

Transcript of
Littlefield Corp (LTFD)
Second Quarter 2007 Earnings Conference
Call
July 27, 2007

PARTICIPANTS

Jeffrey L. Minch, Director, President, and Chief Executive Officer.

Operator:

Greetings ladies and gentlemen and welcome to the Littlefield Corporation's Second Quarter 2007 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press *0 on your telephone keypad. As a reminder, this conference is being recorded. I'd now like to introduce your President and CEO, Mr. Jeffery Minch. Thank you sir, you may begin.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

Thank you. Good morning. My name is Jeff Minch. I am calling you from Austin, Texas, where it seems like it's been raining for the last two months. Let me give you the Safe Harbor Pronouncement.

Except for historical information contained herein, certain matters set forth in this conference call are or may be forward-looking statements within the meaning of the Privacy and Securities Litigation Reform Act of 1995 that are subject to substantial risks and uncertainties, including government regulations, taxation, competition, market risks, customer attendance, volatile customer spending patterns, general economic conditions, and other risks detailed in the Company's Securities and Exchange Commission filings and reports. Actual results may be materially different from those expressed or implied by these forward-looking statements.

The purpose of our call today is to discuss the second quarter 2007 earnings for Littlefield Corporation. I direct your attention to our press release of the 25th of July. If you wanted to access that release, you can look on any major financial information source or you can

call the Company and get on a list and we'll send it to you directly via email when it goes out over the wire.

In that report, we noted some highlights. In particular, the revenue was up about 1%. I would point out to you that one of the issues in that particular quarter was the bad weather for Hospitality, and we literally have had rain it seems like for about the last 60 days, and that resulted in some cancellations for the Hospitality Division. Entertainment gross profit (Entertainment, again, is bingo) was up 19% or 160 thousand dollars. More importantly, our profit margin increased from 42.9% to 46.6%. Texas was the largest contributor and the strongest contributor. South Carolina and Alabama were both up 22%, and Texas was up 17%, almost 100 thousand dollars. Hospitality was profitable for the quarter. The Company's operating income in the second quarter of 2007 was 593 thousand dollars, which is a 16% margin on revenue. With the exception of Hospitality, which showed a decline in revenue, it was the 13th continuous quarter of increases of revenue for the whole Company, but for each one of the divisions.

Let me talk to you about some specific parts of the financial performance. I mentioned to you gross profit for the corporation. Gross profit was up 3%. It was up from 1 million 80 thousand dollars to 1 million 109. That is only 30 thousand dollars, but it is very significant given how poorly Hospitality was impacted by the weather. Corporate overhead was up by 64% from 298 thousand dollars to 487. Almost all of that is structural, by which I mean we have added some positions related to acquisitions and we've hired some additional people, and so I do not want to imply in any way at all that I anticipate that that's going to decline. I think that's about the appropriate level of overhead. Our earnings per share for the quarter were 3.4% as opposed to 5.7% in the prior year, and that was a 40% decline of about 2.3%.

Overall, I would point out to you that I think the quarter was very good as the economic engine of the Company continues to chug along. The unfortunate impact of weather on Hospitality is what it is. There's nothing that we could do about it, and what's funny about that business is that a little bit of rain is very good for the business because we rent more tents. A lot of rain is obviously very bad for the business in that people cancel events. We has one singular event in that period of time that 100 thousand dollar plus event, and so that alone accounted for almost all the difference in Hospitality's performance this quarter versus a quarter a year ago. A quarter a year ago, that was the best quarter that Hospitality has ever had, and so that comparison is not as troubled in comparison.

I'd like to touch on several critical issues. One of the things I want to talk a little bit about is acquisitions. I had a couple of questions about acquisitions. When I answer those question, I'll elaborate on it a little more. I feel like on the bingo side of the house, we've got a very full pipeline. We are working on ten different transactions. Let me say that a

little bit differently. Working on the acquisition of ten different bingo halls. It may not be ten individual transactions. They are in three different states and all of them are in some form of either letter of intent or negotiating a contract. Now, I'm always very quick to say to people that when we discuss bingo hall acquisitions that the acquisition of bingo halls is not a trader business. So, it's not like real estate, and most of the driving force is to determine whether or not a letter of intent is going to be converted into a contract and open to close are driven by significant emotional events in the life of the person who is the seller. Sometimes they're health related, sometimes they're retirement related, sometimes they're miracle related, but there's always some significant event that makes somebody evaluate whether or not they want to continue to own a bingo hall. The good news is we got the pipeline full. The caution I would give you is it continues to be a pipeline that's going to be impacted by very volatile and personal considerations from sellers. We have multiple letters of intent outstanding right now. We have multiple letters of intent that we have negotiated and have been rejected. So in addition to being out there and kissing lots of frogs, not every one of them has turned into a prince and a lot of them have stayed as frogs. An interesting note I would make to you is that in the course of our doing our initial due diligence about perspective acquisitions, we have, in fact, found a number of markets that are attractive in and of themselves. So we may look at a market in order to make a perspective acquisition, we're not successful in making the acquisition, but we walk away saying, "Wow, that's a good market. We ought go ahead and start a bingo hall from scratch there." So we've got one or two of those that have also fallen into our laps. We did, in fact, acquire an adjoining piece of land, as I had mentioned to you we were trying to do last quarter when we had a conference call. We did, in fact, make that acquisition based upon a long-term land lease, and that will enable us to renovate and expand that bingo hall. I would end talking about acquisitions by saying that we are looking at a lot of deals, and there's a certain amount of appropriate caution on our part. There's a number of instances in which we've made an offer and it hasn't been accepted, and there's a great deal of them that are in some form of negotiation, but the pipeline is full.

We were negotiating a lease on another bingo hall that would have been in a new market that we were not currently involved with, and those lease negotiations were not successful. So we came up short on that one. In St. Angelo we anticipate our new bingo hall, which we hoped was going to be open at the end of the second quarter of 2007, and that was quarter that I am reporting on right now. In fact, that one will be open next quarter or the quarter that we're in right now; the third quarter of 2007. We have not moved forward as aggressively as I would liked us moved forward on our Amusement with Prize Experiment here in Texas, and there's a number of reasons for that. One is a changing regulatory environment, and the second is some personal contact out there in St. Angelo and we're reevaluating both the wisdom and the extent of that.

As relates to litigation matters, in this quarter we will go to trial on the Furtney matter in

Florida, and that's where we are the plaintiff and their the defendant, and it's a garden variety fraud case, and so we ought to know the outcome of that here by the end of the next quarter.

We had a legislative session that ended in Texas, and I would have to categorize it as successful. It was successful primarily in that legislations that we did not favor did not pass, and so there is no new legislation to report to you; however, I am happy to say that matters that we thought that were not good for the industry in Texas in fact did not pass, and not everybody in the bingo business may agree with that. That was just our view. In South Carolina, there was one bill that we were particularly interested in and we supported, and it had to do with Redemption Amusement Gaming, very similar to Amusement with Prize in Texas, and that was not successful. Remember, in Texas the legislature is in session every other year, and in South Carolina, it's in session every year, and so I anticipate that next year we'll take another look at that.

We continued working on our experiments as relates to transforming bingo halls into entertainment destinations, and we are in process with and we've completed a number of capital improvements. At our Amarillo Gold Star Bingo Hall we have a new air conditioning system, we painted inside and out, and we have new signage, and that's all installed. Up there at High Plains, also in Amarillo, we have a new sign installed. We are getting ready to paint, and we are going to do a little work on the flooring. In St. Angelo, we have a new roof that's going on as we speak. St. Angelo has not had quite as much rain as we have down here in Austin, but still rain has been a consideration. So it's been a very difficult time. We have a new air conditioning system that is almost completed, and then we're getting ready to paint the inside and outside of our existing bingo hall, and that's where we're going to open another bingo hall. Down in Triple City we have made some air conditioning improvements as we have at Americana.

So those are the points that I typically report on, and in general, we're making good progress across the board.

Here are some specific questions that I've received from shareholders.

<Q>: Can you comment on the success or failure of your Texas legislative lobbying efforts?

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

Again, the first thing that I'd say to you is that there was nothing that was particularly great that was accomplished, and most of the things that we were involved with we were opposed to a piece of legislation. There was one piece of legislation that we were

surprised got out of the House and the Senate but arrived at the Governor's desk, and the Governor vetoed it. So that was kind of a close call, and that had to do with progressive bingo. Again, in an absolute spirit of fairness, not everybody in the bingo business felt that progressive bingo was a bad idea. We did think it was a bad idea.

<Q>: Is it true that value partners now holds ten percent of the stock? What are the implications for the Company?

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

That term... The question that term, that's the term value partners, their really referring to the folks who have recently purchased a substantial portion of our stock in transactions that we had reported. Now, we don't as a general proposition comment upon the shareholding position of any particular stock holder. In this particular case, I would simply say to you that because of the magnitude of stocks are down in excess of 10%, they have to file a 13-D, and actually I think on the numbers, I think was in excess of 4.9%. So they had to file an SEC form 13-D, and so if you're curious about that, I would just suggest to you to take a look at it. The short answer is yes they do own 10%. Yes, they do own more than 10%. What are the implications for the Company? Well, I don't think it has an particular implications for the Company one way or another. These folks are sophisticated investors. They are executing a strategy that they have thought out very carefully. They're substantial investors. I've met with them. They're very nice folks. They're professional investors, and so I think that anytime a Company like ours is exposed to professional investors and decide to vote in favor of the Company by buying the stock, it can only be good. I don't think that's there anything nefarious about the size of their shareholding. I would say this, as professional investors, they are likely to have some minimum thresholds in order to justify their attention. So, I imagine that given the fairly low price of our stock and the number of shares that they own, that we're pretty close to their minimum level of investment. So, that's everything I will report on that.

<Q>: Please comment about the Company's strategy for expansion given there seem to be no new bingo hall deals available which meet good business criteria. How will expansion be achieved?

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

The first thing I'd say to you again is that I do believe that there are good bingo hall opportunities out there for acquisition, and we've got a pipeline that's filled with those kinds of prospects. Our typical methodology is to go and look at an opportunity, receive financial information from the perspective seller, analyze that information, and make an offer in the form a letter of intent. So to get to a letter of intent implies that you had a seller who was at

least interested enough to give you detailed financial information. So we've got a number of letters of intent that are out right now. Once we make a letter of intent and somebody sees the magnitude and level of our interest, they may, in fact, reject the prospect of selling their bingo hall to us, and the likely reason is it's not enough money or they've had a bit of seller's remorse or whatever motivated them to explore the possibility has changed, but it's not a trader business. So a lot of times a perspective seller of a bingo hall is just trying us on for size and seeing whether or not that's something that they would be interested in doing. So you never take offense at the fact that you make an offer and somebody doesn't accept it. Some of the bingo halls that we have purchased have been as a result of us having made an offer, been rejected, and somebody comes back a year or two later and says, "Gee, I'm now in a position that I would really like to sell, and I remember dealing with you guys, and I remember the price we were talking about and I like to go ahead and see if I can do it," but that's a very typical thing. So I think there are all good opportunities out there. We are exercising a fair amount of caution. We're not jumping on every deal that's out there, and let me tell you, for every one letter of intent that we make, there's probably two or three other deals that we look at where we decide we don't to pursue for any reason. Now, in Texas in particular, there's a lot of information out there that you can get from the Texas Lottery Commission's data warehouse. So we get that information long before we ever show up expressing an interest in purchasing a bingo hall. So we typically know something about market before we do that. So I do think that our expansion is going to be a combination of acquisitions (there will probably be more acquisitions) and start up. So as I said here earlier, in some instances when we've looked at a perspective acquisition, we have obtained detailed market information even though we were not going to make that acquisition, we have become interested in the market, and so you may see us open a bingo hall or two in some locations where we otherwise had looked to acquire one. Now, I do on occasion get a question that's the identical question that was asked last quarter, and so I always like to answer those, but for whatever reason, this particular quarter I've seemed to get a lot of those.

<Q>: Are you considering a share dividend anytime soon?

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

The short answer to that is no, but we have in the past paid a share dividend. It would logically be something that would be on our minds. I don't think it has great portent other than the fact that it may create a little bit of additional shares, and the market absorbs them at the same price at which our stock is then currently trading. So it does create a little bit of value, and there's also the benefit of creating a little bit more float. So right this second, there is not an active discussion about paying a share dividend. That could change at 2:00 this afternoon.

<Q>: Could you please discuss the impact of weather on the Hospitality business?

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

Yes. As I have indicated before, a little bit of rain is a good thing for the Hospitality business because we rent some tents. If somebody has an outdoor event with a prospect rain is likely to have a rain plan, and when they have that rain plan, if the rain becomes a reality, they're going to rent a tent. Too much rain, they're going to have to cancel the event, and the reason they're going to have to cancel the event is the ground is muddy. So we had a couple of huge events that ended being cancelled as a result of that.

<Q>: I want you to focus on always reporting what the economic engine is doing. You seem to be grinding out of continuing fears with improvements in both revenue and gross profits. Is this going to continue? Could you please discuss the upside?

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

This is a question again that I have received before, and it's the identical question from last quarter. I hope I give the same answer. I'm very pleased with seeing the continuous improvements from, in particular, the Entertainment side of the house. I'm also please to see the continuous improvement and maintaining the same level of performance on Hospitality because it has gotten to a plateau that was very meaningful. Both of those companies that sales that were in excess of 3 million dollars, and I think to be able to maintain that is a very meaningful plateau. There's not much we can do about the weather as it impacted this quarter, and there's going to be some impact from the weather in the third quarter also because it has continued to rain. As far as the upside is concerned, we think that in the entertainment and the bingo business there'll continue to be opportunities to improve our cash flow from the same source that we have, so from an existing portfolio, and there's opportunities for new start ups and acquisitions. I have gotten a number of expressions of frustration on the pace with which we have actually a closed deals, and all I can say to you is that, you know, sometimes you get three hits in a row and sometimes you get three misses in a row. So, for whatever reason, we've made a number of offers that have not been successful or upon our detailed due diligence we've decided to pass on., but the thing I have to tell you is there's a lot of fish jumping and sooner or later we will get our fair share of fish and we'll get them in the boat.

<Q>: Can you please describe the annual meeting and tell us what happened?

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

Well, the annual meeting was held here in Austin. I think I mentioned it to you that it was

originally going to be at one location, and believe it or not, they stole the air conditioning machines from that location, and so we've moved back to our corporate headquarters. There was just a few shareholders who came. It was a lovely meeting. We gave a complete and detailed briefing. All of the matters that were up for vote passed. I you remember, we had a couple of issues that were related to compensation; compensation of the Board and compensation of management, and I guess in my compensation, and all of those passed with overwhelming majorities.

<Q>: In the last conference call you discussed your strategic vision and plans for 2007 and 2008. Can you please update that statement? Can you also let me know what has happened in each of these statements?

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

Again, this is a question that was asked before. We're going to continue to document and improve all business processes. How much progress have we made on that? We've made a bit.

<Q>: Focus on the arithmetic drivers of the business processes.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

I think as every day goes by we become more focused on what the numbers are telling us, and I know in my involvement with the Company over the last two or three years, we've become progressively more and more data based and more analytical in the way we approach things.

<Q>: Aggressively grow the AWP business in Texas upon the completion of two successful experiments.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

I mentioned to you just now that we, right this second, are wringing our hands a little bit about how we ought to go forward. There have been a number of communications that have come out from the Attorney General's office as relates to the constitutionality and the legality of various systems. There were a number of pieces of legislation that were proposed pertaining to this that did not pass, and so frankly, we are rethinking that, and we think in the short-term our better opportunities may be to continue to focus on bingo.

<Q>: Increase cash flow from existing units by improving operations. Increase cash flow by adding units aggressively in existing markets.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

We have not in the last quarter obviously added any new units. We will have a new bingo hall opening in St. Angelo, and we had anticipated negotiating a new lease in another location also in Texas, and those negotiations were not fruitful.

<Q>: Open two new markets by year end 2008.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

We think we will accomplish that.

<Q>: Transform our bingo halls into entertainment destinations in order to increase attendance and build customer loyalty.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

We're working on that.

<Q>: Develop and use specific parameters that measure performance.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

We'll continue to work on that.

<Q>: Transform the bingo business by eliminating corruption, increasing communication, and championing appropriate legislation.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

I do think we did pretty good on the legislation. If our wisdom in opposing certain of these things turns out to have been correct then we are very successful. If our wisdom turns out to have been flawed, then we're not particularly successful. I do think in retrospect and looking back at those things that we championed and those things that we opposed that our judgment was pretty good on those things.

<Q>: Drive a stake through the last two remaining Legacy issues.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

I think really all we've got is one lawsuit where again, we're the plaintiff down in Florida, and that's basically the end of it. Then we just have to pay out all the cases that we've settled.

<Q>: Organize the real estate part of our business more professionally.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

We haven't made a lot of progress on that in the last quarter.

<Q>: Sell the Littlefield story more aggressively particularly at institutions through direct contacts, conferences, road shows, and by hiring an IR firm.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

We did go up to the Value Rich Conference, which was up in New York, and that was the first time that we had gone to something like that. I think we learned a bit, we made some contacts. You know, those kinds of shows have a tendency to be like beauty contests. You never know for sure who you're going to meet there, you never know for sure what the outcome is going to be, but we did some networking and it was useful. We got to see a lot of other similar companies, and I must say that I left thinking that our Company was a much better prospect and had much stronger opportunities on almost all the other companies I saw up there.

<Q>: Protect the balance sheet, improve ratios, eliminate debt, lottery monthly to pay down a little more debt, and position the Company now for future financing's now rather than when the money is needed.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

I think right now we're in good shape as far as acquisitions that we see over the horizon, and I think that we'll continue to be in good shape. I am very sensitive to that sometimes when you have full pipeline, it all comes through at the same time. So I have been doing some networking to make sure that we have adequate sources of capital if we should need a lot of capital in a short period of time.

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

That's my report to you from the second quarter. Moderator would you please poll for questions?

Operator:

Thank you. Ladies and gentlemen at this time we'll be conducting a question-and-answer session. If you would like ask a question, please press *1 on you telephone keypad. A confirmation tone will indicate that your line is in the question queue. To remove your question from the queue, you may press *2. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the * key.

We'll take a moment to poll for questions.

Once again, if you would like to ask a question, please press *1 on your touchtone phone.

Mr. Minch, it appears that there are no questions. Do you have any additional remarks?

Jeffrey L. Minch - Littlefield Corporation - Director, President, and Chief Executive Officer:

Thank you very much.

Ladies and gentlemen thank you very much for participating in the conference call. I want to end on a note of saying that I'm extremely optimistic as to where we are. We continue to see Improvement in the economic engine of the Company. We've got the right people right now that can continue to grow the business. We've got a good pipeline of acquisitions and I expect before year end the numbers of those acquisitions become a reality, and I'm personally extremely optimistic given the markets and environments in which we're operating. So, I'll close again with the Safe Harbor Pronouncement.

Except for historical information contained herein, certain matters set forth in this conference call are or may be forward-looking statements within the meaning of the Privacy and Securities Litigation Reform Act of 1995 that are subject to substantial risks and uncertainties, including government regulations, taxation, competition, market risks, customer attendance, volatile customer spending patterns, general economic conditions, and other risks detailed in the Company's Securities and Exchange Commission filings and reports. Actual results may be materially different from those expressed or implied by these forward-looking statements.

Ladies and gentlemen, thank you again for your attention. If you ever have any questions, please feel free to email me jminch@littlefield.com or you can always call me at 512-476-5141. Again, thank you very much.

Operator:

Ladies and gentlemen this concludes today's teleconference. Thank you for your participation.



