2,316,404</u>	<u>2,321,982</u>
Equity Attributable to non-controlling interest	<u>123,280</u>	<u>129,574</u>
Total liabilities and shareholders' equity	<u>\$8,918,975</u>	<u>\$9,145,197</u>

LATTICE INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue	\$3,194,686	\$3,373,737	\$6,461,437	\$7,114,794
Cost of Revenue	1,994,506	1,981,885	4,095,874	4,549,436
Gross Profit	1,200,180	1,391,852	2,365,563	2,565,358
Operating expenses:				
Selling, general and administrative	1,563,005	1,090,745	2,690,087	2,288,822
Research and development	167,969	144,799	320,230	300,330
Impairment Loss - Note 1	1,575,000	-	1,575,000	-
Amortization expense and depreciation expense	104,728	172,136	209,455	281,272
Total operating expenses	3,410,702	1,407,680	4,794,772	2,870,424
Loss from operations	(2,210,522)	(15,828)	(2,429,209)	(305,066)
Other income (expense):				
Derivative expense	254,708	(13,726)	(18,209)	(109,673)
Extinguishment (loss)	-	-	-	(130,055)
Other income	-	-	-	-
Interest expense	(98,689)	(94,069)	(237,118)	(175,840)
Total other income	156,019	(107,795)	(255,327)	(415,568)
Non-controlling interest	3,147	3,147	6,294	6,294
Income before taxes	(2,051,356)	(120,476)	(2,678,242)	(714,340)
Income taxes (benefit)	(85,504)	(61,440)	(171,008)	(122,880)
Net loss	(1,965,852)	(59,036)	(2,507,234)	(591,460)
Reconciliation of net loss to				
Loss applicable to common shareholders:				
Net loss	(1,965,852)	(59,036)	(2,507,234)	(591,460)
Preferred stock dividends	(6,277)	(6,277)	(12,554)	(12,554)
Loss applicable to common stockholders	(1,972,129)	(65,313)	(2,519,788)	(604,014)
Loss per common share				
Basic	\$(0.08)	\$(0.00)	\$(0.10)	\$(0.03)
Diluted	\$(0.08)	\$(0.00)	\$(0.10)	\$(0.03)
Weighted average shares:				
Basic	25,459,225	22,639,450	24,211,686	21,631,755
Diluted	25,459,225	22,639,450	24,211,686	21,631,755

LATTICE INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2011	2010
Cash flow from operating activities:		
Net loss	\$(2,507,234)	\$(591,459)
Adjustments to reconcile net income to net cash provided by (used in) operating		
Derivative expense	18,209	109,673
Impairment Loss - Note 1	1,575,000	-
Amortization of intangible assets	274,456	344,272
Deferred income taxes	(171,008)	(122,880)
Extinguishment loss	-	130,055
Minority interest	(6,294)	(6,294)
Share-based compensation	194,750	262,550
Depreciation	72,554	29,489
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	158,657	469,515
Other current assets	7,172	16,582
Other assets	-	6,997
Increase (decrease) in:		
Accounts payable and accrued liabilities	(603,452)	(53,854)
Deferred revenues	(67,879)	-
Customer advances	125,267	154,225
Total adjustments	<u>1,577,432</u>	<u>1,340,330</u>
Net cash provided by (used for) operating activities	<u>(929,802)</u>	<u>748,871</u>
Cash Used in investing activities:		
Purchase of intangibles	-	(1,300,000)
Acquired cash - CLR	59,518	
Purchase of equipment	(263,582)	(30,427)
Net cash used for investing activities	<u>(204,064)</u>	<u>(1,330,427)</u>
Cash flows from financing activities:		
Revolving credit facility (payments) borrowings, net	(103,612)	(45,714)
Payments on capital equipment lease	(25,658)	(19,169)
Payments Notes payable	(589,275)	-
Proceeds from issuance of securities, net	1,937,461	1,350,000
Loans paid director	(13,746)	(80,441)
Net cash provided by (used in) financing activities	<u>1,205,170</u>	<u>1,204,676</u>
Net increase (decrease) in cash and cash equivalents	<u>71,304</u>	<u>623,120</u>
Cash and cash equivalents - beginning of period	<u>324,149</u>	<u>212,616</u>
Cash and cash equivalents - end of period	<u>\$395,453</u>	<u>\$835,736</u>
Supplemental cash flow information		
Interest paid in cash	\$-	\$172,168
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
Deferred financing fees		150,000
See accompanying notes to the consolidated financial statements.		
