

Transcript of  
Littlefield Corp (LTFD)  
Third Quarter 2007 Earnings Conference  
Call  
October 30, 2007

## **PARTICIPANTS**

Jeffrey Minch - Littlefield - President and CEO

### **Operator:**

Greetings, and welcome to the Littlefield Corporation Third 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. It is now my pleasure to introduce Mr. Jeffery L. Minch, President and Chief Executive Officer for Littlefield Corporation. Thank you Mr. Minch, you may begin.

### **Jeffrey Minch - Littlefield - President and CEO**

Thank you. Good morning, my name is Jeff Minch. I'm calling you from Austin, Texas. It is a beautiful, crisp, clear, sunny day here in Austin, and the purpose of our call today is to discuss the third quarter earnings for Littlefield Corporation. Let me first 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 differ from those expressed or implied by these forward-looking statements.

First thing I would like to do is to direct your attention to our press release of 18, October. In that 18, October press release, we reported the earning. Then, in a second press

release, we made arrangements for this conference call.

First let me apologize to you that the conference call was to have occurred last Friday, and because of some scheduling difficulties related to some regulatory matters in South Carolina, I was not able to make the conference call on Friday, and that was why it was postponed. So I apologize for any inconvenience.

As far as the substance of the earnings, the revenue for the corporation was up 5%, approximately \$155 thousand dollars, when comparing the third quarter 2007 to the third quarter of 2006. Entertainment or bingo was up \$308,213.00, or 17%. While hospitality was down 132 thousand dollar or 13%. On a year-to-date basis, the overall corporation is up by 8% on revenue, with entertainment being up 11%, and hospitality being up 5%.

Looking at the gross profit of each one the operating divisions: Entertainments gross profit increased to approximately 28%, it increased from \$669,378.00 to \$856,452.00. Again, that is the operating profit, gross profit for the entertainment division. That is an increase of \$187,074.00 or 28%. Hospitality basically had the exact same profit this year or exact same loss rather, this year as it did last year. The corporation was up \$172,262.00 from the third quarter of 2006 at \$444,376.00 to \$616,638.00 in the third quarter of 2007. That was a 39% increase. On a year-to-date basis, the overall corporation is up 18%, and that is an improvement of \$442 thousand dollar. Entertainment is up 20%, and that is an improvement of \$516 thousand dollars. Hospitality has increased its losses by 17% or \$45 thousand dollar, from a loss of \$268 thousand to \$213.

So let me make sure that I am perfectly clear on that. The corporation's gross profit for 2007 year-to-date was \$2,841,255.00. That is an improvement of \$442,055.00 or 18%. Entertainment bingo had a gross profit of \$3,118,008.00; again this is year-to-date, as compared to \$2,601,473.00, and improvement of \$516 thousand dollar or 20%. Hospitality's loss in 2007 increased by \$45 thousand dollar or 17%. That loss was \$313,517.00 as opposed to \$268,149.00.

So that is the big picture from a net income vantage point, and remember the third quarter is always our weakest quarter. The net income for the quarter improved by almost \$200 thousand dollars or 58%, and it improved from a loss of \$340 thousand dollars to a loss of \$141 thousand dollar. On income year-to-date, we show a decrease in comparison to 2006. While in 2007, our income year-to-date is \$598,912.00 as opposed to \$820,596.00, and that is a decline of 27%. Of course this year, we have more shares outstanding, so we are at 5.35 cents per share as opposed to 7.67 cents per share last year.

That is the generally reported, as it relates to the overall corporation. A couple things of particular note that I want to point out to you. First, let me discuss entertainment. So we

are talking about bingo. Revenue in Texas improved by 6% or \$75 thousand dollar, it improved from approximately \$1.285 million to \$1.360 million. South Carolina improved by 55%, and South Carolina was one of our bright spots in the third quarter, and really year-to-date, and their improvement continues to be appreciated and very significant. They improved from a revenue level of \$281 thousand, to revenue of \$436, an improvement of \$154 thousand dollars or 55%. Alabama also had a substantial improvement in revenues, increasing revenue by 30%. That revenue increase is \$77,877.00 from \$255 thousand to \$333 thousand. So across the board in entertainment, all of our operating divisions, all of our states had an improvement in overall revenue. That improvement was a 17% or \$308 thousand dollars. On year-to-date revenue, Texas is up by 11%, South Carolina is up by 20%, and Alabama is up by 2%. The total is up by 11%. So total for the year, we have total revenues coming from entertainment (bingo) of \$6.646 million as opposed to \$5.99 million last year.

Gross profit: Texas was basically the same as it was last year. It was down by about \$8 thousand dollars. South Carolina was up 253% or \$151,836.00. So last year for the quarter, its gross profit was \$60 thousand dollars, this year its gross profit was \$211 thousand dollars. Alabama was up by almost 100%. Alabama at last year delivered \$45,159.00 in gross profit for the quarter. This year it is \$88,771.00, so that is improvement of \$43,612.00 or 97%.

On a year-to-date basis, gross profit for entertainment is up 20%. With Texas leading the way at an improvement of \$289 thousand or 17%. South Carolina, which is really one of the bright shining stars for us this quarter and year-to-date is up \$216,355.00 or 41%, and Alabama is up about 3%, \$11 thousand dollars. Again, total entertainment (bingo) was up 20% gross profit year-to-date.

The picture for hospitality is not quite as bright as it is in entertainment. On a revenue basis for the quarter, I mentioned to you before, the revenue was down for hospitality 13%. That is the second consecutive quarter that we've been down. Last quarter we were down about 9%. We have in particular one or two large clients, and therefore those large clients can have a disproportionate impact on our overall performance. But that is not really the case, because when we take out those one or two large clients, there in fact continues to be a decline in our remaining core business. So the overall hospitality was down 13%. The quarter now was down 7% and Premier Tents and Events was down 18%. On a year-to-date basis, looking at hospitality revenue, we're up 5%. So the third quarter really is a very significant quarter, and looking ahead to the fourth quarter for hospitality, it is going to be a critical quarter for the overall annual performance of hospitality. On year-to-date revenue, Word of Mouth is up 14%. So they have almost a \$260 thousand dollar increase when compared to last year. Premier Tents and Events is right at the same level as revenue for the year as they had last year, and they are at \$1.812 million as opposed to \$1.831 million.

So they are just about even. So again, the third quarter was a bad quarter for hospitality, both for Word of Mouth and for Premier Tents and Events. So keeping it in perspective, the difference for Word of Mouth was only \$36 thousand dollars, while the difference for Premier Tents and Events was about \$100 thousand dollars.

So that is the big picture as it relates to the overall financial performance. I would point out to you that in looking at the financial performance of the Company, we had a significant amount of legal fees. These are no where near the magnitude of legal fees that we have experience in the past, but we had about \$150 thousand dollars worth of legal fees that were related to matters that are no recurring matters. One is a regulatory matter in South Carolina; one was a law suit that we were dragged into, in which we ultimately ended up settling up in Lubbock, the other one is the ongoing legal matter in Florida with Bill Fertney. I'll comment on each one of these a little bit later.

As far as the economic engine is concerned, a couple of things that I would say to you that are very important. One is that South Carolina's bingo did great. It has been a continuing improvement over the whole year, and I am very pleased to see how much better they are doing. Later on we'll talk about some acquisitions, and we are working on a particular acquisition there in South Carolina, and it fits in boot very well with our strategy, but I am very, very pleased to see how well South Carolina is doing.

Alabama, which is the smallest of the three markets that we are in, is also improving. That is good, because for a long time, they have been under a lot of competitive pressures there in Alabama. So it is good to see them increasing. Texas continues to increase. Now the operation in Texas is three times bigger than South Carolina, so the numbers in South Carolina are very gratifying, and on a percentage basis, they are very meaningful. But in absolute terms, Texas continues to be the largest contributor to profits.

I would also say to you, that in looking at the hospitality numbers, it is important to note that while there is a decline in revenue, the overall bottom line has not had nearly the same decline. So that indicates that we are doing a little bit better in our expense control, and whatever we are able to drop to the bottom line. I am very concerned about the sales performance of Premier Tents and Events.

I have one new piece of information that I wanted to share with you that you will see a press release on later today. We had a fire that has impacted two bingo halls that we own in South Carolina. Now remember, in South Carolina we operate through wholly-owned corporate subsidiaries, and we're both a commercial leaser and a bingo promoter. So we have two bingo halls that are side-by-side, one is a C bingo hall, and remember in South Carolina C bingo halls can operate every day. The other is a B bingo hall, B bingo halls can operate up to five times per week. These two particular bingo halls, the C bingo hall

operates six days a week, and the B bingo hall operates three days a week. So there is a fire at the C bingo hall. The fire appears to have started in the electrical equipment associated with an ice maker. It was a hot fire, it was an electrical fire. It did a lot of damage in the C bingo hall space. It does not appear to have done any structural damage to the building, so while there was a lot of smoke, and there was a lot of heat, and water was used to put it out, and they turned off the electricity obviously before they started spraying water, it does not appear as though there is any structural damage done to this space. You can have an awfully bad looking fire scene, but as long as the structure is not impacted it is fairly easy to replace. The bingo hall next door, so the C and B bingo halls are side-by-side. The B bingo hall sustained extensive smoke damage, and so they are in there now working to fix that. From a financial vantage point, both of those subsidiaries are adequately capitalized and they have an insurance policy. The insurance policy provides for property damage coverage, so the physical plant will be replaced. There may be some responsibilities of the landlord also for that physical plant, because we pay for his insurance on the property. We also have business interruption and lost rent insurance. So we will in fact receive, after the first three days of loss, we'll receive the economic benefit of what we would have otherwise received by operating.

Now these insurance matters are always kind of complicated. One other thing that I didn't mention, in addition to the property damage, we also have contents insurance. So we will have our tables and chairs and bingo equipment insured also. We do not expect this to have any material impact on the Company's cash or profits. We will use this as an opportunity obviously to renovate that C bingo hall, and maybe do a little decorative work there in the B bingo hall also. We anticipate that the B bingo hall will be back in business within two weeks. So within two weeks the B bingo hall will be operating again, and it is a little early to be able to predict, because we don't know the true extent off all the damage, but I suspect that the C bingo hall will be back in operation within two months. So we've had a fire, it impacted two bingo halls, one of them more extensively than the other. We're adequately capitalized and insured. We'll be able to repair all of this it appears. We expect the B bingo hall to be back in operation within two weeks. We expect the C bingo hall to be back in operation in two months. It should have no impact on the financial performance of the Company as we have property damage insurance, content insurance and business interruptions loss less of rents insurance.

Moving down the agenda, I would like to tell you that we continue to be working on a number of acquisitions. I'm going to mention to you the fact that we have an acquisition at six bingo halls in South Carolina that we are currently working on. We've got a signed letter of intent, and we anticipate having a signed contract. The reason I'm mentioning this to you, is because I feel as though it has become general knowledge in South Carolina, we have an obligation to report when we sign a contract, and I expect to sign a contract here within the next couple of days. There are some regulatory complications related to this,

and we've applied for some licenses and the State of South Carolina has not approved or issued those licenses. So we've got to sort this out a little bit with the state. I couldn't tell you today exactly how that will resolve itself. As you know, we have an ongoing regulatory matter with the State of South Carolina, related to the number of licenses that we hold. We feel very confident about that matter. This is related to that also.

New bingo halls: We are looking at three good opportunities in the State of Texas, and we have folks in the City today looking at some specific opportunities. In San Angelo, we had predicted that we were going to open that new bingo hall in the third quarter of this year, and it looks to me like we won't be ready to open it until the tail end of the fourth quarter of this year; probably in December, or maybe in the first quarter of 2008. We lost our momentum on that, because we renovated the bingo hall up in Abilene, that is called Ambler Bingo, and the timing of that was unfortunate that we terminated our relationship, or really the charities terminated their relationship with us, so we had to go and find some new charities, which we successfully did. Then we had to renovate the bingo hall. We actually were planning to renovate the bingo hall for the existing charities. As it turns out, it appears that they are going to open their own bingo hall, so it is probably good exercise for us to get that bingo hall rehabbed. The bingo hall is about 75% done. It is open again, it is generating revenue. And it seems to be a pretty nice physical plant. We repainted the exterior. We repainted the interior; we cleaned everything up, put in new carpet, redid the restrooms, and created a family room. We made extensive improvements at the point-of-sale location. We redecorated the interior, and then we put in some large projection screens that we are using to project movies, football, news reels, so this is part of our process of transforming our bingo halls in Texas, and in particular as an entertainment destination. In addition to the snack bar, we've provided some entertainment, including having Elvis come there, some Mariachi Bands, I mentioned to you that we are just getting ready to show news reels, cartoons, movies. Showing a lot of college football and NFL football. As part of that promotion, the snack bar also offers some free beer and pizza, and we have never historically provided beer in our bingo halls, and I believe that we are going to do that.

We are so encouraged by this that we decided to renovate the adjoining Dollar General building. The Dollar General came to us and bought out their lease, they had about two years left on the lease, and they paid us \$30 thousand dollars to terminate their lease. They did that last Friday. And, we are going to renovate that into another bingo hall also. I think that bingo hall will be a late night bingo hall, and then our other bingo hall there in Abilene called Super Bingo will be repositioned as a day time bingo hall. So we are very bullish on Abilene. Our beef with the charities who had been there before, really had to do with the attentiveness and the quality of their management, so this is probably a good split for everybody. They can go and have their bingo hall. We'll have these three bingo halls, which is a net addition of one. The folks who are managing this bingo hall now appear to

be on top of things and doing a good job.

There are two new bingo halls to report to you; one is San Angelo, which ought to be opening in the late in the fourth quarter or early in the fourth quarter, and the bingo hall at Dollar General, which also ought to be in and about the same time period.

Let me mention a couple of things on litigations. First thing, on the Fertney matter down in Florida, Bill Fertney, the fellow on the other side has died. We received notification from his attorney, from a legal perspective this is a notification to us and to the court, and it is called the suggestion of debt. He apparently passed away in Mexico. He has a modestly complicated estate, in that he was apparently living in Canada and Mexico. From our vantage point, from a legal perspective, our claim against him will continue to be prosecuted against his estate. They have 90-days in which to sort out the estate matter. If you remember, it was to have gone to trial in December. My instincts tell me that they will probably retain the same attorney who was representing Mr. Fertney, who will probably now represent Fertney's estate and it will probably take three to six months to get this thing back on track and to trial. We were ready to go to trial here shortly in the month of December, and we had a lot of momentum built up to that.

So there are no other changes, other than the fact that we will be pursuing our case against his estate as opposed to against his person.

I think that as it relates to this matter, I think we have no downside, there are no counter-claims. So the only thing we can do is, is we might be able to win something in trial. We had continued regulatory matter with this partner revenue in South Carolina, and it has to do with how we hold our licenses and how many licenses we have. Our lawyer on that, if you'll recall I mentioned it in the last conference call, has gone off to war in Afghanistan. He is an infantry officer in addition to being a member of the legislature, and being an attorney. He is a very fine person; I'm a great admirer of his. I pray for his safety there in Afghanistan. So anyway, that will be rejoined when he returns. In that same period of time, we anticipate lobbying for some modifications to the law which pertains to these licensing matters in order to clarify and resolve it. In certain measure, this is a simple matter of clarity. While the state, from a regulatory perspective may take an approach that appears in some ways to be threatening. It really is a matter that just requires some clarity as to who can hold licenses and how many. So I anticipate that we will get his sorted out. It may take a couple of years to get it sorted out.

We have a minor matter with the Texas Lottery Commission Charitable Bingo Operations Division. It has to do with an inquiry on their part and proposed violation for us having extended credit to a charity or a group of charities in the course of attempting to collect some rent that they owed. We had a matter up in Lubbock that was getting ready to go to

trial, and just before trial we settled it. We paid the other party \$25 thousand dollars to settle the matter. It is settled now for all time. I anticipated that it would have cost us \$50 thousand dollars to go to trial, and so it was a simple financial expedient in order to do it. I believe we are entitled under leases to some indemnification, and so we will pursue recovering that money from the charity.

Out there in Abilene, when we parted company with the charities, they owed a little bit of money on a utility bill which they hadn't paid, and there was some bingo equipment (bingo equipment is things like flash boards and blowers that blow the balls that are called) and they would like to get that equipment, but the leases appear to indicate that they are obligated to sell that equipment to the new tenants at depreciated book value. Since that equipment has been around for 20 some odd years, it would be reasonable to think the depreciated book value is zero. So that is a matter that is going to have to be resolved with them.

From a legislative vantage point, we anticipate a fairly active campaign in South Carolina, focused on some bingo licensing issues related to that regulatory matter I mentioned. Also to initiate pull-tab and the use of amusement with prize machines in South Carolina in general and perhaps in bingo halls in particular. So they come back into session, the legislature in South Carolina is in session starting in January. So between now and then we'll be formulating a couple of bills and we've hired a couple of lobbyist there to work with us in South Carolina.

We continue our initiative of transforming bingo halls, in particular in Texas into entertainment destinations. So the bingo hall there in Abilene, Ambler bingo has been a great opportunity, so in addition to renovating the physical plant, we are putting up a new message board sign, which has not yet been installed. We are putting in new projectors to project other kinds of entertainment, which has been completed. We are going to upgrade the snack bars, which is in progress. We are trying to make the destination be a fun destination. I think we've got a good start there. As far as capital improvements, I've mentioned to you that Ambler bingo is underway. We are going to start the Dollar General next door, and the bingo hall in San Angelo is underway. Then we are getting ready to expand and renovate the bingo hall in Midland. That is a situation where we had a bingo hall that we bought fairly inexpensively, enjoyed some modest success. It appears as though, it could be very, very successful, but we can improve the physical plant. In Texas we've added another person to work on the Texas portfolio, and I anticipate adding another one. That gives us four people working in Texas. We've recently commissioned some paid research from a firm in New York, the name of the firm is Taglich Brothers, and this is common from small companies. I think they are probably the best paid research firm in the United States. Their views are independent, and even though we pay them, we have no editorial influence over whatever they review and decide to write. We will have some

contact with them that will be extensive, and there are a number of questions I'll answer today that I'm sure that they will be interested in, because they ask the questions. But in accordance with our obligations under regulation FD (fair disclosure), we'll make sure that whatever they learn as a result of their direct contact with us, is widely disseminated. It may take the form of distribution of their research for a connection to our website. They have a lot of questions as you would expect. Even though we've hired them to do research, there are a number of things that you know are our policy. We do not as a general proposition provide financial projections. And we are extremely closed mouth and careful about what we think the future holds as it relates specifically to the numbers. I have no problems at all talking about our strategy or where we think the opportunities are. But I certainly don't want to predict earnings.

So that is the general report. Now here are some specific questions that we received in anticipation of this.

<Q>: How much stock does Value Partners currently own?

**Jeffrey Minch - Littlefield - President and CEO**

Value Partners are the fellows from Tulsa, and at their last buying, it looks to me that they own 1.8 million shares. That is about 16% of the Company. It looks like they are in the market, and they continue to acquire shares. I just want to point out to you that it is not a normal thing for our Company or a company like our, to be reporting about shareholders. But they have got to make public filings, and I don't have any problem telling you about what the public filings say. But I would encourage you to go and look at the public filings yourself.

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

**Jeffrey Minch - Littlefield - President and CEO**

It is not under active consideration as we speak. I'm a fan of share dividends. I think the last share dividends worked out just about the way it ought to have worked out. Would I consider doing it again in the future; you bet. Is there an active proposition on the table right now; no.

<Q>: Can you tell us a bit about what happened in Abilene? How much has this cost the Company?

**Jeffrey Minch - Littlefield - President and CEO**

Well in Abilene, we were very critical of the management of the bingo hall. We have nothing to do with the conduct of bingo. That is solely up to the charities, only the charities can conduct bingo. But we are shrewd observers, and we thought that there were some

things that could enhance the performance of the bingo hall, and we pointed it out. One of the most important things is we felt like the management was absentee. We thought management wasn't running the bingo hall, they weren't aggressive, they didn't have a plan, and so we raised a number of questions about that. I suspect that our direct approach to them might have been a little unsettling, and long story short, they decided they were going to go and open their own bingo hall. Now all of the improvements that we have made up there, we had anticipated making for this charity. So one of the reasons we were able to get open so quickly, is because it was all in the pipeline already, and in fact some of it had already started. There is a tendency I think to be a little small minded about this stuff, but we were able to attract some other charities, and so our bingo hall is up and running. I don't know the exact status of their bingo hall, other than I can tell you that it is not up and running. So we expect our guys will be very fierce competition for them, and in any way at all that we can assist, through their physical plant or anything else we'll be glad to assist, but at the end of the day, I think that the new bunch of charities and their manager is in fact actively engaged, and I think we'll do a good job. So we are looking forward to good fortune for them and for ourselves up there in Abilene.

<Q>: How much did it cost us?

**Jeffrey Minch - Littlefield - President and CEO**

It probably cost us \$100 thousand dollars in revenue in the third quarter.

<Q>: Can you please comment on the performance of hospitality in the third quarter and year-to-date.

**Jeffrey Minch - Littlefield - President and CEO**

Yeah, I'm a little disappointed in hospitality. And I would say to you that a bit of it is just what I would describe as maybe a loss of marketing focus. When I take out the big client that we've historically had in both of these last two years, the underlying hospitality revenue is still down modestly. It is down primarily over Premier Tents and Events. From a revenue vantage point in the third quarter, Word of Mouth revenue was down \$36 thousand dollars. Their gross profit was basically the same. So they did okay. In the case of Premier, their revenue was down \$100 thousand dollars, but they improved their loss by about \$4 thousand dollars. So even though they were down \$100 thousand dollars in revenue, they were able to maintain their same position at it relates to profit. So that is a real good thing. That is a positive thing. I don't think there is any great magical solution for this, other than getting up a little earlier, staying a little later, working harder, and spending a little bit more time on that focused market.

<Q>: Please discuss your expansion plans in Texas, South Carolina, and Alabama. How many more bingo halls do you anticipate opening or acquiring in the next 15 months?

When do you see these halls opening? What kind of revenue impact do you see from new halls?

**Jeffrey Minch - Littlefield - President and CEO**

Well first off, let me say to you that I think our best opportunities are in Texas, South Carolina and Florida. So in Texas, we have some organic growth, and by organic growth I mean, at properties or adjacent to properties that we currently own, or in cities that we are already operating in. So you know, we are adding a bingo hall in Abilene, and we are going to add a bingo hall in San Angelo. Those are the two things that are underway. We are looking at three or four other cities in Texas, and those are cities that we would open a new bingo hall in. We are looking at a couple of acquisitions. There is one acquisition right now in Texas that looks particularly promising. That would be a city that we are not currently operating in.

<Q>: How many more bingo halls do you anticipate opening or acquiring in the next 15 months?

**Jeffrey Minch - Littlefield - President and CEO**

I assume from the way this question was asked that the 15 months represents the end of 2008. I expect that we'll have an additional five bingo halls by the end of 2008 just in Texas. In South Carolina, I mentioned to you that we have a letter of intent and we are getting ready to sign a contract to acquire six additional bingo halls. We've got another opportunity that we are looking at, whether that other opportunity materializes or not, I don't know. Our decision making in South Carolina is impacted in some manner by the dialog with South Carolina Department of Revenue. Florida, we have one deal there that I would hope to be able to report to you that we have under contract here shortly. It is a deal that we have a signed letter of intent on, and we are down to the short strokes, and obviously we are not in Florida right now, so that would be a good thing for us.

<Q>: What kind of revenue impact do you see from the new halls?

**Jeffrey Minch - Littlefield - President and CEO**

That is not really a question that I could answer, because each one of them will have a different ramp as it relates to beginning to contribute. So if we acquire a bingo hall, it ought to contribute immediately. If we start one from scratch, it takes about 18 to 24 months to become stable.

<Q>: In the next 15 to 24-months does the Company anticipate growth outside of the existing three states? What is the five year growth plan for the bingo business?

**Jeffrey Minch - Littlefield - President and CEO**

Well first thing I would say to you is, sure we like to be in Florida. So if I look at the places that we ought to be, I see huge growth opportunities in Texas, I see very good growth opportunities in South Carolina, and I see excellent growth opportunities in Florida. So those are three areas that I think we ought to be able to grow. Now as part of, just say, a five year growth plan that is kind of a long conversation. It is not something that I necessarily want to get into in a conference call, but I would be very disappointed over the next five years if we were not three times the size that we are right now.

<Q>: What kind of organic growth do you see from existing locations? What will be the drivers? What kind of initiatives are you planning?

**Jeffrey Minch - Littlefield - President and CEO**

Well let me focus first on South Carolina. South Carolina has really done a Cracker Jack job as far as growing the existing plant. Remember the regulatory situation of South Carolina and the way we operate with the charity is a little bit different. The State of South Carolina imposes a gross receipt tax on both B and C bingos. So that tax goes to some specific parts of the state government funding mechanism. So it goes to the department on ageing as an example, and 26% of that tax goes directly to the charity. So where once upon a time the charities were held hostage to the actual performance of the bingo halls, now they can count upon getting their money from the state. The state gets their revenue every time those bingo halls buy bingo paper. So when the bingo hall buys bingo paper, there is a tax that is imposed on the value of the bingo paper. That is how the charities are getting paid. We see the growth there in South Carolina, because we get to keep everything the charities don't get. We see growth opportunities there of being very good. So we would like to get this regulatory matter behind us, and once we do, I think we've got extraordinary growth opportunities in South Carolina. Now having said that, remember that South Carolina is a fairly small state. The whole population of South Carolina is only as big as Dallas-Ft. Worth. So there are practical limitations to how big we can get there. So that is the best opportunity for organic growth from existing locations. In Texas, remember there is an absolute limitation on how much rent you can charge. Once you get to that limit, once you've achieved that gross potential, it doesn't make any difference what the bingo hall does, they cannot pay anymore rent. So from that perspective, that half of our portfolio is close to that maximum number. It is probably 25% of our portfolio that will never get to that number. Then the remaining 25% is headed towards that number. So I think that the growth in Texas, when you think in terms of organic growth is going to be primarily a bingo hall next to a bingo hall that we already have. So that particular submarket is doing very well, and we added another bingo hall in the market. That is what is happening Abilene, that is what is going to happen in San Angelo. Then there is one other market down in McAllen where I think we have a similar opportunity. Those were all also locations where we control the real estate. So it is a very good opportunity for us.



<Q>: Can you discuss the current competitive landscape?

**Jeffrey Minch - Littlefield - President and CEO**

Well within a submarket where we have a bingo hall, and remember our bingo halls are owned by wholly-owned corporate subsidiaries. Dependent upon the state, they have certain things that they can and cannot do, and they lease that space to charity. In South Carolina we have an awful lot to do with how the bingo hall is run. In Texas we have nothing to do with how the bingo hall is run. In Alabama we are someplace in between. So when you think in terms of competitive landscape, do we have competition in the markets we are in; you bet. We would like to have a meaningful percentage of the market share, whether that is defined by the number of bingo halls as it would be in Texas, or by operations as it would be in South Carolina, we would like to in fact concentrate our bingo halls in such a way that we do have some significant marketshare, because ultimately it is the customers that are important. It doesn't make any difference, well it makes a difference what the physical plant is like, but at the end of the day the yard stick that you have to hold up all of this stuff is whether or not that customers are coming through the door. So when we have a meaningful marketshare, then we can afford to go after and attract and serve and retain more customers. What's the competition like? Well the competition is pretty fierce. I do think that charitable bingo is one of those businesses that does not have the benefit of modern marketing techniques. So that is one of the things that we want to institute. Then routinely use database management, and again, that is something we'd like to do.

<Q>: Can you comment on any outstanding legal matters? Can you comment on the impact of legal expenses and your cost structure going forward?

**Jeffrey Minch - Littlefield - President and CEO**

Well the legal environment has gotten fairly calm. Now have we had a meaningful amount of expense in this quarter; you bet. Over \$150 thousand dollars worth of expenses, or what I would consider one time things. So in the case of the South Carolina department of revenue, we have expensive lawyers, good lawyers. They are in Columbia, who deal with them. In the case of the law suit up there in Lubbock, it had to do with an employment situation, and we are not the employer of any of those people up there. Again, we had good legal representation up in Lubbock, and we settled that case. Then we have the ongoing case in Florida, with now the Fertney estate. Those are all things that are going to go away. As did a lot of other matters that we have had up until now. We will have a routine amount of what I would describe as regulatory interface, and I figure that is \$100 thousand dollars a year. Then we will have deal related expenses. The deal related expenses will be for transactions we're going after, not all of which will be successful. And the legal work associated with buying bingo halls, and the legal work associated with opening bingo halls. So I think that we are slowly but surely getting those legal expenses

down to a level that is much more meaningful. We made almost a \$90 thousand dollar improvement on a quarter-to-quarter basis, and yet we still had about \$150 thousand dollars worth of things I would consider unusual or nonrecurring or extraordinary.

<Q>: Can you comment on the impact of legal expenses and your cost structure going forward?

**Jeffrey Minch - Littlefield - President and CEO**

I think our normal legal expenses for a year are going to be about \$250 thousand dollars a year.

<Q>: Are there any upcoming legislative challenges or opportunities?

**Jeffrey Minch - Littlefield - President and CEO**

Yes, I believe in South Carolina there is an opportunity to lobby for and change the law to allow instant bingo pull-tabs. Some of your have those in Florida and in Texas, and I think it is probably right for South Carolina to do the same thing. We also can sort out some of these regulatory issues in South Carolina with a little bit of lobbying.

<Q>: What are the prospects for hospitality given the recent steam of revenue decline? How do you see Q4 2007 and fiscal 2008 in terms of revenue and profits?

**Jeffrey Minch - Littlefield - President and CEO**

Well I'm not going to comment about specific revenues and profits in the future, but I think that hospitality is doing fine. I think if there eye off of the ball a little bit from a marketing vantage point. You know we raised prices over there at the rental Company, and I think we may have raised them just a little bit too much. I am comfortable with where we are, but I think we just have plain old fashion marketing issues that we've got to deal with. We've got good people there, and I'm confident that we'll get that sorted out.

<Q>: Are you considering a divestiture of these assets? Can you talk about the timeframe or valuation? If no divestiture, what is the strategy for the business over the next 15 months?

**Jeffrey Minch - Littlefield - President and CEO**

This question is asking about the hospitality assets. Well first answer to that is, is there any business that owns any assets, wakes up every day and says do we want to own them, do we want to sell them, we want to close them down, do we want to grow them, do we want to contract them. So we have all those normal kinds of considerations. I don't think that in the long run, and I mean over the next 10 years, that hospitality fits with our best opportunity. I also don't think that there is any particular pressure on us in order to sell

them. We wrote off all the goodwill associated with both of these businesses, let me correct that, we wrote off almost all of the goodwill associated with these businesses. So there is not a lot to be said as far as how their performing in comparison to our investment right now. We wrote that investment off. So I think that it is something that we ought to give serious consideration too. We had a couple of unsolicited offers to purchases, these are good businesses and they ought to be in the hands of somebody who can give them the absolute maximum attention. They are both decent sized businesses. So would we consider a divestiture at some time? You bet. Is today the time? I don't think so, or I don't know. Do I expect to own them 10 years from today? No, I don't.

<Q>: The fourth quarter is usually seasonally strong. Do you expect a strong fourth quarter, or do you expect more revenue decline? In 2008, the turn-around year, what initiatives or factors would make 2008 a turn-around year?

**Jeffrey Minch - Littlefield - President and CEO**

First, let me say to you that I wouldn't paint the situation. We've had a couple of revenue declines in the last two quarters. I wouldn't paint that situation as necessitating a turn around. We simply need to get back to doing the same things we were doing that resulted in the improvement. I do think that while Premier Tents and Events is the one that has the largest revenue decline, they've also done a pretty good job about getting their expenses in order. Because if you remember, the revenue was down \$100 thousand dollars, and they are basically in the same profit position they were in last year. So that is pretty good. As far as the fourth quarter, yes, I expect the fourth quarter to be a good quarter for hospitality. Now, how do I feel about our book of business? I think we are going to get less business from those big clients who have kind of gotten to the end of their hospitality demand. A couple of them are real estate related, and they sold out their projects. So they are not going to spend as much money. So I think the fourth quarter will be pretty good. I cannot say looking at our book of business right now, but I can point to some indicators that say it would be better. But I think it is going to be okay.

<Q>: Can you give us the five or six brightest points about the Company's performance in the near-term?

**Jeffrey Minch - Littlefield - President and CEO**

Well there are couple of thing I can tell you. First off, as far as the Legacy legal issues, in fact they are going away. What we are left with now is a modestly simple regulatory matter in South Carolina. The trial with Fertney estate. It is unfortunate, we may be legal adversaries, but we are certainly not enemies. So I mourn Bill Fertney's passing, but nonetheless, we are going to pursue our case against his estate. In some ways that may be very good, because it will require them to aggregate their assets. So if we get a judgment, we'll know how we are going to get paid. So from that vantage point, that is the

other thing. We settled the case up on Lubbock, and we have a minor regulatory matter with the State of Texas, the Texas Lottery Commission of Charitable Bingo Operations Division. So I think we are in pretty good shape. The rest of our legal expenses are going to be associated with new deals, trying to acquire things. The bingo business is doing good by us. Across the board we are up. We are up in Texas, we are up in Alabama, we are up in South Carolina. South Carolina is particularly good. We have an acquisition opportunity, a meaningful size acquisition opportunity there in South Carolina. So we are excited about that. In Texas, I think we have an opportunity here over the next year or so that we could grow anywhere between, when I say next year, I mean through the end of 2008. We could grow anywhere between 30 and 60%. So I think those are very good price spots. We don't have any odd demands. In other words, we don't have anything that is hovering over our heads that is giving us great concern. We are adding people in Texas, because frankly we have more opportunities that we could capitalize on if we got more man hours in the field, and we need to do a better job about putting our man hours where we can grow the business. So the fellow who is in charge of all of Texas can a lot of time deal with that situation in Abilene and so it motivated me to make sure he got some more man hours to assist him, because I think we are leading some opportunities in line that we otherwise should be getting after. I think that our strategy of converting bingo halls to entertainment destinations, I think it is going to turn out to be a good strategy. The initial reaction up there in Abilene has just been gang busters, so we've got some work going on and off, and we'll do the same thing out in San Angelo, we're going to do the same thing in Midland, and slowly but surely, we will get around to each bingo hall in the State of Texas. So those are the bright points.

Moderator would you poll for any other questions?

**Operator:**

Thank you. If you would like to ask a question, please press \*1 on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press \*2 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.

Our first question comes from Louis Martin with Taglich Brothers. Please state your question.

<Q>: Good afternoon. Can you comment further a little bit on what you stated earlier in terms of the fire at the bingo facilities in South Carolina? I believe the C bingo facility and the B bingo facility. I guess you also mentioned that it won't materially impact the Company, but from an income statement perspective, I guess you know, that shifts around some of the items; you know the insurance and proceeds would flow below the operating line. So in terms of top-line operating performance, what kind of impact in the short-term

would these have?

**Jeffrey Minch - Littlefield - President and CEO**

Okay, so let me talk a little bit about the bingo halls there in Charleston. First off, remember, two bingo halls side-by-side. A B bingo hall and a C bingo hall. There is a certain symbiotic relationship between those two, and the folks may go from the C over to play at the B, and when the B is done, then they go back to the C. So it is a good business thing to have them side-by-side. We have insurance that is business interruption insurance and loss rents insurance. So you never know for sure what you are going to get until you have filed and processed your claim. But we bought that insurance in anticipation of maintaining our level of income. After the first 72 hours, I believe we are entitled to receive the same level of income that we received before. So you are correct, that in our income statement that income will not come into the operating part of the income statement, it would come in as insurance proceeds, which would be below the operating income. But the net cash flow of the Company ought to be about the same. That is the first thing. The second thing I expect, like any other complicated, unexpected matter, there will be some surprises along the way. So I would be reluctant to tell you that I think that all of the surprises will be overcome by insurance. The damage to the B bingo hall is primarily smoke. The damage to the C bingo hall is a little more extensive. But it is not structural. So it is a matter of going in and getting rid of everything that was damaged. We had some stuff that melted as a result of the heat of the fire. So as soon as we are released by the local fire department, we'll hire a restoration Company to go in there. Some of those guys can get you back in business in a week. I'm saying I think it will take a couple of months. I'm trying to be very cautious. In the history of the Company since I've been involved, we had one other fire that was a very major fire, this is exactly how it works, we are out of business for about 2.5 months, we recovered all the revenue we would have recovered in that period of time. So I anticipate that it is going to have no material impact on the cash flow of the Company. We have property damage insurance, we have content insurance, and we have business interruption/loss of rent insurance. I think from a practical marketing vantage point, we also have got so many bingo halls in the Charleston area that we will be able to redirect a lot of those customers to another bingo hall of ours where they are going to be able to play. So somebody that used to play on Tuesday night at the C bingo hall, we're going to be able to direct them to another bingo hall that we own for the same period of time. So I think we might even do a little bit better in another location. There is a garden variety, fiery business, this is why you buy insurance. There are plenty of companies out there that will get us back in business real quick. Nothing burned down, so it isn't a case of a pile of molten metal lying on a concrete slab. This is a case of a great big black mark at the end of the building, and they came in and sprayed some water, and so just think of all of those finished having to be replaced. We'll get new tables, chairs, put up some new sheet rock, new ceilings, new carpet, and so it is like an interior finish of a tenant space, and I expect we will be back in business within two months.

Did that answer your question?

<Q>: Yeah. I mean I guess also. In South Carolina year-to-date your recognized \$1.4 million, around \$1.4 million in revenues if I have my math correct. So those two months that the bingo facility will be interrupted, can you-- Obviously there could be some movement in terms of customers going to play at other bingo facilities, but you know, in terms of a revenue impact over the past three quarters, nine months of 2007, what kind of contribution did that facility have?

**Jeffrey Minch - Littlefield - President and CEO**

Less than \$150 thousand dollars, together, between the two of them.

<Q>: Alright, thank you very much.

**Jeffrey Minch - Littlefield - President and CEO**

Any other questions I can answer?

**Operator:**

Just a reminder. To ask a question press \*1 on your phone. Mr. Minch, I am not receiving any further requests for questions.

**Jeffrey Minch - Littlefield - President and CEO**

Okay. Well thank you very much. I appreciate everybody who listened to the conference call in real-time or who is going to be listening to it in the future. Please always feel free to e-mail me with a question or to call me with a question. My phone number is (512) 416.5141. My e-mail address is [jminch@littlefield.com](mailto:jminch@littlefield.com). I think we made pretty good progress in the third quarter. I am particularly keen on our performance in South Carolina, and Texas, and in Alabama in bingo. I think Word of Mouth did okay. I think that Premier Tents and Events didn't do to well. But I think we can correct all those problems.

In general we did a lot better this quarter than we did in the quarter a year ago. That is the yardstick that we are holding up to things, and you should feel good about that performance. Let me end 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 with in the meaning of the Private Security Litigation Reform Act of 1995, that are subject to substantial risks and uncertainties including government regulations, taxation, competition, market risks, customer/tenants, 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 materially differ from those expressed or implied by these forward-looking statements. Thank you very much.

**Operator:**

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

