



**Transcript of
Littlefield Corporation (LTFD)
Third Quarter 2008 Earnings Conference Call
October 31, 2008**

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Participants

Jeffrey L. Minch, President & Chief Executive Officer

Presentation

Operator

Greetings and welcome to the Littlefield Corporation Third 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 *0 on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Jeffrey L. Minch, President and Chief Executive Officer for Littlefield Corporation. Thank you Mr. Minch, you may begin.

Jeffrey L. Minch – Littlefield – President & CEO

Good morning, my name is Jeff Minch. I am the President and CEO of Littlefield Corporation. We are headquartered in Austin, Texas. It is a beautiful and cloudless day here in Austin, nice crisp temperature. The purpose of our call today is to discuss the third quarter 2008 earnings for Littlefield Corporation. Let me please 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 private securities litigation reform act of 1995. It is subject to substantial risks and uncertainties, including government regulations, taxation's, competition, market risks, customer attendance and also 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. I would like to first direct your attention to our press release of 29th October. I continue to get calls from folks who are interested in receiving our press releases, and if you make contact with us after they have cleared the wire we will send you a copy of it directly. So please feel free to contact us and we will make sure you get copies of them. I routinely see our press releases on business wire and Yahoo finance and places like that.

As relates to the quarter, the quarter was a very challenging quarter. Revenue was down 3%. That was for the entire corporation. It was down about 2% for entertainment which is our bingo operation, and was down about 9% for hospitality. You will recall in the past that we only had two hospitality businesses, we disposed of one of them; we sold it, and we still have a party rental business. I also want to tell you that this is a trend, the reduction in revenue that has now continued for four



quarters. Prior to that, the trend has been in the opposite direction for it looks like about twelve quarters, and so this is a recent trend and we have got our eye on things. The downward movement in the revenue was only 3%. Growth profit for the quarter for the company was a loss of \$13,045 as opposed to a gain of profit last year of the same quarter of \$723,000 dollars. Bingo, entertainment reduced from \$856,000 to \$123,000, which was still profitable. The hospitality business had lost \$145,966 last year and this year they lost \$161,307. I would remind you that the hospitality business in Q3 is always historically the most challenging quarter.

Corporate overheads for the company were under control. It was down about \$7,000 from last year. Net income was a loss of \$759,000 as compared to last year Q3 which was a loss of \$141,000. Our number of shares outstanding at this period of time from year-to-year has increased from 11,325,000 to 16,754,000, that's an increase of 5.4 million, and so on a fully diluted basis our earnings went from a loss of 1 penny in 2007 per share, so 1 penny per share loss to a \$0.05 per share loss. Looking at specific areas of the company that we like to discuss; the same store sales for Texas, in other words the part of the portfolio that is not impacted by startups or renovation or any other unusual implications; that part of the portfolio is solid as a rock. So it performed at about the same rate that it did last year.

South Carolina was very grievously impacted, and I have a couple of questions and I will discuss that in some more detail when we discuss the questions, but South Carolina was impacted by two hurricanes. One hurricane hit directly in Q3 and the other hurricane that hit the Gulf Coast had a huge impact because of gas prices. Gas prices in the Charleston area went up over \$5 a gallon. The general concern about the economy we believe has had some impact across the entire portfolio, and then also the implications of the election. The election implications are not ones that are related to politics, as much as it is in the political discourse there is a tendency to have an awful lot of repetition about things that people perceive as bad. I think it has a tendency to magnify any negative aspects of the political discourse.

Looking at the other important topics, one of things that I would like to convey as a result of this conference call is that the entire tone for the company's approach to business has changed. It has changed as a result of our view of the economy, it has changed as a result of what is happening in the stock market; we are a public company, and it has changed also as a result of our going out and talking to some of our customers. There are those who would say that bingo is a recession-proof business. I do not necessary agree with that. I think it may be a recession-resistant business in that it does not have as great a volatility as the rest of the economy, but I think that it would be a stretch to say that it is recession-proof. In any event, we are beginning to take an extremely hard look at the entire business. If I had to describe our tone before we were quite focused on growth, we were out actively pursuing a number of acquisitions and start-ups, and in certain measure we were forcing our cost structure to be balanced by growth. So in some ways we were growing into our cost structure. That is clearly reflected in the numbers. If you start up a lot of bingo halls and they cost \$200,000-\$400,000 to reach equilibrium with those bingo halls, and you have a number of them going on at the same time, then you are going to incur losses; and we expense all of that we do not capitalize any of it; you are going to incur losses. So I think where the tone has changed to is a degree of heightened caution. We are

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not pessimistic about our future prospects, but we are reasonably cautious. We will be extremely cautious about anything that consumes cash. As you know for a little company like ours we have a meaningful amount of cash on hand, and we are just in the process of getting ready to close a little credit facility. Now we are just like anybody else when that discussion on the credit facility started, we were talking about borrowing \$4 million and now by the time it is concluding we are going to borrow about half of that amount. An anecdote in the marketplace is somebody would say "wow I couldn't get a loan when interest rates were 15%, now I can't get a loan when interest rates are 4%". We have been able to get a loan, it hasn't closed yet but we are expecting to close it shortly. I think from a capital vantage point, we are in a pretty sound position and that has happened as a result of us planning to be in a sound position. I do have to tell you the entire tone has changed. We are now going to manage really for cash flow more so than growth. So I have had a couple of questions about that and I will give you a little bit more detail when I am answering those questions.

As relates to acquisitions we have a similar caution. That is where before we were casting our net quite far afield, we will continue to cast a net, but we will not perhaps cast it quite as far afield. One of the things that does happen in times like this is that the sellers are impacted by the exact same information that everybody else is dealing with, and so we had folks with whom we have been in conversation who have now become more motivated to sell. I do not want to say to you that we will not be in the acquisition business, but I would have to say to you truthfully that we will be progressively more skeptical. So we are looking at a trailing 12-month cash flow, we will really be testing us by when the world all changed recently, how is that cash flow also going to be changed? I have to say to you that the good news is that there are lots of sellers out there who recognize the reality of that situation and it may motivate them to sell. So we will be looking for some bargains. We have a number of deals that we are looking at. As far as new halls currently under development, I would say to you that there is a high probability that if we have a bingo hall that is not yet open and we pro forma that it is going to consume cash which is normal for 18-24 months, that we will give serious consideration to delaying that opening. So if I am looking at a prospect of having to invest \$300,000-\$400,000 to reach equilibrium and the carrying cost of that bingo hall is \$50,000 to pay the rent, there is a high probability that I will simply delay the opening. That could be pertinent to our bingo halls in El Paso, McAllen, and I other locations.

As relates to legal matters, we really only have two of real substance. One is a regulatory matter in South Carolina. We are in active settlement negotiations with the South Carolina Department of Revenue in order to settle that matter. Then there is the matter going to trial in Florida, as I mentioned last time, they recently had changed their representation and they now have a new lawyer on board, and we expect that to get the trial fairly quickly. As far as our legislative actions, we are going to propose some very substantial legislative changes in a bill to be supported by an industry group in South Carolina. We think that the nature of the business right now and the pressure on that retail consumer business, would justify a lot of these changes. We do not have anything in particular to oppose in Texas, but we are monitoring that situation very carefully.

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Those are the comments that I want to share with you. I had a number of questions and again, if I get the same question from a number of folk I will try and put the question together, so you may not recognize your question perfectly but you certainly may recognize the topic.

<Q>: In the sale of Word of Mouth, you currently took back a sizable promissory note. Is that correct?

Jeffrey L. Minch – Littlefield – President & CEO

That is correct, yes.

<Q>: Given the downturn in the economy and the potential impact on the hospitality business, how do you feel about the certainty of getting paid on that note? Is that reflected in your current accounting?

Jeffrey L. Minch – Littlefield – President & CEO

The first thing is a short time ago we offered the maker of that note a modest discount in return for paying it off and in fact he did. So we no longer have a promissory note. We did in fact take back a sizable promissory note. We sold a business. We discounted it just a bit, we got paid off about five or six weeks ago, so it was before a lot of the front page economic turmoil in the newspaper, and yes that is all reflected in our current accounting.

<Q>: Every company in America is struggling with trying to attain or maintain profitability. Almost every company is considering restructuring its operations. Lay-offs and closings are part of the mix. Are you considering any kind of restructuring efforts, if so what kind of things are you considering?

Jeffrey L. Minch – Littlefield – President & CEO

Without delving into intimate detail, I would simply say to you that we will make a very substantial restructuring in Q4. While I never like to discuss earnings or future earnings and I never like to make projections, I would say to you that there will be a meaningful charge in Q4 related to restructuring items. Where we have a business unit that we might say well the right thing for that is to mothball it for a year, and if there is any capital or goodwill or tenant improvement contributal to it, there is a high probability that we will write-off all of that investment consistent with the restructuring. Like any restructuring we are taking a very hard look at personnel. I have visited with the company and I anticipate that there will be reduction in a certain number of positions, and I anticipate that there will be reduction in current compensation. We will offset some of those things by creating a little equity pool, but I think these are the normal conversations that every small company that is involved in the consumer retail business is going to have. So we are trying to get ahead of the power curve. As I mentioned to you before we are going to be managing a bit for cash flow, and our restructuring objective would be to improve the cash flow by a meaningful amount. I am talking about millions of dollars. So I think there is a very real possibility that we may deal with improved cash flow by 1 million to 2 million dollars. Right now that is very much a work in progress, but the employees at Littlefield Corporation understand that there is some thing coming. We are likely to be fairly aggressive in doing that.

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<Q>: You recently closed the acquisition in South Carolina and have been operating it for a few months. How do you view the regulatory environment in South Carolina? How do you think the huge deficit in South Carolina has impacted the regulatory environment?

Jeffrey L. Minch – Littlefield – President & CEO

First off, in South Carolina we are regulated by the South Carolina Department of Revenue. That kind of regulation is just a little bit different in that they have a tendency to have the personality of tax collectors because they are involved with collecting revenue. I do not say that in any way at all in a disparaging way, simply that that is core of their business. We have not detected any greater regulatory scrutiny as the result of our acquisition. You do recall that we had to go to court in order to get them to issue the licenses, and as I indicated before, were involved in some very serious settlement negotiations on the other pending matter. I think that reasonable people reasoning together on this kind of a matter will settle this matter.

<Q>: I know that you have only one bingo hall in Florida. How is it doing, and how is its financial performance compare to what you expected?

Jeffrey L. Minch – Littlefield – President & CEO

Though we do have one bingo hall in Florida it is in Pensacola. It is doing very well. It is actually doing about twice as well as we would have expected. As we are looking for other opportunities, I must say to you that Florida looks like a very interesting prospect for us. You recall that we tiptoed into Florida. We bought one place and we have now owned it for the better part of a year. We will probably exceed our profit expectations by a factor of two or three times, so it has been very profitable for us. It was a small acquisition and so it is not going to have a huge impact, but the good news is that our people have really been able to make that thing perform. So we feel very good about that.

<Q>: In Florida, the person goes on to say, I heard that there was shooting at a bingo hall in Pensacola. Was this at our bingo hall?

Jeffrey L. Minch – Littlefield – President & CEO

Sometimes when you are having these conference calls, you just never know what somebody will ask you. There was in fact a shooting at a bingo hall in Pensacola, it was not our bingo hall. If you want look up on the Pensacola newspaper and get all the details, but to cut a long story short, a criminal came in with a shotgun to another bingo hall and fired a couple of shotgun rounds into the ceiling. An employee of the bingo hall shot him and killed him in the bingo hall with a handgun. This occurred about ten days or so ago. The criminal was identified and known as a troubled person, so it is not in my view indicative of any particular trend or concern that is unique to Pensacola. That is a question I would not have expected but somebody is paying attention.

<Q>: The whole world is in financial chaos and the company is exposed to retail consumer behavior. Can you please let me know what you are doing to gage future consumer sentiment? If so, what do you think retail customers think about the bingo business? How are you going to use this knowledge?

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Jeffrey L. Minch – Littlefield – President & CEO

They are very appropriate questions and it is very interesting because in the last three weeks we have conducted focus groups at each one of our bingo halls in South Carolina. We did that because we were trying to test what the bingo customers thought about the marketplace, because we had made the South Carolina acquisition. We were really testing to see whether or not the customers of the acquired bingo halls were viewing the world the same as the customers of our existing portfolio. So to directly answer your question about what are we doing, well we are in direct contact with the customers and we have conducted focus groups in every single one of our bingo halls. We learnt some interesting things. I think we have got some very loyal customers, may be in South Carolina the highest degree of loyalty as any place in our customer base. I also think that folks are understandably concerned. Bingo provides relaxation, stress relief, entertainment and a chance to see your friends and so one could argue in bad times that those things become progressively more important. That is one of the reasons why people might opine that bingo is a tad recession-proof. I think it is recession-resistant may be not recession-proof. I also think that it highlights an opportunity for us to market those kinds of things. To make sure that our staff understands that when they interact with bingo customers that that is what they are looking for. Having said that, I again would say that the combination of what is going on on the front page of the newspaper, in the business section, the general concern about the economy, the bail-out and the election all taken together very clearly has a poll over peoples view of the market. I think gas prices more so than what I just said previously, have an impact on how frequently people come to play bingo. Now since the gas prices has been over \$5 a gallon in South Carolina, in particular in Charleston, those prices have now come down rather precipitously and so I do not think that there is a short-term impact.

<Q>: Recently another Texas company Aces Wired lost a lawsuit on gambling in Amarillo. Does Littlefield have any exposure on this type of matter?

Jeffrey L. Minch – Littlefield – President & CEO

Well Aces Wired is a little public company that is also engaged in Amusement-With-Prize and so that is a particular kind of machine in Texas that has to adhere some very strict limitations. I am not fully informed as to the lawsuit in Amarillo. I have no other source other than what I read in the newspaper. I have not had a conversation with anybody from the company, but it is my read in that newspaper article that in fact they did loose the lawsuit. Do we have an exposure on this type of matter; no. You will remember that in the past we had contemplated going into the Amusement-With-Prize business, and in fact we did not do that. It is part of our historical discussion, but I fact we never went into that business and we do not have any exposure.

<Q>: It seems like legal fees are continuing to be a huge expense. Have you ever considered hiring a staff lawyer as a way to reduce or control these expenses?

Jeffrey L. Minch – Littlefield – President & CEO

That is a pretty good question. I was really studying our legal fees very intently yesterday because I was interested in a conversation I was getting ready to have with South Carolina Regulators. In our business, I think there is just enough regulatory



specialization in the different jurisdictions we deal with that it would be difficult to hire a single person to handle all of that. Having said that, I do have to say that the magnitude of our legal expenses certainly demand a very careful consideration of whether or not that makes any sense.

<Q>: Any new developments on the Texas Association for the Advancement of Charitable Bingo?

Jeffrey L. Minch – Littlefield – President & CEO

Obviously that is an association that we are involved with. It is in Texas, it is by invitation-only and it is only for commercial lessors. We continue to collectively look at new rules that are being promulgated by the Texas Lottery Commission Charitable Bingo Operations division. We continue to be interested in the meetings of the Bingo Advisory Committee, we continue to be interested in the meetings of the Texas Lottery Commission, and we continue to be interested in anything that would be a legislative initiative as relates to bingo. Having said that, it is a fairly quiet time. There are no particular burning issues.

<Q>: Why doesn't the company do more to defend the price of the stock? Why don't you personally purchase more stock to make the price go up? Why doesn't Boston Capital purchase more stock to make the price go up? What can the company do to make the stock perform better?

Jeffrey L. Minch – Littlefield – President & CEO

Firstly I would say to you that there is nothing in particular in the company's bag of tricks, and we are owned by the shareholders and we do work for the shareholders, it would fall under what I call the category of defending the price of the stock. This is a compilation of a number of different questions. Of course everybody is concerned about the price of every security that they own. It would be naïve not to say that most of those people are concerned because the price is down. The company is really not in the business of defending the prices of stock. I had a call from somebody who asked me not to put this in as a question he didn't ask me not to discuss it, but he said 'what about buying back some stock?' We are always thinking about something like that. Even my recent sentiment as it relates to the change in tone as to how we are viewing the world, might not be the best use of capital in the short-term here. Why don't you personally purchase more stock and make the price go up; well that is really nobody's business but mine. If I were to purchase stock, and I do intend to be a purchaser of stock here in the very near future, it is really not to make the stock price go up it is for my own personal investment purposes. Why doesn't Boston Capital purchase more stock to make the price go up; I can't speak for Boston Capital but I can assure you that they do not have any responsibility to make the price go up. While everyone would like a higher price, given all things being equal, of a stock it is not anybody's personal responsibility to do that. In fact I would even say to the extent that that might be manipulation, it is also improper to do. What can the company do to make the stock perform better; well the answer to that is the company can perform better! So this change of tone and restructuring is intended to make exactly that happen.

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<Q>: The company's stock is now in the hands of just a handful of individuals. You and Boston Capital own almost 70%. Is it likely that the company will be taken private in the near future?

Jeffrey L. Minch – Littlefield – President & CEO

Obviously, that is a subject that we wouldn't comment on. I have my company hat on; I am the President and CEO of the company. I can simply say to you that in any given situation where a company's stock is fairly closely held by just one or two investors, of course there is a possibility that the company would be taken private. Is it likely that it will be taken private; I think that you're asking the same question. I think that there is a heightened probability that the company will be taken private when already through market transactions or through direct investment, a handful of investors own a big chunk of a company. Probably more so today, given the nature of private companies and the cost to comply with Sarbanes-Oxley. Is there any active discussion going on this second about taking the company private; no.

<Q>: What are your thoughts on the company repurchasing some of its stock given the particularly low levels of pricing recently? What do you think is going to happen at year end? Will tax selling adversely impact the stock price?

Jeffrey L. Minch – Littlefield – President & CEO

Well as I have said here we are looking at the world in a whole different way and we are hitting the reset button, we are stepping back a little bit, we are going to wait and see what happens with a few things, with the election and then we are going to make whatever decisions we are going to make based upon that new set of data. We are not stopping improving our business. So I would think that at times like this when you are doing a little bit of thoughtful consideration as to how the company is structured and what its cost structure is, that is the point in time to spend more time on marketing. Not necessarily more money, but more time on marketing because all of your competitors are in a similar situation and therefore there is an opportunity with a little bit of vigor and energy in marketing to improve your market share and to improve your performance. So I do not think that right this second that we are thinking about repurchasing stock. What do I think is going to happen a year in; this has nothing to do with the company, but I think that when stocks in general are down this far as they have been now, unless there is some huge resurgence between now and the year end that there will be an abnormal level of tax selling. By which I mean people firming up their tax losses and then coming back thirty days later and if they are interested in repurchasing you're positioned. So I do think that there is going to be a meaningful amount of that.

I also had a number of other questions that came specifically from one questioner and some of them are questions that are extremely detailed, and so I will answer these questions as well as I can. But where they require more detail that is beyond the scope of this conversation, I will get back with those folks. I will make certain that any information that is material gets communicated to everyone. But it is not likely that we are going to engage in a conversation that there will be a lot of material information exchanged. So here is the first question.

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<Q>: You mentioned in the press release that Q3 2008 results were adversely impacted by renovating and reopening halls. Can you elaborate on which halls and the extent of the renovations, how far along are you in the process? Are there further hall renovations closings contemplated in Q4 which may adversely impact revenues?

Jeffrey L. Minch – Littlefield – President & CEO

As a global answer let me say to you that on most of things where we have a capital expenditure where we have renovations, we are pretty close to wrapping all of that stuff up. Those things will be wrapped up in Q4. I do not anticipate letting any new contracts in Q4 for anything that would be of a meaningful size, by which I mean \$100,000-\$200,000. So in our theory of looking at the world in a different way, we may decide that while there was a project that we would have spent \$100,000-\$200,000 on, as an alternative we may just go in there and spend \$8,000 on paint. We are going to take care of the fiscal plan where there is an opportunity to defer or delay a capital expenditure. We will definitely give that serious consideration. We will stay on top of our maintenance, but where there is an opportunity to defer a high-ticket maintenance cost we will in fact try and defer that also.

<Q>: You have mentioned that you spent \$500,000 on capital improvements in the quarter. How much have you spent year-to-date.

Jeffrey L. Minch – Littlefield – President & CEO

The answer is that through June we have spent \$1.4 million plus about \$500,000 in Q3, so that totals about \$2 million.

<Q>: What are your expectations for capital improvements on existing halls over the rest of 2008 and into 2009?

Jeffrey L. Minch – Littlefield – President & CEO

Again, we are going to defer capital projects until we have a better handle on what is going to happen in the world.

<Q>: What percentage of the hall base has been improved to your expectations?

Jeffrey L. Minch – Littlefield – President & CEO

I would say that we are about 50% of where we want to be. Again, some of things there may be a way-station in between in which we say that we would like to spend \$150,000 worth of capital, but we will just make a stop gap of repainting the place and putting a little fresh look on it, may be redecorating and spend \$10,000. So that is our sentiment.

<Q>: How do gasoline prices impact your customers? Do they spend less at halls, come less frequently, or not come at all? Are gasoline prices currently impacting your operations? Can you comment on the economic state of your customers?

Jeffrey L. Minch – Littlefield – President & CEO

Well that is a very good question. Really it ties right in with what I have said before about us conducting a lot of focus groups, in particular in South Carolina. We have sixteen bingo halls in South Carolina, and we conducted within the last month a focus

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group at every single one of them. So our information is quite timely. The price of gasoline to our customers has more of an impact than the general impression of the economy. I was quite surprised to learn that. The general impression of the economy and the price of gasoline in general has made them much more thoughtful and careful. Remember, our customer oftentimes is an older person, may be retired, may have a pension and so in many instances they may actually have quite a well set life. One of the things that comes through loud and clear is that for the participants in these focus groups, bingo is very, very important to them. Almost without exception is the number one form of entertainment/relaxation and so it is one of the reasons why our customers in South Carolina may be more loyal than our customers in any other states that we operate in. There is no question that they are concerned about what is going on. I apologize for the way this sounds ahead of time, but I think a lot of them don't really understand the intimate detail of what is going on. They may not actually even care about intimate detail. They have a wholesale disrespect and distrust for everything related to the government and Wall Street. They do not think that anything that is going on that is supposed to be a solution is going to benefit them. I was really kind of surprised by that. I thought they might be just a little bit more engaged, but anyway that was the response. Now, having said that I think that we have a wonderful marketing opportunity to focus on; 'come to the bingo hall and relax from all the worlds troubles'.

<Q>: What was the Q3 revenue mix of Texas, South Carolina, Alabama and Florida?

Jeffrey L. Minch – Littlefield – President & CEO

That is the one that I am not going to get into too much detail on that other than to say that Alabama and Florida was up, and South Carolina was down about 20%, and Texas was pretty solid. From that vantage point, I would say that South Carolina was the place that was most impacted by all the bad things.

<Q>: Can you provide some color into the large drop in gross margins both sequential and year-over-year?

Jeffrey L. Minch – Littlefield – President & CEO

That is a very detailed question, and we will provide a very detailed answer. This is not the right form but I do want to make a comment that in general, you have to distinguish between the margins in the entertainment business and the hospitality business and the impact of the startups in the entertainment business. That has a tendency to excuse a margin. Again when you go back and look at the Texas portfolio, the same-store sales; the ones that have not been impacted by renovation or startup, those are as solid as a rock. There is no change there. It makes me feel very good about that mix in Texas.

<Q>: Can you discuss your 2008 expansion plans and operating plan for the bingo operations? Are you able to digest the recent growth in acquisition and grow profitably? Are you able to adjust your operations to operate profitability in an economic downturn? Are you planning on generating new markets over the next 18-24 months?

Jeffrey L. Minch – Littlefield – President & CEO

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This is just a little bit broader question of what I have already answered, but I would say in general that we are taking a whole different view of the world today than we did just three months ago. Where three months ago we said we would grow into the right cost structure, today we are saying that we will absolutely create the right cost structure. What we will do is we will right size the company for its current income. We will do everything we can to improve income and we have a great number of things that we can do that with. We have a number of initiatives that are going to be very successful. We will ensure that we are operating for profitability and cash flow. Now, six months from today, twelve months from today, two years from today we may have an entirely different view in which case we will go back to growing aggressively. I suspect that there will always be a little bit of growth, [INAUDIBLE] opportunities that fall into our lap that are just too good not to capitalize upon. As far as our being able to operate in an economic downturn, that is basically the same answer. We will be structuring our operations in such a way that we are in an economic downturn. We will not be doing things that 'well if things get worse we will do this'. We are going to take the worst view of things and act as if that were the case. I do not personally think that that is going to be the case, but that is the sentiment with which we will be approaching decisions.

<Q>: What is in store for Premiere Tents & Events given the economic backdrop?

Jeffrey L. Minch – Littlefield – President & CEO

Now if you recall Tents & Events which is the other hospitality company that we own, we had anticipated that we might sell it in the last quarter. I do not think that that is going to happen. I think the changes in the economy make it highly unlikely that that will happen. We are going to take the same approach to restructuring that business as we are to the entertainment business. That business generates about \$2.1 million in revenue and so we will structure in such a way that at that level of revenue, the company will be profitable on its own. Right now on an EBITDA basis it is not consuming any cash, and so it is an easy company to hold. However, we will restructure it in such a way that our anticipated revenue is \$2.1 million. The structure that we have over there could easily operate at a \$3-\$3.5 million run rate and so we will be able to accommodate growth. We will spend a little bit of capital. The little bit of capital that we spend may be on things where the expenditure of that capital is equal to whatever the cost might have been not to spend it. So as an example, we are going to buy some new trucks because we have been renting some trucks and the rental expense is greater than the amortized cost of purchasing the trucks. But again we will be extremely careful about that. We do not think that we will have an opportunity to dispose of that business for a couple of years.

<Q>: What was your cash position at the end of the quarter?

Jeffrey L. Minch – Littlefield – President & CEO

The cash position was \$5.2 million. We expect to improve our cash position by a couple of million with this loan that we are going to be taking out. We think that we are in pretty good shape for the next 18-24 months.

<Q>: Can you elaborate on your plans for use of cash and debt over the next 18-24 months?

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Jeffrey L. Minch – Littlefield – President & CEO

Well as part of our restructuring, we are kind of hitting the reset button, and I expect us to generate a substantial amount of cash. It will take us about 4-6 months to get everything done that is going to make that possible, and then on going forward basis I expect to generate orders of magnitude \$1.5-\$2 million in free cash flow. We are likely to use that free cash flow in the short-term to pay down debt. Today we have about \$4 million worth of debt. Most of that debt is a proxy for Real Estate expense. Though if you own a piece of Real Estate and you are using it in the business and you are paying a mortgage payment, in place of paying a rental payment. So we will pay down some of that.

<Q>: Are there any matters pending that may be impacted by the upcoming elections?

Jeffrey L. Minch – Littlefield – President & CEO

Well I do not think that anybody is getting a tax cut; that is just my personal opinion. I think there is an awful lot of stuff that got said in the elections, you know [INAUDIBLE] was running for office for a couple of years that is not tested by the new reality of the last forty-five days. So I am not expecting anything good to happen as a result of the elections. I am expecting a few things that may be adverse to business in general, but I am not expecting in any huge changes that are going to dramatically change the way people operate business. I think that we are in a little bit of a economic turmoil, and we are going to act as if that may continue for some period of time, and we are going to be real careful about making sure that we detect any changes. What I do worry about just a little bit is the market and the economy giving us a great big head-fake, by which I mean there seems to be some short-term good news that does not stand the test of time. That is one of the reasons why we want to be extremely cautious. The stock market as an example on occasion has gone up, we have got a report of 1000 points in a day and then it has tumbled thereafter. That is what I am talking about when I say a head-fake that we do not want to do something that we think has changed, and so we are going to be very cautious about that.

Those are all the questions that I had. Operator would you please poll for additional questions.

Operator

Sure sir. Ladies and gentlemen if you would like to ask a question you may 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 (*) key. One moment please while we poll for questions. Thank you. Our first question is coming from the line of Luis Martins with **Tagless Brothers**. Please go ahead with your questions.

<Q>: Good afternoon. You have mentioned that you will be doing a restructuring in Q4. Can you provide a little bit more clarity into what may you exactly do in terms of entertainment and hospitality divisions as well as at the corporate level? You said it

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was going to be sizable, do you at this time know a ballpark figure in terms of upper share number you may be considering?

Jeffrey L. Minch – Littlefield – President & CEO

Okay Luis thanks for the questions. I cannot share with you right now in the arithmetic order of magnitude other than to say that it would be substantial. Also to make sure that you understand that my sentiment toward it would be to write-off everything that is even marginally questionable. If you go back and you look at the company's conduct as related to its first impairment of goodwill shortly after it had acquired the hospitality businesses and then 09/11 occurred. If you went back and looked at that you would realize that we wrote off virtually every penny of goodwill associated with that acquisition. So I would say to you that is a fair reflection of my mindset. Obviously, all of things have to be justified in accordance with general accepted accounting principles. It has got to be reviewed by the auditors and it has got to be blessed by the audit committee so there are a great number of controls. What I would want you to understand is that there is no attempt on the part of this company to try and paint things in a manner that would make them appear to be better than what might be a very pessimistic view. That does not mean that we are pessimistic, it is just that in the judgment we apply to the accounting for the restructuring, we are going to take the most conservative view. Frankly, perfectly consistent with the view that we have always taken on most accounting matters. As fair as the actual nature of it, I would simply say that in the vernacular of restructuring things happen like people look at margin operations and close them down, people look at startups and delay them, people look at things that have consumed cash and try and reduce the amount of cash, you lay people off, you reduce compensation, you eliminate positions and you consolidate activities. These are all things that will be in the bag of tricks. Now in the company's approach to it, it is very methodical and it is in writing. We are looking at all the implications of it and we expect within the next two weeks to have finalized our preliminary plan. At the end of that we expect to have some immediate actions that require no further considerational approval and we expect to have the entire plan finalized by the end of November. At that point in time, some of the things would take a little bit of time to actually execute, but the execution would begin immediately. If there is any subject that you have ever heard that is related to 'the topic of restructuring' then you should anticipate that it is going to be something that we will give serious consideration to. I think sometimes businesses have a tendency to let a little bit of personality or ego creep into things. This is all just about money. It is all just about dollars. In addition, there is always a little bit of human impact. So if we do lay somebody off then we will have costs that are associated with severance. You never like to do that, you certainly do not do that with relish but at the end of the day that is a normal reaction to things contracting. I have not opened up a newspaper here I think in the last six months without seeing something that indicated a layoff. Now that it not a good thing, you do not like doing it, but it is something that is necessary and it has got to be done. Next question.

Operator

One moment sir while we reconnect your line. Mr. Martins please continue with your question.

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<Q>: In South Carolina you mentioned that revenues were down about 20%, I guess primarily because of the price of gasoline, is that correct? The price of gasoline has stabilized. In the month of October have revenues stabilized or improved to last years October level?

Jeffrey L. Minch – Littlefield – President & CEO

That is a great question. Let me make sure that everybody has got the question. In Q3, South Carolina was disproportionately impacted by the combination of the Gulf hurricane had an impact on oil supply and gasoline supply in South Carolina. South Carolina gasoline prices went up over \$5 a gallon. The question is having had that impact, now with gasoline prices having rebounded; they are now lower, what has been in the impact that we can detect thus far in Q4?

Again, South Carolina was down about 20-30% in the first two weeks of October. We see South Carolina being down about 10% in comparison to the prior year. I would note for you that the impact on South Carolina is the cumulative impact of all of those things. It is not solely the impact of gasoline prices. A bingo player is a creature of habit. If they got out of the habit of coming to the bingo hall with the same frequency with which they had previously done, it is a little more difficult to rekindle that. So the simple fact that the gas prices have changed, does not change the mindset of the customer. If they say 'oh I can't play bingo tonight, I am concerned about things because the price of gas, the economy and concerns about the elections' the simple fact that the gas price moves in the right direction does not erase some of those other concerns, nor does it immediately invigorate what has been their prior pattern. Now having said that I have to say to you that it is very gratifying to see that that difference is only about 10%, but frankly I think the we can probably market effectively in order to close that gap. If that were the case then that would be a very good outcome. Okay. Any more questions?

Operator

Yes sir. Our next question is coming from the line of John Seru, a private investor. Please proceed with your question sir.

<Q>: Hi Jeff. I will first of all share that I share the sentiment of your customers who view politicians and Wall Street with disgust. I have got a couple of questions. This should be I think an ideal time for buying properties. You have got capital. You do not want to buy a falling knife but the price of halls should be coming down due to decreased revenues and perhaps some of the pressure sellers have in their other portfolios. It would seem while prices should be going down in the next twelve months to two years, that buying properties in that environment should be a key focus of the company at this point. Do you see it that way?

Jeffrey L. Minch – Littlefield – President & CEO

Yes I mean John you make a very astute observation. The craziest thing about buying low and selling high is the buying low. Everybody can figure out what to do when things are real good. I think there is a little bit of a lead and lag time as it relates to the bad news hitting to the people who own bingo halls. The fact that we went out and talked to all the bingo halls in South Carolina and had those focus groups, that has been something that has been planned based upon the timing of the acquisition.

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It had not been planned based upon the timing of the bad news as relates to the economy. We just by accident happened to be there right in that period of time. I must say to you that we learned an awful lot of things that changed what would have been my preconceived notions. Mostly, it changed my preconceived notions for the positive. As far as buying bingo halls are concerned, remember that this is a business that is not in general a trader business. Real estate as an example is very much a trader business. You might buy an apartment complex and decide to sell it two months later based upon the ability to see it and the pricing. That is not the way bingo halls trade. Bingo halls trade primarily as the result of significant changes in peoples lives. Somebody dies, somebody has a disability, somebody contracts a disease, somebody gets divorced, there is a change in a regulatory environment or somebody gets caught doing something wrong and so they are mostly like family legacy businesses that do not have a graceful way to be sent on to the next generation. As a result of that I think that the lag time between the perception of bad times and improvement in the sales posture is going to be meaningful. The second thing is that they trade on trailing twelve month cash flow. So where in the past we have imposed a very disciplined cash flow algorithm on top of what we would buy and how we would buy it. I must say to you that the difficult thing is going to be that if you had perfect numbers, and believe me you never have perfect numbers, but if you had perfect numbers the question is 'is that set of numbers even marginally realistic in comparison with what the future holds?' In the past, they had been a very good indicator. Today, you just do not know. The difference in how we would look at an acquisition today is probably if we were buying something, we would get the numbers, we would make sure that they fit our algorithm, we would cut as tough a deal as we thought we could and then we would probably assign somebody to stand next to the cash register for sixty days and make sure that what we think the numbers are in fact are what the numbers are currently. Almost as if you have underwrote based upon trailing twelve-month cash flow, but you would adjust all that based upon sixty days of performance, seasonally adjusted. Having said that, I do think what will happen on the other end of this, and one of the reasons that we want to be very cautious, is that I do think that there will be a flood of opportunities. I think marginal bingo halls will close. If a marginal bingo hall closes in a market and you can buy another bingo hall in that market, you are actually buying a bit more market share. So you are thinking the way that we are thinking, and we are going to be very thoughtful and we are going to be extremely observant but we really want to see some of that reality in the market place where we are seeing those prices. I can tell you anecdotally we are already getting phone calls from folk that we have been in conversation with and something about their view of the world has changed. I do not think it is any surprise what has changed, but something about their view of the world has changed and they have become more anxious sellers. We had somebody who had a high six-figure number and now we are talking about a low six-figure number and we had not initiated any of those phone calls. So I do think that there is going to be quite a bit of change. On a recent transaction and I do not want to necessarily identify all the details of it, we were set to buy a bingo hall and we were going to buy it on the basis of cash in a note. We thought it had a very attractive return and it met all of our criteria. At the eleventh hour, the seller of the bingo hall said that they just could not live with that note. So we said 'well we have to pay cash. Its got to be at a much lower price.' So we ended up with a deal that in my view showed about a 30% return, it looks to me like the actuality has been we have made a 100% return. That was all as a result of the buying power

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for having cash. I think there is going to be those kinds of opportunities out there. Now do I think there is going to be fifty of them; no. But I think there might be four or five a year in the next couple of years along those lines. It really is going to get down to something simple and that is that this is a hard business to finance an acquisition of and cash is king. One of the reasons why we want to manage for cash flow and build our reserves is so that we are able to capitalize upon those opportunities. Any more questions?

<Q>: Yes I have got one more. Wouldn't a stock buy-back when the price is below book value have long-term economic benefits for the company?

Jeffrey L. Minch – Littlefield – President & CEO

The short answer to that question is absolutely. I think where it becomes a little bit more complex is whether or you could actually maintain that price while you are buying it back. Speaking in a purely theoretical way, this is not a discussion that the company has had, but if you are going to buy back stock there is going to create some demand in the market place where today perhaps there is no demand. I take no offense when somebody asks me a question 'why aren't you buying some stock?', well there is a great number of answers to that. There are periods of time I cannot buy some stock and may be I am like anybody else, I am sitting there licking my wounds and seeing how low things are going to go. But the bottom line is that if I thought of where I was going to put my money, I would be buying some more stock in this company and I am sure within the next sixty days you will see that to be a reality. What you don't know is if the price dipped down and you start buying it, you artificially move that price back up. I think that in some ways you have got to let water find its own equilibrium. I do think that the prospect of year end tax selling this year is a one-time in a century kind of phenomenon. I have to tell you that I have got a sneaking suspicion that the markets are really going to get hammered because I think that the second that people go out there and start to recognize their losses, any of the courageous folks who still own those stocks, I just think it is going to be hard to find the buyers. I do not know where the price is going to go. On a theoretical basis, sure buying back the stock makes a lot of sense. There is only about 6 million shares out there that are not owned by either me or Boston Avenue Capital. So you have to ask yourself why do those folks own it. I am always fond of telling people that this is not a windows and orphans stock, this is a risky proposition and it is a small company, but having said that I own a bunch of shares so I must think that it is pretty good. I just think that it is a caution. I think the prospects of the company long-term today are probably better served by husbanding their cash, going through the restructuring I have discussed and then catching their breath. On the other side of that if I am looking at a free cash flow of \$2.5 or \$3 million a year and the stock price is anywhere near where it is now, you would have to say that it is a pretty cheap way to buy some value. Any more questions?

Operator

There are no questions at this time Mr. Minch.

Jeffrey L. Minch – Littlefield – President & CEO

Thank you very much. I really appreciate everybody calling in on the conference call. As always, I wish I could give you a little bit better news. I am sure that we are

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reflection of everything that you have seen in the rest of your portfolio and everything that is happening in the world. We are not immune to what is going on in the world. I would like to read the safe harbor pronouncement and then I will look forward to visiting with you again. Probably after we have announced all the details of our restructuring, we will probably go ahead and have another conference call.

Except for historical information contained herein, certain matters set forth on 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 regulations, taxation, competition, market risks, customer attendance, volatile customer spending patterns, general economic conditions and other risks detailed in the company's securities and exchange commission filings and reports. Actual results may be materially different from those expressed or implied by these forward-looking statements.

Thank you very much and if you need to get in touch with me if you want to ask me a question, my phone number is 512-476-5141 and my email is jminch@littlefield.com. Thank you very much.

Operator

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

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