

**Transcript of
Littlefield Corporation (LTFD.OB)
2nd Quarter 2008 Earnings Results
Conference Call
August 1, 2008**

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Participants

Jeffrey L. Minch, President and Chief Executive Officer

Presentation

Operator

Greetings, and welcome to the Littlefield Corporation Second Quarter 2008 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 star-zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Mr. Jeffrey L. Minch, President and Chief Executive Officer for Littlefield Corporation. Thank you, Mr. Minch. You may begin.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Good morning. My name is Jeff Minch. I'm the President and CEO of Littlefield Corporation. I'm speaking with you from Austin, Texas. Our subject today is the second quarter of 2008 earnings for Littlefield Corporation.

First, I'll read 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 Private Securities Litigation Reform Act of 1995 that are subject to substantial risks and uncertainties, including government regulation, 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.

Second quarter of 2008 was kind of a mixed quarter. We had notable items of almost \$800,000, of which \$582,000 were related to renovations, re-openings and startups of new bingo halls in Texas. We had \$211,000 of legal expenses. That was offset in part by a \$454,000 gain on the sale of Word of Mouth, the catering company which we sold in April, and \$12,000 in catering business profit.

Excuse me, I just had a call on my other phone. I apologize for the inconvenience.

From a revenue vantage point, and we've stripped--in our reporting, we've stripped out the revenue that was related to Word of Mouth and Hospitality. So, for the corporation, we had \$2.8 million of revenue in Q2 2008. In Q2 2007, we had \$3 million worth of revenue. That's a decline of about 6 percent. And again, that difference is attributable to the startup expenses that I've mentioned earlier and the



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legal fees. Entertainment was down about 5 percent, and hospitality was down about 11 percent.

And I want to make a note to direct you to our press release of 30 July 2008. That's what I'm using as my reference. From a gross profit vantage point, the gross profit for the quarter for the corporation was down \$701,000, and again attributable to those expenses that I've previously mentioned. Entertainment, Bingo, was down 66 percent, or 670,000, and Hospitality was down about \$47,000. Now, when I talk about Hospitality, the only thing that's remaining there since we've sold Word of Mouth, the catering company, is Premiere Tents and Events.

From an overhead vantage point, our overhead was up about 7 percent in comparison to the prior quarter in 2007, so it was up \$33,000. From an earnings perspective, in 2007 we earned \$382,000, and in 2008, this quarter, we lost about \$12,000. That's a \$394,000 difference. We made three cents a share on 11.276 million shares outstanding in 2007, and we broke even on 16.737 million shares outstanding in 2008. And that difference in the shares is capital transaction we did with Boston Avenue Capital. So, those are the basics of the earnings report.

As it relates to the topics I like to discuss in every conference call, in acquisitions, we have closed the acquisition of six bingo halls in South Carolina, and, as part of that acquisition, we also obtained a sublease on a seventh bingo hall. And so, when I tell you in an answer to a question, the total number of bingo halls, we would count that as seven, even though there is only six of them of which we are the promoter, and in another one, we're the sub-landlord, and another promoter is the sub-lessee.

We're looking at deals in several states. We're looking at deals in every state that we're currently located in, and we're looking at deals in several other states. In addition to acquisitions, we're also looking at some startup opportunities.

As it relates to startups, we opened up the Corpus Christi bingo hall in the second quarter, and, to refresh your memory, we think it takes 18 to 24 months for a bingo hall to reach its equilibrium level. And in this particular instance, this bingo hall is probably doing a little bit better than what we had anticipated. So, we have that one open. We signed a lease for another bingo hall in El Paso, and we expect to open that in the third quarter. We own real estate in McAllen, and we had hoped to open that in the third quarter. That may push over to the fourth quarter. And then, we have several other bingo halls in Texas that are under active consideration for which we already possess licenses that are on administrative hold. And I don't want to discuss those locations until we have firm real estate deals in place.

From a regulatory vantage point, we had a hearing which resulted in the issuance of--in South Carolina, we had a hearing which resulted in the issuance of the six licenses that were necessary for us to conclude the transaction--the acquisition transaction that I've mentioned previously, and that occurred on the 24th of June. And it was a hearing for the judge to consider motions for summary judgment by both us and the South Carolina Department of Revenue. The judge denied both of our motions. However, the judge ordered the South Carolina Department of Revenue to issue the licenses, and, of course, that's what we had sought through our motion for summary judgment. So, in effect, we got the result that we wanted. It was not done necessarily in the form or the manner in which we had wanted to have it done. We will continue to have regulatory matters there with the South Carolina Department of Revenue.

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We have the Furtney trial, and--in Florida--and as you will recall, Mr. Furtney passed away. They then replaced their lawyer, so they made a motion to replace their lawyer who had represented him for some great number of years, and the judge granted that motion, which will delay the trial for about 60 days while they find new counsel, and it's being now directed out of Canada where his estate is represented. And so, we expect that to come to trial sometime at the end of this year.

From a legislative vantage point, the South Carolina legislature did not make a couple of the changes that we had hoped they would make, so we were unsuccessful in that legislative attempt. It was a very close call. In other years, the bills that we had attached our amendment to wouldn't, in fact, have passed, and we're quite optimistic that we'll be able to do that in the next legislative session.

In Florida, you'll recall we were playing defense on some matters that were related to electronics, and that all seems to have worked out fine. In Alabama, there was nothing to report. And in Texas, we're not in--we did not have a session this year. We'll have a session next year.

Now I've got a number of questions that I received, and I would like to answer. I'll read the question and I'll answer them, and, at the end of this, I'll be glad to answer any questions that anybody who's on the call currently has.

"You feel like the presentation to the Taglich conference has borne fruit?" Taglich is a research company, and they had had a small and microcap conference in New York, and we had gone and made a presentation there. And it was fairly well attended, and so the question really is do I think that it has borne fruit.

I think our objective there was to get the word out a little bit about the company. Certainly, in looking at the company's share price, it would be difficult for me to say that it has borne fruit. But, this is a bit more of an extended campaign of information, and I don't expect that you're going to go to a conference like that and, suddenly, the whole world is going to decide to buy your stock. So, I don't think we had high expectations, but we certainly have not seen anything good or bad come as a result of that.

"How has the sale of Word of Mouth impacted the company during Q2 2008? What is the status of Premier Tents and Events? I had heard rumors that it is in play and is about to be sold. Is that correct?"

Well, first off, Word of Mouth was sold on the 15th of April. It was during the second quarter. It resulted in a \$454,000 gain on sale. It also had generated a \$12,000 profit during that same period of time through the 15th. That's how it impacted numbers.

"What is the status of Premier Tents and Events?"

We own Premier Tents and Events, continues to operate as it always has before. One part of the transaction in the sale of Word of Mouth was the execution of a long-term relationship between Word of Mouth and Premier as part of the sale. So, Word of Mouth continues as a customer for Premier Tents and Events. I won't comment on anything related to the prospective sale of Premier Tents and Events.

"Can you please provide an overview on how the South Carolina legal issues are going, and how you were able to obtain the six licenses which were recently announced? How are things going to work out in South Carolina?"

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Well, first, let me say to you that, in any litigation matter, you want to make sure that you exercise a degree of caution in your public statements. So, I probably can't be as forthcoming as I might otherwise like to be. The case in South Carolina is a fairly tightly focused case, and it has to do with the number of licenses that we're authorized to hold. We believe that we're authorized to hold five licenses for each appropriately formed and licensed promoter entity--so these are wholly owned corporate subsidiaries--that we have in South Carolina. The Department of Revenue appears to believe that those licenses should be consolidated at the parent level, and therefore we'd be in violation of the rules because you're only entitled to have five licensed per entity. We don't think that's the case.

While I certainly wouldn't categorize the recent action, in--by the judge at the Administrative Law Court ordering the South Carolina Department of Revenue to issue those licenses, I wouldn't consider it a conclusive victory. I would say to you that we heard every argument fully developed that the South Carolina Department of Revenue intends to advance. And obviously, the judge was not influenced by that, and I have said, from a personal perspective, we didn't learn anything new there. And so, I think this case, which will probably take a couple years to get to trial--and then, if we were unsuccessful, a couple years on appeal--I think that this case will ultimately be resolved in our favor. And I think that, you know, the judge's action, while again not conclusive, certainly would be indicative that there is a high probability that we will prevail, and that's why she likely ordered the issue of issuance of the licenses. And again, that's just my opinion.

"When will the new South Carolina bingo halls contribute to the company's performance, and in what magnitude?" Well, first off, this was a profitable enterprise when we bought these bingo halls, so I expect it to contribute immediately. Now, immediately probably means that we'll start seeing the results within about 60 to 90 days. When we take over the bingo halls, we'll go in there and freshen them up and paint them, probably change out some chairs, add some signage. And so, the reason that it's going to take 60 to 90 days is we'll be absorbing most of the positive cash flow in that period of time and spending it back on the bingo halls.

In addition, we have all of our bingo halls linked by computer, and we have daily reports that are computerized that come from the bingo halls, and we have Internet access, and we'll likely install some cameras in all of the bingo halls, also. So, there is a bit of a changeover expense--it's not the same as a startup expense--related to starting a new bingo hall from scratch, but it will probably take 60 days or so to really see the two lines cross where the revenue will have overcome these additional expenses. But, they're profitable now, and I expect them to continue to be profitable, and I expect them to contribute immediately.

"You have spoken recently about converting bingo halls into entertainment destinations or facilities. Could you please indicate what exactly you are doing related to the halls for this transformation?"

Well, first, let me say to you that this is a work in progress. We have 42 bingo halls, and each one is in a different state of transformation. And so, we have to focus on them one by one.

What we're trying to do is we're trying to create a multisensory experience. So, the first thing is, we approach this business as if it were an entertainment business, and so we want the customer to have an experience that engages all their senses. We

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want a good signage at the street level, and, in a number of instances, we put in message center signs, and we're evaluating their effectiveness. We want the physical plant to be attractive. We have spent a lot of money on very, very comfortable chairs. We're going to upgrade snack bars, and some bingo halls where smoking is allowed, we also have scent machines that we use, and these scent machines counter the smell of smoke. And in other bingo halls where they don't have smoking, we'll use them to inject a little scent into the bingo hall.

And so, we're trying to transform the experience--the physical experience in such a way that it engages everybody's senses, their sense of sight, their sense of joy, their sense of smell, their sense of touch, their convenience, etc. In addition, we re-decorate the bingo halls. We like to use humanistic, pastel colors. And of late, we have been staining the concrete on the floors because that appears to be the most durable long-term way to treat the floors. You know, we've tried every combination of vinyl tile and carpet, and carpet seems to be what most bingo halls have. And it unfortunately gets dirty, is difficult to clean, and it also holds odors. And so, we've really gone to stained and colored concrete.

"Regarding the large charges this year for remodeling, startups, etc., would at least some of this expense be eligible for amortization as leasehold improvements? What is your reasoning for expensing these large sums instead of capitalizing them over a period of years?"

Well, first thing I'd say to you is that, as a general proposition, when it comes to presenting our accounts, we err purposely on the side of being conservative. And so, in a public company, if a allegation of manipulating your accounts might be laid at your feet, it's unlikely that you're trying to make your earnings look greater as opposed to more accurately. So, we have a tendency to be very conservative and expense anything that we can. Now, we comply completely with Generally Accepted Accounting Principles, but there are always elements of judgment in that, and, as a general proposition, I would say to you that we are on the side of expensing things.

Now, when you have a bingo hall that's starting up, and you know that it's going to take 18 to 24 months before you reach an equilibrium level, the decision to expense something doesn't have a meaningful impact. On some of the places where we have a renovation, you could argue that it might have some impact. But, I think that the expensing of most of these items--as an example, a paint job and things like that, these--it's an appropriate way to accurately describe the financial performance of the company, particularly at this point in the company's life.

"Do you ever see a day when Texas will allow regular slots, not eight liners, in the bingo halls to complement the bingo revenues for both the charities and the lessors? Is this something the new Bingo Association might get involved in?"

Well, let me talk about the second part first. When--the question about the new bingo associations--the Texas Association for the Advancement of Charitable Bingo, which is an industry group that's open only to commercial lessors by invitation only, and so I doubt that that group would ever be in favor of slot machines or eight liners. As a matter of fact, I think they would always be opposed, and today they're quite opposed to a lot of the amusement with prize and other kinds of machines that appear to be attempting to poach on charitable bingo. As far as whether Texas will allow regular slots, I really don't have a learned opinion. And anything that I would say would be purely conjecture, and so I would prefer not to comment on that.

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"What is the current situation regarding the amusement prize centers that were planned?" In a--in some planning that we had done going back about a year, a year and a half, we had contemplated having amusement with prize centers located contiguous to our bingo halls. Now, let me just stop for a second and say that there is a legal argument in the State of Texas that there is a type of machine upon--that would be legal, that requires you to bet no more than 50 cents, win no more than 10 times the amount, and award novelty or non-cash prizes. And it's that loophole, or it's that element of the law, that a lot of folks are pursuing. It is called amusement with prize.

We looked at it very carefully. We were within just a week or so of opening one up in San Angelo, and we went out there and had a meeting with the police department and the county sheriff. And as a result of that, we decided not to go forward. We extricated ourselves from that by selling the machines back to the manufacturer, but we never ended up opening one up. And it certainly now, in retrospect, turned out to have been a prudent and wise thing not to have done that. You may be familiar, there's another public company in Texas. It's called Aces Wired, and they've run into some difficulties, and this was the core of their business.

In addition to being a bingo distributor, they also were in the amusement prize business. They were raided by the Attorney General's office and, you know, they are in a pickle. I can't opine as to whether or not what they were doing was right or wrong, but I can tell you that we would likely have been in the same predicament, had we had amusement with prize centers. So, I'm very pleased that we did not add those.

"You mentioned in the press release that Q2 results were adversely impacted by the \$582,000 from renovating/reopening of halls. Can you elaborate on which halls, and the extent of the renovations?"

Sure. In Abilene, [inaudible] Bingo, we spent about 232,000. In Super Bingo, we spent 81,000. In Odessa, we merged a couple of halls and we spent 63,000. In San Angelo, we added a new hall adjacent to an existing hall. We spent about \$30,000. In Corpus Christi, we have a new startup from scratch. We spent about \$176,000. And all that ought to total up about \$582,000.

While I'm on that subject, let me note to you that, when you take out those halls from the Texas portfolio, the portfolio was up about 2 percent. So, the negative impact of these expenses, if you strip them away, the core business that remained there was up about 2 percent. And given the economy and given the second quarter, which is always kind of a dicey quarter, I think that's pretty good performance.

"You mentioned you spent 650,000 on capital improvements in the quarter. How does this compare to previous quarters? What are your expectations for capital improvements of existing bingo halls over 2008 and into 2009?"

Well, in Q2 2008, we spent \$650,000, and we have about another \$300,000 that is the uncompleted portion of those projects that consumed the 650 in Q2 2008. In Q1 2008, we spent 1.164 million, which included \$300,000 to purchase a bingo hall. And so, that's a capital expenditure, but it's not the kind of capital expenditure we're talking about.

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Going forward in Q3 2008, so next quarter, we expect to spend about \$800,000, and, in that period of time, we expect to spend that money on to startups and then major renovations of two other bingo halls. And in both of those--in those two other bingo halls, both of those are underway. In Q4 2008, we expect to spend about a quarter of a million dollars. As a general proposition, we would expect to spend about \$200,000 per quarter for capital improvements in the portfolio in 2009.

"Can you provide some color into the large drop in gross margins from Q2 2007 to Q2 2008? Was there any notable items in this drop? What are the implications for margins for the rest of 2008 into 2009?"

Well, first let me say to you that, while we pay careful attention to this, it's very difficult to manage the margins. And so, it's not the management indicator that it might be in some other businesses. Major impacts in Q2 2008 are what I've already mentioned, and that was the \$582,000 related to the renovation, reopening and addition of new halls. And then in Texas, because we've got a few more bingo halls, we had about \$48,000 of additional staff support.

"Can you discuss your 2008 expansion plans and operating plan for the bingo operations?"

Well, I'll be glad to talk to you about expansions. You know, we've got Corpus open, we've got San Angelo open, we've got El Paso, where we've leased it. In McAllen, we added a hall that I thought would open in the third quarter. I think it will open in the fourth quarter. And then, we've got to other cities that we're interested in opening bingo halls in that I'm not able to share with you right this second.

As far as the balance of the company, we will continue to look for, and we have a very, very full pipeline of acquisition opportunities. Now, when I say we have a full pipeline, I mean we've found folks who want to sell, we've been out to visit the halls, we have some dialogue going on, but that does not imply that we have a signed contract or a signed letter of intent. But, I would say, in comparison to prior periods, the degree of activity I think, has increased a bit, and some of it is quite interesting in new states where very unusual opportunities and expansion of states that we are already in.

You remember, part of our reason of going into Florida and kind of tiptoeing in in Pensacola, which allowed us to expand our management from Alabama to Pensacola--remember, Pensacola is just south of Alabama--was to make sure that we knew how to operate in Florida, make sure that we became familiar with the rules. And so, we paid our tuition a bit there, and so I think we are interested now in aggressively expanding in Florida.

"Are you able to digest the recent growth in acquisition and grow profitably?"

Well, it would be very difficult to answer that question any other way than yes. We have a strategy as it relates to, you know, where we want to grow. We have a strategy as to how we want to grow. But, like most things, it's all driven by deals that you can make. And so, I think we're to the point now that we have enough deal flow that we're really looking at deals, and we're categorizing them as good, better and best. And so, we'll try to concentrate on those ones that are the best deals, and that characteristic may be because the return on investment, the special nature of the transaction, our ability to expand the management. You know, the acquisition in

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South Carolina was very strategic for us because we were in the state, we already had the management, we know the rules.

Now, it would be nice if the South Carolina Department of Revenue was a bit more accommodating for us, and that's not the case--and again, I think that'll all work itself out fine. But, the bottom line is that that was a very strategic acquisition. So, we're going to tiptoe our way, continue to expand in Florida, and we'll continue to expand in Texas. We might find another deal or two in South Carolina.

"Are you planning to enter any new markets over the next 12 to 18 months?"

Again, I think that's driven by the deal flow. We're currently looking at some very interesting deals in other states. I would have to say to you that, if I found myself in a situation that we could only do a limited number of deals, I would want to do them where we were able to consolidate our management, where we have a little bit more management oversight, as opposed to doing a transaction or an acquisition in a state that would be a long way from Texas, or a long way from where we had some management. And we are considering some places that you have to say are a long way would be a big expansion.

I think from a critical vantage point, I've kind of come to the point that I think we need to have 20 bingo halls in any state that we are going to be in. In Texas, we meet that criteria. We're almost there in South Carolina. Alabama, we've only got three, but we're looking at some other deals there. And I think Florida presents the opportunity to add quite a few additional bingo halls there. So, you would have to know that we'll probably continue to grow until we get that critical mass. And that critical mass would justify the highest quality management in that state.

"Given the recent sale of Word of Mouth, what is in store for Premier Tents and Events? Can you discuss the financial scope of this operation?"

Well, I really can't discuss anything with you related to our plans for Premier Tents and Events other than, you know, I have indicated before that, you know, we're going to focus on bingo, and so it would not be a huge leap of conjecture to anticipate that we would consider selling that business. Anything related to details of the negotiations or anything else, I'm not prepared to discuss now. As far as the size of the operation, last year revenue at Premier Tents and Events was about 2.5 million. We expect to do a little bit better there this year.

"Is there a strategic advantage not to dispose of this operation?"

There is certainly not an advantage not to dispose of it, but you may not be able to make the right deal to be able to dispose of it as quickly as you'd like to. "What was your cash position at the end of the quarter, pro forma cash for South Carolina acquisitions? Can you elaborate on your plans for use of cash and debt over the next 12 months?"

Well, first let me say to you that, as it relates to the transactions we've done most recently, other than some seller debt, we really haven't used any third-party debt. We're in the process of negotiating \$4 million line of credit with a commercial bank, and so you should expect us, when we've a completed those negotiations, to make that announcement.

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As far as our current cash position, in June we had about \$7 million worth of cash on hand. We've committed about \$800,000 to the South Carolina acquisition. We'll spend about \$1 million in capital in the third and fourth quarters. We'll have a net decrease in cash of about \$200,000 for miscellaneous items, and I expect December ending cash balance to be about \$5 million. Of course, all of that changes if we do two or three acquisitions between now and year-end.

"It seems like legal fees are continuing to be a huge expense. When will this improve? Why is it so expensive?"

Well, first, the matters that we're involved with right now are matters that, when concluded, should be done for all time. There's always going to be some background of regulatory expense, so with--if the Lottery Commission makes an inquiry about something--Texas Lottery Commission makes an inquiry about something, it's likely that a lawyer will respond to that. And that's just a matter of our size.

As far as the matters we're involved with right now, let me just focus on two of them, the South Carolina regulatory matters and the Furtney trial. Both of those are distinct. They are compartmentalized. They are both things that will have a conclusion to them. You might say we want a--you know, a little victory, not a meaningful victory in our first open court confrontation with South Carolina on these licenses. As far as the trial of Furtney, we go to trial, we get an outcome, and it's done. So, I think in the long run, I think that our legal expenses will become quite manageable.

On the South Carolina stuff, it's quite expensive. And, you know, we have a law firm there, and we've had a number of depositions. And I expect it's going to cost quite a bit of money over the next two years to get that to trial. And, you know, frankly, we may be in a position that we try and recover those expenses from the State of South Carolina. I'm not prepared to comment on that, but, you know, we certainly feel like there is some excesses that are going on there.

"I asked this question last time, but, with the new acquisitions and startups, I would like to know the current data. How many total bingo halls does the company have, including halls under development, potential acquisitions? Any restructuring?"

Well, first off, we have 42 total bingo halls. In Texas, we have 21, with 17 operating, one subleased and three under development. And there's one bingo hall that I'm thinking about closing. I have not yet made a final decision. In South Carolina, we have a total of 17 bingo halls. Sixteen of them are operating, and one is subleased. In Alabama, we have three bingo halls, and three of them are operating. And in Florida, we have one. So, that's how I come up to 42. You'll hear a lot of different numbers because somebody will disregard the ones that are leased or subleased, and somebody else will disregard the ones that are under development. But, I believe we have a total of 42, 21 in Texas, 17 and South Carolina, three in Alabama, and one in Florida. And that includes all the bingo halls that we have announced, where we control the real estate and are under development, even if their doors are not currently open.

"Can you please comment on the growth in Texas and your realignment activities? What bingo halls are you adding? How much will this cost to do?"

Kind of the same question. In San Angelo, we're open. In Corpus Christi, we're open. In McAllen, we had planned to open in the third quarter. I think we may have to push it to the fourth quarter. In El Paso, we expect to open in the third quarter. And then, I

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think it's likely we'll have one or two other bingo halls that are announced, but not necessarily open in South--in Texas. We do not currently have any problems with licenses. We have a number of licenses that we've acquired, so we'll be able to open those bingo halls. It's more a matter of finding appropriate real estate.

"Any new developments on the Texas Association for the Advancement of Charitable Bingo?"

Not really. You know, we'll gear up a little bit as relates to the legislative session coming up in 2009, and that activity will probably start at the end of this quarter and in the fourth quarter.

"The company's stock is now in the hands of just a handful of individuals. You and Boston Avenue Capital own almost 80 percent. Is it likely the company will be taken private in the near future?"

Well, again, you know, I'm not prepared to comment on what their plans are or my plans are, but I don't think--I think it would be reasonable, when the company has that much of its stock in the hands of a few people, that it begins to act in a way that's consistent with its stock ownership, and that's all I would say. At the moment in time that anybody makes a decision to attempt to take the company private, of course, there's all kinds of disclosure requirements and everything else, and I will just tell you that everybody involved will conform with that.

So, those are all the prepared questions that I'd gotten ahead of time. Somebody sent me some questions, and I was out of town and I had them on my laptop, and I may not have answered those questions. So, if that individual feels like I missed some of the questions, send them to me again, and I will be glad to answer them. Now, let me--moderator, would you poll for any questions?

Operator

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star-one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star-two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One minute, please, while we poll for questions.

Thank you. Our first question comes from Mr. Luis Martins with Taglich Brothers, Inc. Please proceed with your question.

Luis Martins – Taglich Brothers

Good morning. Can you just comment on the revenue growth or negative growth in the respective markets, Texas, South Carolina, Alabama and Florida? And, you know, in terms of economics there, in each particular market, you know, what is your insight into you know, how the economy has been, you know, impacting operations?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Okay, thank you very much for the question. First, let me say to you that I'll focus first on South Carolina, because South Carolina is where we just added six bingo halls. And again, in South Carolina, we now have a total of 17 bingo halls, one of which we leased to somebody else.

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Transcript
Littlefield Corporation (LTFD.OB)
2nd Quarter 2008 Earnings Results
Conference Call
August 1, 2008

We've been reluctant to commit too much capital to South Carolina, including transformational capital or capital maintaining existing portfolio, while this matter has been going on with the Department of Revenue. And bear in mind, we had not really heard all of their arguments. Having had this hearing, and now having heard all of their arguments fully developed out in court, we are now prepared to invest whatever is necessary there to improve things. So, first thing I'd say to you is that South Carolina has suffered a little bit from the lack of focus as a result of this regulatory matter.

Looking at the economies in general, you know, I think the economy is impacted right now primarily--our business, primarily--by the cost of gasoline. I saw the unemployment numbers today, and they've come up to about 5.7 percent. A lot of our customers are folks who are retirees, empty-nesters, might have more than one income, and, in many instances, this is their primary source of entertainment. So, I think, absent the impact of gas, which may mean that people are carpooling or people may be reluctant to coming to the bingo halls many times, I think that the bingo business is pretty sound. We may even be a little bit of a beneficiary in that somebody might have otherwise gone to Las Vegas or Biloxi or Atlantic City, and now they're staying home and playing bingo.

One meaningful impact we have had in South Carolina is we've had really terrible weather there. And the weather in South Carolina, we've had these afternoon thunderstorms. And I happen to have been on vacation in Wrightsville Beach, North Carolina, so I saw it firsthand, but it seems like every afternoon at 5:00 in the Charleston area, and about half as many times in Columbia, it's raining right at the point in time that folks would otherwise be coming out to play bingo at night.

So, I think it is--as far as the economy is concerned, I think--I haven't seen anything that is a huge impact, but we're very cautious about it and, you know, we'll be very attentive to it and careful.

As far as growth implications, you know, when you strip out the new bingo halls in Texas, we're up about 2 percent in the core portfolio. And you know, I would have to say that, on a lot of these things where we are transforming the bingo halls into an entertainment destination, there's an awful lot of experimentation, and we're finding out what works and what doesn't work. And you know, we're hanging onto the stuff that does work, and we're throwing overboard the stuff that doesn't work. But, we're a long way from being where we need to be, both from the advantage point of the physical plant, and the quality of our marketing.

I will tell you, it's kind of interesting, that Corpus Christi, that bingo hall which had never had--remember, there used to be a bingo hall there, and then it moved--that bingo hall, which has never had a database before, has a database of almost 2,000 bingo players. It was built over a very short period of time. So, of course, they'd never done any direct mail or anything else to--because they didn't have the data to be able to do that. So, I'm very encouraged when I see the application of just modestly modern marketing techniques to the bingo hall portfolio.

While we're so busy with the acquisitions, we have not had as much time to focus on some of this stuff, so I'm modestly optimistic that we are not going to see any huge impacts. Now, all bets are off, of course, if we have a catastrophic event, and, you know, that could have a huge impact. But, I think in general, I think things are going okay. Again, I think the issue is the cost of gasoline, and somebody getting ready to

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drive 20 miles to a bingo hall is thinking about it a lot more today, I think, than they were before.

Luis Martins – Taglich Brothers

Um-hmm. You mentioned that, you know, after hearing their remarks regarding South Carolina, I guess the Department of Revenue or what have you, you're more inclined to commit capital to South Carolina. So, what specifically in their arguments leads you to be more positive on South Carolina?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Well, a couple of things. First off, now that we've been in court, we have heard everything that they have to say in their arguments. And I would just say to you, you know, remember, somebody from the South Carolina Department of Revenue may be listening to this call, so I would just say to you that it's not convincing to me. The fact that the judge ruled from the bench as opposed to taking those motions for summary judgment under advisement, would appear to indicate that she had considered those arguments, wasn't particularly swayed by them, and anticipated there was a high probability we would prevail, and therefore she decided to issue those licenses--she ordered them to issue those licenses.

The other thing is it's pretty clear that this is going to take a couple of years to get to trial, and, if we are unsuccessful, a couple of years to work through appeals. And that's a piece of data that I really hadn't had up until, you know, we had heard that from the court. And so, that also says that, you know, we have some downside protection. So, if we're careful and prudent about what we invest, we ought to be able to recover most of our--all of our investment--we ought to be able to recover all of our investment in that time period if it were to go against us.

And even if it were to ultimately go against us, it may in fact have a structuring opportunity to solve the problem. In that period of time, you would also anticipate there's going to be some changes in the personnel there at the South Carolina Department of Revenue. You know, hidden behind all of this, there's got to be some public policy ill. In other words, there has to be some damage to the public that's created by us holding these licenses, and that's the part of the argument that I think is the weakest from the South Carolina Department of Revenue. So, everything I've just said to you is in a public document some place or was said in court, so I'm really not giving you any particular, you know, better insights, but I would just say to you that I'm modestly encouraged by what's going on there in South Carolina.

Luis Martins – Taglich Brothers

Um-hmm. I mean, you just said that, you know, it could take a couple weeks--I mean a couple years for trial, and then, you know, appeals, that could take another couple years. I mean, you know, you're a public corporation, you know? You know, obviously, you know, it's not very beneficial to be in trials for that long. You know, isn't there a faster, you know, settlement route here? Or, you know, are you getting a sense that you know, the people there are just being, you know, a little stubborn in holding on to, you know, weak arguments?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Well, I would say to you that, you know, if you look at my personal history, I'm not a guy who likes to go to court. I'd much prefer to settle things. Regulators, by their very nature--and, you know, let me say something that's, you know, nice. I mean, I'm sure if you're a tax collector in South Carolina, you deal with lots of bad guys. And so, because this is in a Department of Revenue as opposed to in a Gaming Commission

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or a Lottery Commission or something else, I think that they're dealing with folks that who, you know, one day are dealing with us, and another day they're trying to collect tax revenue. So, I think they have a tendency to be kind of hard-edged. I'd also say to you it's my view that they've probably stepped over the line. Again, that's just a personal view. And I don't--you know, I would love this be able to settle this, I just don't see that there's some amicable basis upon which we can settle it.

You know, their contention is that our corporations--our subsidiary corporations are "a sham." Well, that's clearly not the case. We bought those corporations and they were valid one day, and the day we bought them, they didn't suddenly become invalid. So, you know, I think, oft times, regulators who don't have any skin in the game, you know, they're not fighting for real money, I think sometimes they do take things to an extreme that businesspeople otherwise wouldn't.

All I can tell you is we're going to protect our interests. I think one of the things about this business is that--one of our advantages is that we are one of the few people who have the wherewithal and probably the expertise to be able to fight through these kinds of problems. But, it's very--they're very typical issues when you have this kind of a regulatory environment.

Luis Martins – Taglich Brothers

Um-hmm. And how much money, in terms of legal expenses, have you spent on this case to date? And what is your budget, you know, through trial for legal expenses for this case? And, you know, refresh our memories, you know? When does this case initiate?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Well, the case has been going on for about three years, so the first inquiries were made about three years ago. I don't have it on my fingertips, and I'm sorry, exactly what we spent to date, but it is substantial, and I expect it to be substantial through trial. Most of the expenses in the discovery period, in which we are gathering documents and we are deposing folks from the Department of Revenue, and they're doing the same thing with our folks, I would have to say to you that, you know, what we've learned thus far has been extremely positive as it relates our case. They will retain experts. We will retain experts. You know, this is kind of a garden-variety corporate law issue. It's not a--while it's an arcane issue, it's not a complicated issue. These corporations either can hold licenses or they can't, and legislation either says that they can or they can't. And, you know, in some ways it's almost academic, but it's expensive.

Frankly, I think regulators rely upon the inability of persons that they regulate to be able to make these kind of expenditures, in order, at times, perhaps to bully them a bit. And so, you know, you could certainly make an argument--one could reasonably make an argument that there's a bit of that flavor in this case also. But, you know, we're in a regulated business. We have to stand up to the regulation. There is nothing that we're doing in South Carolina that gives me any pause, as relates to the ethics or the regulatory conduct of a good, honest company like ours.

Luis Martins – Taglich Brothers

Okay. All right. Very well. Good luck on those new bingo halls, and on the existing bingo halls. It you know, it looks like you're doing a fantastic job thus far and, you know, growing the base with the capital that you have.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

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Well, thank you very much, I appreciate that. Other questions, please?

Operator

Thank you. Our next question comes from Mr. Andy Lewis Charles with Landis Capital Management. Please proceed with your questions.

Andy Lewis Charles - Landis Capital Management

Yeah, good morning. Or actually, I guess it's afternoon now. Out of the 42 bingo halls that you currently own, how many do you actually own the real estate--underlying real estate?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Well, the general proposition long term, we would like to own about 30 percent of the real estate where we have a bingo hall. Right now, we own the real estate for one bingo hall in Abilene, one in Midland, one in McAllen, and it's getting ready to become two. And I think that's all the real estate that we own. Out of 42, we would ultimately right now own about four of them.

Andy Lewis Charles - Landis Capital Management

Okay, four. So, that last acquisition in South Carolina, that was just the operational business, not the buildings?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Yes, that's correct.

Andy Lewis Charles - Landis Capital Management

Okay, and so I assume you just have some kind of--is there a longer-term lease, are your leases usually, you know, three to five years with some kind of option?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Well, typically our leases are going to be for some period of time that's consistent with the investment. But, the most important thing is just what you've said, and that is that we like to protect our leasehold estate long term. And in many instances, we have 15 to 25 years in periods that are options. So, we might, as an example, have a five-year lease and three or four or five-year options.

Andy Lewis Charles - Landis Capital Management

Yeah, okay.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Part of that also is to protect us as relates to the actual cost of the real estate. You know, when you have an option, if the value of the real estate has gone up, then you've got something of value. If not, then you just go in and renegotiate. And so, as a general proposition, we like to control the real estate.

Now, I would also have to say to you that long-term, with my background as a real estate developer, I would also have to say to you that I see some very good opportunities for us to find an inferior piece of real estate, fix it up, and move in a bingo hall and have some other space to lease, because a bingo hall is a pretty good tenant. Even though they have a lot of parking, there's not much wear and tear on the physical plant, on the shopping center itself. So, you know, long term, I'd see us doing a little bit more of that.

Andy Lewis Charles - Landis Capital Management

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Yeah. Yeah, because I anticipate--what's the usual demographic of the neighborhood that you go into, because you raise a good point at the last comment, because you can take a building that may be, you know, has been vacant for awhile and you actually become--you actually create the value of the building by having an attraction that pulls people to the location. So, is the demographics of who you target--are the buildings usually located in areas where, you know, the real estate is not as pricey?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Yes. I mean, you think in terms of our business profile, it is a kind of middle and lower middle class customer. In many instances, it is a customer who, age-wise, is a little bit older, so you're going to be in mature neighborhoods. A bingo customer, we think, will drive up to about 30 minutes to go play bingo in Texas, maybe a little bit less than that in South Carolina. In Texas, people are used to driving a little bit greater distances.

Strategically, we want to stay out of areas that we think that the real estate is going to dramatically increase in value. So, we would stay out of Dallas, Houston, Austin, even though we have one bingo hall here. But, we really want to be in the secondary cities. So, if we had an opportunity to invest a dollar and make a 30 cent return, we'd feel more excited about doing that in Corpus Christi or Lubbock or Amarillo because we don't think there's going to be much long-term pressure on the increase--you know, on the real estate. And that's the--if you think of all of our expenses, that's the largest expense, and the one over which we have the least control.

So, as we look at things, you know, if we were here five years from today, we might have very consciously gone out of our way to acquire some real estate. Now, as an ideal situation, we would rent a piece of real estate with options to renew and with an option to purchase the property.

Andy Lewis Charles - Landis Capital Management

Oh, yeah.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

And in [inaudible] instances, we have something like that.

Andy Lewis Charles - Landis Capital Management

Well, actually, I mean, you mentioned at the end of your prior comment that you made, in some of these areas, you know, if you're able to arrange these, you know, three to five year initial leases with multiple options with an option to buy, I mean, there's a lot of you know, real estate out there with people--you know, bad operators who aren't operating the real estate well. If you left that up [inaudible] years, you know, that property does appreciate, then that's kind of like a free option you have--not only the underlying business, but you might have a good piece of property underneath your hands there.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Yeah, I mean, you know, having been a developer--I mean one of the things I'll tell you is that if I made a--you know, 10 percent return when the cost of money was 8 percent, I'd be pretty excited about it, you'd have some positive financial leverage, and you'd be able to harness inflation over some period of time. In our business, from an operating vantage point, we'd like to be able to make a 30 percent return on every dollar that we invest.

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You know, in the short-term, sometimes it's difficult to see that because you're shouldering the startup expenses. But, at the end of 18 to 24 months, if you're making a 33 percent return on the money that you've invested, then that's a very attractive return. So, in the competition for capital, real estate is not as good a return as the operating business.

Andy Lewis Charles - Landis Capital Management

Yeah.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

As far as managing the business long term and seeing what might happen with the depreciation, and therefore an increasing rental expense, it might make sense to protect that--protect yourself against that.

Andy Lewis Charles - Landis Capital Management

Um-hmm. Now, on those sublease arrangements, how are the economics on those? You mentioned that some of the bingo halls are under like a sublease arrangement.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Yeah, I think in two instances--they're both odd situations. In one instance, there was a competitor who had a bingo hall. They were struggling, and so we went and least a bingo hall and sublet it to them, which in effect, took one bingo all out of the market. So, that made a lot of sense as far as market share. In another instance, the one in South Carolina, we acquired six operating bingo halls and a sublease for a seventh. So, long-term, we might acquire that bingo hall. And so, right now, you know, there's no general characteristic we'd make, other than the fact that it's a pretty good return--.

Andy Lewis Charles - Landis Capital Management

--Who operates the subleases?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Well, when you say "operate," you mean, you know, there's a--in this particular case in South Carolina, there is another promoter, not a [inaudible]--.

Andy Lewis Charles - Landis Capital Management

--Yeah--.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

--Who runs that bingo hall, and then they just pay us some rent.

Andy Lewis Charles - Landis Capital Management

Okay, so you--okay, so you actually own the lease on that center?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

That's correct.

Andy Lewis Charles - Landis Capital Management

Okay, okay, another operator--another promoter, okay. Now, you were mentioning about the expansion and, you know, maybe getting the line of credit to expand, you know? So, there is a fair--what's the standard startup cost for a bingo hall?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Well, there's nothing particularly standard about it, but I would say, as a general proposition to start from scratch, you're going to spend about 200 to \$400,000 before

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you're going to begin to see a return on that investment. Part of that is going to be the actual physical cost to create the bingo hall. In the case out there in El Paso, we're getting ready to open a bingo hall. It's a very, very good building. It's got restrooms in place, and there's very little that we need to do to the physical plant. And then, the other element of your investment is going to be the losses that you incur until you break even.

Andy Lewis Charles - Landis Capital Management

Um-hmm, um-hmm.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

So, we would typically not charge the charities any rent until they are able to afford to pay rent--.

Andy Lewis Charles - Landis Capital Management

--Um-hmm--.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

--And that's always the wildcard. And as we become more accomplished in advising them on marketing and other things--remember, we have a whole different regulatory scheme. In Texas, there's a great number of things that we don't do directly. We're just really the commercial lessor. However, we can help them learn the best practices to run a bingo hall. In South Carolina, we are the actual promoter, and so we do many of these things directly. So, lessons learned in South Carolina can be transferred to Texas, and vice versa.

And so, as we become more accomplished in the marketing related to the startup, perhaps that period of 18 to 24 months has a tendency to trend closer to the 18, or maybe even less.

Andy Lewis Charles - Landis Capital Management

Um-hmm.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

But, the bingo hall in Corpus looks like it's going to be a shorter period of time than 18 months.

Andy Lewis Charles - Landis Capital Management

Okay. Now, you mentioned how, you know, each state has their own unique structure of how they structure--you know, how--you know, whether you're a promoter, are you just going to own the building, are you just own the lease, or what have you. Is it possible, or have you explored the concept of, you know, rather than having incurred \$200-\$400,000 worth of costs, you know, per center, possibly licensing or franchising your basic model? Because it seems like you guys put a lot of thought and education into a given market, so that level of expertise I think is valuable. So, for a very low cost, you may be able to bottle that and kind of, you know, partner and just, you know, somehow structure some return that's not based on the capital that you're putting in.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Well, I would say this. I think most franchise operations are based upon a very strong brand and a very strong brand identity.

Andy Lewis Charles - Landis Capital Management

Yeah.

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Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

So, if you and I were to go and get a franchise that was a McDonald's franchise, as an example, I think the franchiser shows up at the Golden Arches, and everybody knows what you're all about.

Andy Lewis Charles - Landis Capital Management

Right.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

I don't think we have that kind of brand equity. That's number one. Number two is we're the only public company out there that's really trying to consolidate this industry. So, I'm not sure I'd want to train too much of my competition so that somebody would acquire some of the intellectual property that's related to bingo. Bingo is an arcane business.

Andy Lewis Charles - Landis Capital Management

Yes.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

There's a lot of things that can be learned. And you can take some of the guys who are the smartest guys in the world in the automobile sales business, or in some other business, or in real estate, and they really stub their toe in bingo. And there's just some--there's some things about it that are just unusual and arcane.

And it's like a golfer who's a great golfer on the practice tee, but he can't put it together, you know, from tee to green on the course. And so, we don't want to educate too many folks about our business. We'd love to educate them about bingo. We'd like to have everybody doing the best practices in bingo, but we don't want to necessarily let somebody know exactly what it costs to open a bingo hall, and, you know, what kind of reaction the customers have.

In those places where we're involved in direct customer contact, we have focus groups and market--or customer satisfaction studies and things like that, I have to say to you that I never cease learning, and I never cease to be amazed at the things I learned. And maybe some other businesses, those are, you know, quite normal, but I have to say in my personal business experience, in the conduct of a general retail customer, it's been extremely illuminating, and I think we're some of the few guys who do that kind of market research.

Andy Lewis Charles - Landis Capital Management

Um-hmm. So, from a scale standpoint, if you guys were to gain some traction--you know, you get that--I think you mentioned about a critical mass of about 20 bingo halls per state that you're involved in, you know, that--the number of states you're in, let's say, you know, starts to balloon up to, you know, 10 states or so, so you're looking at maybe, you know, 150, 200 stores--and in--they are all--right now, are they consolidated under one name, or are they all different names?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Well, they're all different. If we acquire a bingo hall, while we have our own ideas about how to the physical plant ought to be--.

Andy Lewis Charles - Landis Capital Management

--Um-hmm--.

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Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

--Off times, in that marketplace, there's real equity in the market identification of that bingo hall.

Andy Lewis Charles - Landis Capital Management

Okay.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

The other thing is we don't really gain much by telling somebody that the name has changed on the license--.

Andy Lewis Charles - Landis Capital Management

--Um-hmm--.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

--You know, there's very few people who say, oh, so Littlefield's involved, hot dog, I'll be coming--.

Andy Lewis Charles - Landis Capital Management

--Yeah--.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

--Because their transportation is what's determining that. So, we want to maintain that brand equity. And then, the other thing is, that, you know, just to be as candid as I can, we don't want to be the guys from out of town.

Andy Lewis Charles - Landis Capital Management

Yeah.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

We'd like it to feel like it's, you know, a local bingo hall, and so--and we're going to hire people that are--locally to manage it--.

Andy Lewis Charles - Landis Capital Management

--Um-hmm--.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

--And so, it ought to have that. So, in some ways, we would resist having too much universal identity.

Andy Lewis Charles - Landis Capital Management

Okay. It's just interesting, yeah. So--because I guess the clientele kind of looks--your customers tend to be long-term customers. These aren't people that, you know, you come into a market, you got to kind of sell them on it. A lot of times, these are people who are established, they're bingo players, they've gone to a hall for a number of years, and they'd be kind of--are in a pattern.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Not only that, they have a particular seat in that bingo hall that they think is theirs. And when I go to that bingo hall, if I happened to be sitting in their seat, and if I'm wearing a blue suit and a white shirt and a good-looking red tie, they tell me, get out of their seat. So, they become very, very, very territorial, and that's what we want.

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Andy Lewis Charles - Landis Capital Management

Yeah.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

So, then, if we can make that seat a little more comfortable, and we make the bingo hall look and smell a little bit better, and we can get the people trained a little bit better, and we have a little bit better snack bar, now you've created a customer for a long period of time. And if you think about it, our business is driven by creating customers, getting our existing customers to come more often, and getting all the customers to spend a bit more than they did last year.

Andy Lewis Charles - Landis Capital Management

Okay. No, I like that. Now, I guess you are part of the--that Texas Association for Investment of Charter Bingo. Do you foresee maybe being involved in having more associations per state to kind of champion the cause of charitable bingo?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Yes. In every state that we're involved in, we have had some role in an existing organization or in founding an organization, and we think, long-term, that that's really critical. Now, you know, one of the things also is that, you know, we want to have a single voice for what's good for charitable bingo. In some instances, there'll be folks who don't agree with what we think is good for charitable bingo. We think transparency of the operation is good. We think, accurate reporting. We think get rid of corruption. We think people who ought not to hold licenses. We think those are all good. Not everybody in every state agrees with us about those things. And so, in some instances in these organizations, you know, we may not be as welcome as we'd like to be.

We started--we were involved in starting this one in Texas. We were a member of a different one in Texas, also. It was--it's kind of a small organization, focused more on Dallas. And so, you know, we parted company there, but not in any--I have nothing bad to say. It just wasn't the focus that we wanted to have. And so, we're involved with two groups in Texas, one of which we were involved in founding. We founded a group in South Carolina--I'm sorry, in Alabama. We're involved with two groups in South Carolina, and we really haven't quite gotten traction yet in Florida. But, as a general proposition, we want to come to a state, know the rules, operate in conformance with the rules, know the regulators, maintain a good, open dialogue with them, and then have the entire industry come together in a useful, professional way. And part of it also is an exchange of information so that, you know, we're able to achieve operating economies that are advantageous on behalf of the charities.

Andy Lewis Charles - Landis Capital Management

Um-hmm, okay. You mentioned--oh, I'm sorry, go ahead. Hello?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Yes, I'm here.

Andy Lewis Charles - Landis Capital Management

No, sorry, I thought I may have cut you off.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

No, not at all.

Andy Lewis Charles - Landis Capital Management

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Okay. You brought up the point that was--and if you could just add a little more color to it and clarify. You mentioned that--which center was it that you guys had started implementing a database and you'd already collected 2,000 names?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer
That was down in Corpus Christi.

Andy Lewis Charles - Landis Capital Management

Corpus Christi in Texas, okay. How many of your centers are you using--you know, where you're collecting either phone numbers or now, you know, since more technology, everybody has an e-mail address, like e-mail addresses--how many of the centers are you actually implementing a database?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer
Well, in every one of them we are. You know, you raise an interesting point there as it relates to the e-mail. Interesting enough, fairly few people in the bingo customer base have e-mail addresses.

Andy Lewis Charles - Landis Capital Management

Wow.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer
In that particular one, less than 20 percent of the people have an e-mail address. So, the first thing is we're creating the methodology for obtaining that information. Bingo players are extremely private. Remember, somebody--.

Andy Lewis Charles - Landis Capital Management

--Um-hmm--.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer
--Somebody may just have won, and as an example, in South Carolina, somebody may just have won \$3,000--.

Andy Lewis Charles - Landis Capital Management

--Um-hmm--.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer
--So, part of what we do is we make sure they get to their car and get home safe.

Andy Lewis Charles - Landis Capital Management

Yeah.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer
So, they're very, very private. They may not want a spouse to know that they've been out playing bingo.

Andy Lewis Charles - Landis Capital Management

Okay.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer
Bingo halls don't have big clear windows that you can look in and see who's playing. That's--.

Andy Lewis Charles - Landis Capital Management

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--Yeah--.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

--Not what bingo players want. So, from that vantage point, it's difficult to get information from bingo players, so you have to give them something in return.

Andy Lewis Charles - Landis Capital Management

Um-hmm.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

And so, what we have, in the appropriate jurisdictions, we have door prizes. So, as an example, we might have a Coach purse that somebody's going to win through a draw. So, you have to sign--you have to fill out a card, put--with all this appropriate information. Somebody's card gets drawn and you win a Coach purse or some other door prize. And that's the methodology by which we build the databases.

Once we have them up and built, then we're going to use some technology that now is just really emerging in the bingo business, but it's been in the casino business, as an example, for a long time, and that is we are going to have player tracking, and player rewards programs.

Now, we've experimented with this, and we've done it. You know, there's some other systems out there, some of them that were kind of costly, but we think we can basically get it with the back of house for the accounting system and with the electronics. And there's a number of vendors out there who are providing that, and so we're getting ready to install an extremely good one in one of our bingo halls, and so we'll use that as an experiment. You know, most people are not doing this stuff in the management of the bingo halls, or they're doing it manually. What we're trying to do is we're trying to get it right, and then make it standard, and then use it effectively.

The other thing is we're creating websites for every single one of our bingo halls, and we're going to start using the website as a way to deliver both information and perhaps a discount coupon, which is then going to encourage people to have more e-mail contact and everything else.

Long-term, everything about this business is ultimately going to gravitate to something that's more efficient as it relates to communication with customers. But, this is a set of customers, right now, for whom this is quite a novel experience, and so they're going to have to walk before they run. You know, I'm the kind of guy--I'm used to having very elaborate databases, and be able to use it to communicate, and you can have a very elaborate database and it's really not as effective as it might be in other industries. And so, there's an education process. But, when we start those websites and we're offering those discount cards, I guarantee the bingo players will figure out a way, when they have a computer or an e-mail address, to get that discount card if that's the only methodology by which it's being delivered.

Andy Lewis Charles - Landis Capital Management

Okay, no, that's good. And are you doing that in-house, or are you using, like, third-party vendors to kind of help you with the technology portion of that?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Well, initially, it's no more technologically challenging than the door prizes.

Andy Lewis Charles - Landis Capital Management

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Okay.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

We capture all those cards and then we have somebody who enters them, and they de-dupe them. And in the course of, you know, four or five months, if we do that once a week, we build up a very significant database.

Andy Lewis Charles - Landis Capital Management

Um-hmm.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

In general, I don't know a lot of other bingo halls that build up databases of that magnitude.

Andy Lewis Charles - Landis Capital Management

Yeah.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

And we're not as good at it in South Carolina as we are, say, in Texas, and that's for the reasons I'd mentioned to you before. But, we're still getting ready to use those same best practices and develop those databases.

Andy Lewis Charles - Landis Capital Management

Now, if someone moves to an area, how do they currently find a bingo hall in their--you know, I just--you know, I moved from Texas to South Carolina. How do I find where, you know, my local bingo hall is?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Well, word of mouth is probably the most powerful thing. You know, you would ask somebody, where is the bingo hall? You might see it because bingo halls have signs. In general, if you think in terms of where we're going to be located, it's no more difficult than finding a shopping center. And so, if you think of a demographic mix, you're going to be in shopping centers that have a Dollar General or a Dollar Store, or a Fred's. You're going to be in shopping centers that might have rent--rental centers, rent-to-own. You're going to be in a shopping center that maybe has a check-cashing store. You're going to be in a shopping center that has some fast food around it.

So, it's not going to be any more difficult than it would be to find one of those other things. And demographically, they're likely to be in that travel pattern under any circumstances. It's going to be within 15 to 30 minutes of where you live. It might be five minutes away. And so, where you shop is going to--when you go to where you shop, you're going to go past, hopefully, a well located bingo hall.

When we are siting bingo halls, we do a demographic study of the population within one, three, five, 10 miles. We do the same thing for 15 and 30 minute traffic--travel times. And then, we also--we look at the traffic on the road out in front. And so, we do kind of classic site selection analysis. And it always seems to me like there's a Dollar General about a nine iron away. And so, you know, I'll just have to tell you that we see Dollar General as bingo country.

Andy Lewis Charles - Landis Capital Management

Okay. Now, actually, have you guys ever used that in order--when you're shopping for a new location, now you just kind of look at a database of different Dollar Generals, and then you start looking--make concentric circles around Dollar General.

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Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer
Well, I don't want to give you all my secrets, but the answer to that is, "Of course."

Andy Lewis Charles - Landis Capital Management

No, I understand. Are you guys currently using player cards or some kind of loyalty cards when people come in?

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Yes. And right now, we're doing that manually. And as part of our database management, we're going to convert all that to being done automatically.

Andy Lewis Charles - Landis Capital Management

Okay.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

You know, the customer, again, is quite funny in that they actually like--I believe they actually like the ritual of having the car punched--card punched.

Andy Lewis Charles - Landis Capital Management

Okay.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

So, when you think in terms of some of the most sophisticated loyalty programs--as an example, the airlines--.

Andy Lewis Charles - Landis Capital Management

--Yeah--.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

--Most times, you don't actually see the ceremonial impact of them crediting your account.

Andy Lewis Charles - Landis Capital Management

Um-hmm.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

You have it on there automatically, and it gets credited automatically. If you go to a coffee shop, there's some little sense of feeling that, when you watch that person punch that card, and you're on number eight--.

Andy Lewis Charles - Landis Capital Management

--Yeah--.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

--And what we're trying to do is we're trying to motivate that person by having different time periods. So, as an example, we might say you get a certain prize if you come six times in a month. And that person gets to time number five and it's the last week of the month, that may motivate him to come one more time that month than they otherwise would. And so, it's a little bit different than an accumulation of information. Now, the other thing we'd like to do long-term is we'd also like to be able to take the visits and the amount spent and correlate that so you can value the customers on an individual basis.

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Andy Lewis Charles - Landis Capital Management

Um-hmm, um-hmm.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

I believe that a customer who's coming 10 times a month is easier to get them to come one more time than it is to get a customer who's coming one time a month to come a second time.

Andy Lewis Charles - Landis Capital Management

Yeah. Hmm. Good points, good points. That was my last question, but I have to commend you for your clarity of thought. You have a clarity of thought for your business, and I just hope you guys maintain that.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Thank you.

Andy Lewis Charles - Landis Capital Management

All right.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Any other questions?

Operator

There are no more questions at this time.

Jeffrey L. Minch – Littlefield Corporation – President and Chief Executive Officer

Okay. Well, thanks to everybody. I'm sorry that I rambled on so long on all this. I know it's been a long time, and let me close 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 Private Securities Litigation Reform Act of 1995 that are subject to substantial risks and uncertainties, including government regulation, taxation, competition, market risks, customer attendance, volatile customer spending patterns, general economic conditions, and other risks detailed in the Company's Securities & Exchange Commission's filings and reports. Actual results may be materially different from those expressed or implied by these forward-looking statements.

Thank you very much. I look forward to visiting with you again next quarter. Moderator, I'd like to visit with you for just a second when we're done.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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