

## **Transcript of Littlefield Corp. (LTFD) Third Quarter 2009 Earnings Call Conference Call October 30, 2009**

### **Participants**

#### **Executives**

Jeffrey L. Minch – President & CEO – Littlefield Corporation

#### **Analysts**

Howard Harpin – Tagless Brothers

### **Presentation**

#### **Operator**

Greetings ladies and gentlemen and welcome to the Littlefield Corporation's Third Quarter 2009 Earnings Call. At this time all participants are in a listen-only mode. A 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, Mr. Jeff Minch, President and CEO, Littlefield Corporation. Thank you Mr. Minch, you may now begin.

#### **Jeffrey L. Minch – President & CEO – Littlefield Corporation**

Good morning this is Jeff Minch; I am the President and CEO of Littlefield Corporation in Austin, Texas. We are going to discuss the third quarter 2009 Earnings for Littlefield Corporation. I would like to start with the safe harbor pronouncement. Except for the historical information contained herein certain matters set forth in this conference call are or may be forward-looking statements within the meaning of Private Securities Litigation Reform Act of 1995, that are subject to substantial risks and uncertainties including government regulation, taxation, competition, market risks, customer attendance, volatile customer spending patterns, general economic conditions and other risks detailed in the company's Securities and Exchange filings and reports. Actual results may be materially different from those expressed or implied by these forward-looking statements.

I would like to direct your attention to our press release on earnings of the October 28, 2009 and always when we are commenting on earnings, that is the basis from which we are commenting. The third quarter is typically the softest quarter and the seasonality of our business and this third quarter was a particularly good quarter. This was a very, very good quarter given the seasonality of our business. I would like to read the press release, but I will hit the highlights of everything that we reported in that press release. Gross revenue was up by 5% and this is on the yields of the 25% improvement in the first quarter and a 14% improvement in the second quarter and so I would say that it is very gratifying to see that is the trend that continues including in the softest quarter of the year. Gross profit was up 21% and that was on the yields of



the 65% improvement in the first quarter and a 53% improvement in the second quarter. Gross profit margin -- and I received a lot of questions in that gross profit margin -- increased from 7% in 2008 to 21% and as a continuing trend of improvement also. Corporate overhead was down 4%, for the year we were down 6% year-to-date corporate overhead. Legal expenses were down 3%, for the year we were down 22%. Net income improved by almost 80% which was half a million dollars. Earnings per share in that we typically lose money in the third quarter, we lost \$0.1 per share and that was 1.3 million additional shares outstanding and in the last year we had lost \$0.4 per share, so that's about an 81% improvement. On a state by state basis Texas gross revenues were up 3%, gross profit margin was up 918%. In South Carolina gross revenue was up 85%, gross profit was up 962%.

I will give you some sense of the frame of reference there. We had a gross profit for the quarter in South Carolina of about \$200,000 and we had lost about \$23,000 in the same quarter in 2008. Alabama and Florida broke even. On a year-to-date basis Texas gross revenue was up 1%, gross profits were up 170%. South Carolina gross revenue was up 85%, that is again year-to-date. Gross profit is up 144%. Alabama and Florida gross revenue is down 10% and gross profit is down 19%. I would like to comment upon our continuing program to realign and restructure the business and I get a number of questions about that. So if your question appears not to have been answered as relates to realignment in restructuring it is because I have provided that information here in the next couple of minutes.

First we are trying to eliminate certain business units, we are trying to consolidate certain business units, we are trying to reduce certain expenses. We are trying to cancel delay and defer expenses. We are doing specific things to enhance revenue. We have a marketing program that we are trying to roll out in the entire company and all that has an overall objective of enhancing revenue or saving expenses of about \$2 million. Obviously having improved \$0.5 million in just the third quarter indicate that we are well on our way towards success in that program. From elimination management point we obviously the sole word of mouth **catering** company. We sold premier **tens and** events, we have laid off a few people, we have four bingo halls that we have closed in Texas and in the last conference call, I described those as temporary; however today I describe all of those as permanent. In South Carolina we have two Bingo halls which we closed permanently. In Texas we are doing some work where we have concession stands that were opened that we are going to convert to vending machines. We have consolidated two different Texas Bingo Halls and we are getting ready to -- we are considering another pending consolidation. We've reduced numerous operating expenses and in particular we dramatically reduced, and we have a continued program to continue reducing, our cost of electronics, computer card mining equipments in each of our Bingo halls and we dramatically reduced capital expenditures and in this quarter we had a fairly low level of capital expenditures. I would say to you that our prior capital expenditures which were very high, are really now paying a tremendous dividend because we have bingo halls that we spent money on sometime ago, they are now performing much better. As far as canceling, delaying and deferring we have one Texas Bingo Hall which we are still committed to opening but we simply delayed it. We cannot give you a time that we will rethink that decision right now. It is going to be delayed until further notice.

As far as enhancing revenue I had already mentioned to you that we are replacing electronics in most of our bingo halls. We have also deployed our own ATMs. Those things together are going to provide a very meaningful chunk of a million dollars' worth of improvement. We acquired in the past six bingo halls in South Carolina, we acquired two of the Bingo Halls in South Carolina, and we acquired a Florida Bingo

Hall. Today I am going to mention the fact that we have just signed a contract to acquire three more bingo halls in an existing market and we have another bingo hall that we are getting ready to make an offer on a letter of intent. So all of those things will enhance revenue, and I would also like you to know that the acquisitions that we had made most recently in South Carolina are all operating and cater above their targeted threshold rates of return. So that is the program as relates to realigning the business.

As related to acquisitions, I had mentioned to you last quarter that our view is to be deliberately cautious and a bit more cautious than we have been aggressive. But you know there is a point in time that you look at it, you analyze and you pull the trigger, so we have just signed a contract to acquire three Bingo Halls in the existing market and we are getting ready to offer a letter of intent on our fourth Bingo Hall. Again all of our acquisitions are performing well. I do not mean to imply that they have performed well from the day we have acquired them because some of those we acquired before the economic chaos that occurred in the third quarter of 2008, but they have all now come back to exactly where we had hoped they would be.

From a regulatory advantage point, in Texas, we are facing the implementation of House Bill 1474. This bill will require us, because of the specific provision in the bill to eliminate two marginal bingo halls, and both of those bingo halls we have in fact terminated in accordance with the changed revisions of House Bill 1474. There is nothing particularly reportable or noteworthy in South Carolina as relates to a regulatory matter and in Florida we continue to have a minor matter relating to a particular game we would like to play, and we are in dialogue with the regulators there about that. On legal matters we are awaiting the final decisions and we have got some briefs to file and we have full response from the other party on the Furtney case and then that case will either go forward to trial or be terminated. In Columbia, South Carolina where we had sued a bingo hall there for unfair trade practices and that unfair trade practices was related to their not honoring a smoking ordinance which had prohibited smoking. So we had a bingo hall in Columbia, new ordinance, no smoking, our guy stopped smoking, they did not, we filed suits, we obtained a temporary restraining order, long story short, that bingo hall which was a competitor of ours, has now closed. That probably is going to be a fairly messy matter before it all winds its way through, so I am going to have to be very, very cautious about making any comments about that.

On the legislative front, obviously Texas will not be in session next year, so there is not much to report there. In South Carolina, through the offices of the allied bingo professionals, we intend to support and to be part of an initiative to make some changes in that enabling legislation. In Alabama I do not anticipate any activity and in Florida we may or may not be involved in passing the bill. So that is the overall due of things, very, very good strong improvement in the quarterly performance and the continuation of the trend. I have received a great number of questions. So let me go to those and try to answer them as well as I can.

This appears to have been a very, very good quarter, given that this is traditionally a weak quarter. Do you agree with that assessment?

Yes. The third quarter is the weakest quarter in our business and it is a pronounced seasonality and primarily it is attributable to July and August and the first part of September, which only leaves the last three weeks in September after Labor Day and it is being a period of time they would appear to be good or normal. So yes, it is a pretty difficult quarter. We improved by almost \$0.5 million. So I would have to say that it was in fact a very good quarter.

Please speak about how your gross profit margin is increasing and what is causing this at this time? At what gross margins and operating expenses can you generate income from continuing operations?

Well first thing is that the gross margins in some ways are simply just calculated as a result of results. And so it is not something that you can manage independent of other things. It is a yardstick. It is like a speedometer on the cars, good piece of useful information but the more important thing is how hard you are pressing on the accelerator or on the brakes. So our gross profit margins 2009 year-to-date is at 29.4%. In 2008, at the same point in time we were 18.2% and our target is 40% and we had hit that target in the years of 2006 and 2007, and so you could look at it from a historical vantage point to say if you used margins as you were a speedometer, in 2006 and 2007 we were rocking along at 40% gross margins. When things came a little unhinged there in 2008 it did 18.2%. We have now got it for 2009 back up to 29.4%. So I would say that there is potential for another 10% improvement in gross margin and most of that improvement is not going to require any more expense on our side, other than incidental cost of goods sold and so little bit more paper then you obviously add the cost of paper. So we feel a lot of upside there as it relates to gross margins.

What should your gross profit margin be or what is your targeted gross profit objective?

Again as I just said it is 40% and to hit 40% you have to have a little impact from startups as you can, so I would say to you that in those places that we are still struggling we have recovery, we are absorbing the cost of the startup as well in certain places in Texas, that is the number one dilutive force against our profit margin, but again this is just a result of math. It is not something that you can necessarily manage discreetly. So I would say we are half way there. Dipped down to 18.2% in 2008, we got it back to 29.4% in 2009 year-to-date, and our target is to get it to 40%.

Your operating margins have improved nicely. Is there a further room on the upside? Do you attempt to actively manage the margins?

This is like the third iteration of the same question. Yes it has in fact improved. It is as a result of the operations. It is not because of the operations. There is further room for improvement. I think we can get it back up to 40% and may take another full year to be able to get it back to that level. But certainly we think we can do that, and it obviously motivates us to do more acquisitions as opposed to startups. Because the startups have a period of time in which they consume cash and they are not generating cash and therefore they dilute the operating margins until they reach some level of stability.

Can the cost savings from your restructuring efforts and the improving economy translate to profit of operations for 2010?

Well the answer to that question is yes. We expect a breakeven for 2009 and a profitable 2010. You know we are always reluctant to provide any kind of particular guidance but I think given the trends we are stating the obvious and so in 2008 we had a pretty tough year. We did pretty good considering what everything else did happen in the economy, and as we look back now, wow we really think that the third quarter of 2008 was really a disaster. And so we are well away from that and we are beginning to approach levels of performance we did close to 2007, which was a very, very good year for us, so I would say 2008 just the continuation of those trends is going to be very good now. Let me dampen that just a little bit by saying that it is my

view that the overall economy is quite fragile, and so I think it would be fair to say that we are probably a beneficiary of a little bit of chaos in the marketplace. So somebody is probably not going to Las Vegas or Atlantic City, they stay at home and hopefully they are playing bingo in our bingo halls. And I think we have done a lot better job of operating them and we have made some variance to acquisitions. But in general there is another piece of bad news out there, we are held hostage and we are susceptible to whatever happens in the marketplace also.

What are the continued opportunities for growth in South Carolina?

What we think that South Carolina is a very attractive market. If you recall we had some regulatory issues. We were able to solve all those regulatory issues and we have clear sailing there in South Carolina. We like the market, it is now our largest contributor as relates to profit and part of that is that we still have one or two problems that we are fixing there in Texas, but it is a very important market to us and the acquisitions that we made in South Carolina have turned out to be very good acquisitions. We are going to purchase hopefully before year-end, four additional bingo halls in markets that we are currently in.

What was the mix of revenue among Texas, South Carolina, Alabama and Florida?

Texas contributed 57% of our revenue. The prior year it contributed 64%. South Carolina contributed 30%. The prior year they contributed 17%. Alabama and Florida contributed 13%. The prior year they contributed 19%.

On an annualized basis what do you anticipate your cost savings to be from your restructuring efforts?

Well as I said to you our target is a \$2 million improvement coming from both cost savings and restructuring. Given that we have improved by \$0.5 million in the third quarter alone, it would seem that that is a fairly reasonable expectation. So we are looking for a million dollar improvement in restructuring and a like improvement in revenue enhancement. Sometimes the lines get a little blurred. If we are replacing all of the electronics in the bingo halls is that restructuring or is that revenue enhancement, so we have a tendency to blur those accounts a little bit, but we are looking for a \$2 million improvement and I think we are well on our way to achieve that objective.

Has everything worked out as planned with the disposition of premier, any residual issues? When are you going to recognize the \$90,000 valuation allowance?

Well first off, everything about the disposition of premier has worked as planned. Now, we always plan for a couple of hiccups, so there have been a couple of hiccups but there hadn't been anything that has been material. There are no particular residual issues and we had a piece of real estate that we had to work through the lease on so that has been done now. As far as the recognition of the \$90,000 valuation allowance, this is a very technical question. Anytime that you take a promissory note from somebody and have to make an assessment as to the probability of it being paid, I assess that as having a high probability. Since we are very conservative in our approach we made a \$90,000 allowance on that note and we will recognize that at sometime in the future, I can't tell you whether that is going to be six months from today, 36 months from today, but there has been no erosion of that, but we have not had to have allocate more money to that valuation allowance, but it is just a prudent approach to being conservative anytime, if you have a risk associated with somebody paying your promissory note.

How has the stock buyback program been progressing?

We purchased approximately 110,000 shares at an average price of about \$0.71 a share. So it has been progressing about the way we thought. So we spent about \$80,000 and we have an authorization to spend as much as \$0.5 million. I want you to remember that we have users for that stock, so we have obligations that are being met by it, so it is not just an attempt on our part to purchase the stock because we think that it is simply undervalued that we really have within the user's red stock.

Please comment on legal expenses? Are you approaching stability? What do you think is a normal level of legal expenses?

First let me say that our legal expenses year-to-date are down 22% in comparison to 2008 and this was a year in which we had very meaningful lobbying expenses. We were paying lobbying expenses in three different states. We love lobbying in this with legal. So first I would say it has been down 22% very significant. What that means in terms of raw numbers is that we had spent 350,000 year-to-date which is about a \$100,000 less than we spent the prior year. We have a matter going to trial in Florida. Once that is resolved, it is resolved hopefully for all time. We did in fact have, we have a continuing significant legal issue in Columbia, South Carolina that is a discreet issue that will be resolved in some form or fashion, but it is requiring some expenses. So I anticipate in a "normal year" and hope we encounter a normal year, our expenses would be in the \$175,000-\$200,000 range and that would be a combination of dealing with regulators about operating issues, perhaps influencing regulators in the normal course of things like appearing at the Texas, bingo advisory committee or the Texas Lottery Commission, transactions costs we expense all of the transaction, legal fees associated with acquisitions, and normal lobbying expenses even in a year which we do not see any particular contentious issues, we have an obligation to protect ourselves in the halls of the legislatures of the states that we operate in. So I think a normal level of expenses would be \$175,000-\$200,000.

Looking forward to the balance of 2009, what do you see on horizon? What thoughts will guide your performance?

Well first there is only one quarter left. I think last quarter, the fourth quarter is going to be influenced by the trends that we have identified thus far year-to-date and so if you remember when I started, I made it a point to comment that in the case of revenue as an example, our record on revenue was 25% improvement in the first quarter, 14% in the second quarter, 5% in the third quarter, and remember those quarters, because of the seasonality, only have so much that they can improve. So the first improving by 25% is very meaningful because that is the best quarter in the entire year, but that also means you have the best opportunity once you covered your fixed costs to make profit in that quarter. So I am taking that the fourth quarter is probably would not be pretty good, and that puts the cap on the year and I expect we break even for the year.

How is your cash position at the end of Q3 2009? And what are your prospects for raising additional cash?

Well first thing is we did not really consume very much cash in the third quarter. What we did spend, which is about \$200,000 net. We spent on discreet things, whether it was debt service versus capital loss and so we really if we had managed in a different way, we would have broken even. So our cash position at the end of the quarter is \$3.7 million in cash. We do anticipate and are working on borrowing on a general

corporate basis up to \$2 million. And on these new acquisitions that we are going forward on, I anticipate that we will do what I would describe as project financing, in which we will have a bank loan us the money on a discrete project-by-project basis. I have always wanted to get to that position. Being a real estate guy you think about financing every deal on the tome, but I think now we have got a very clean balance sheet, we have got a strong balance sheet, we have our liabilities under great control, having disposed of the catering company and the rental business, I think, our business is extremely rational. It is very transparent. It is easy to see what is doing well and what is not doing well and so I think we can probably borrow if not all of the money, virtually all of the money for these acquisitions. You know we target a fairly high rate of return, north of 25% on acquisitions, and our cost to capital, if we are borrowing at prime plus 1 as an example is extremely low. And so the financial leverage that is created by that is extremely attractive in long-term of course that we have the financial engine that drives our business. So I think we are in a strong cash position. I must say to you that I am a little nervous about what the future holds, you know, having not really seen last year third quarter coming along, I would have to say I am a little bit more cautious in general. The other day at a board meeting I was asked why we need some more money. And I guess my answer to that is why wouldn't we get some if it is available and it's cheap. So we would like to have, you know \$5 - \$6 million cash on hand and be working on a bunch of deals and get discrete project financing form in order to protect our cash position.

Do you anticipate closing on any potential acquisitions before the year-end?

Yes we just signed a contract for three bingo halls. A lot of our acquisitions, I think, in the future are going to be a situation where I buy three and close one, because they fit into some markets we are actually operating in. And I think that this is very high chance that we will acquire four bingo halls before year end.

Can you give us an overall assessment of how you see the business today as opposed to this time last year?

Well in the third quarter of last year, we had kind of a perfect storm. We had very bad weather in the gulf coast. And you know if it rained at 5 o'clock and bingo starts at 6, people do not go and play bingo. We had months and months and weeks and weeks of bad weather. We had the gasoline crisis. That -- those hurricanes had an impact on the gasoline supply and so gasoline in the South East got as high as \$5 a gallon. People do not go out and do the same things with \$5 a gallon, that they might do at \$2.5 a gallon. In addition, we did have huge, huge Front Page economic upheaval in the economy. Nobody knew what was really going on and then I think it was all compounded by a certain hyperbole that was created by the Presidential elections. And so those four things taken together is our view of the perfect storm. So it was a very, very negative time in the third quarter.

Now what do we have?

Well I think, we are kind of going into survival mode, what we have to say here is the economy in Texas is quite good. The economies in Florida, Alabama and South Carolina are distinctly and measurably inferior, and if you have used as a discriminator perhaps unemployment, I suspect that the unemployment rates in those last three states are at least twice as high as they are in Texas, but Texas also has the benefit of having oil revenue coming to Texas and oil now is about \$80 a barrel, so throughout Texas if you are going to stay overnight, you pay the better part of \$200 for a hotel room. Not a lot of hotel rooms there in the desert. So the bottom line is that we are very cautiously optimistic. The other thing I would say to you is that having

really cleaned up our business, having closed down some marginal deals and having made some tough decisions from where it was forced upon us, some of which was anticipatory on our part, we are just a lot more streamlined and perhaps the greatest personal improvement that I have, is I just have more time to be able to focus on growing business than I ever had before, when I was in real estate business we built a very substantial business. I feel that in many ways like I am at that same point now, there is a lot of other things that include the debts, we are in a much better position from a regulatory vantage point, we are in a much better position from the vantage point of knowing our markets, and so I would say that we are extremely optimistic about the future and about the future of our business.

So I would conclude by saying, and I am going to answer any additional question for anybody who is on the call, but I would conclude by saying this was a very, very good quarter, and that the magnitude of the improvement was quite substantial. And if you think in terms of what we are trying to accomplish, a \$2 million improvement, having improved by \$0.5 million in a single quarter, certainly would lead one to believe that we are making very meaningful progress down that road. I suspect we would break even for 2009 and we will be profitable in 2010. So that is my report to you. Moderator would you please pull for questions?

**Operator**

Certainly. Ladies and gentlemen if you would like to ask a question, please press \*1 on your telephone keypad. A confirmation tone will indicate 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 \* keys. Once again if you do have a question please press \*1 on your telephone keypad. Our first question is coming from Howard Harpin with Tagless Brothers.

**Howard Harpin – Tagless Brothers**

Congratulations on the third quarter. Great job. The question I have is regarding I guess, it is somewhat marketing category? What type of customer satisfaction or customer improvement program do you have in retaining customers, gaining new customers and getting feedback from the customers?

**Jeffrey L. Minch – President & CEO - Littlefield**

Howard thank you very much for your question. What we are really talking about here is what is our relationship with our customer base. Let me say to you when I look at our business in general I think that the bingo business in general, is kind of in cave man stage as it relates to customer relationships, and so I think one of the great low-hanging fruits that we can pick in order to improve our financial performance and which we have already been doing for quite some time, is how you relate to customers. So first thing I'd tell you is that virtually everyone of our bingo halls we have some kind of a customer database. Some of them would be fairly sophisticated, some of them are pretty simple. We offer dual price, somebody fills out a card, we get their names put in the database and we are able to identify those customers. I think we have a very good handle demographically on who our customers are, how far they drive to come and see us, what motivates them to come, what they are looking for, and we use focus groups primarily to obtain that kind of information. Then we do them on a frequency that it reinforces what we learn.

One focus group probably has a shelf life of about 2.5 to three years and we pay people to come to those focus groups, we will try and get a cross-section of folks who we anticipate have an axe to grind, , folks who we think might be happy, folks we know nothing about, and we typically have 10 of them, we ask them program set up a

100 questions and we document their answers, and we typically pay them 20 bucks to come, sometimes we feed them and pay them 20 bucks thereafter. So we obtain a lot of data. One of our motivations to change our electronics system is that many of these electronics systems have in them, because they are computer driven, having a similar program that really becomes a customer royalties and rewards program. And so like everybody else in America, walk-into a coffee shop today, buy ten cups of coffee and get one for free. So we have the same kind of approach to business. Now we are probably only about 20% or 25% rolled out on that. Where we are has been extremely effective. The next part of all that stuff is we have within the company probably we have 95% of all the knowledge that you would ever need as far as dealing with customers. Where I would fault us, where I would say that there is some room for improvement, is that we have not been as consistently energetic. So as an example, having Elvis come to the bingo hall is just one of the greatest things in the world. Elvis can't come every single month, so we have got to have to do something else. So we do a lot of these things in fits and starts, and that is an area that over the next year, I think, is a huge opportunity for improvement, that we are just going to have more time and more energy to focus on those kinds of things a little bit more documentation, and have the ability to do more and more of that, but I consider that to be one of the great opportunities.

Now in our capital expenditures program over the last say year and a half, we tried any of a number of different experiments, we tried using round tables, pretty good, we put up some new signage. We put up flat screen monitors. We did a great number of things and so we had 10 or 15 different things that we tried. Today we have got a report card and we said these things have worked, these things are marginal, and these things had absolutely no impact on anything. So in our bag of tricks we have got some tricks that we know are tried and true and tested. The single most important thing believe it or not is the chairs, and we use a particular kind of very, very, comfortable chair and that is probably the absolute number one return on investment that we have ever made in a bingo hall is to have the best, largest most comfortable chairs that you can have, sometimes the customers they know they like it, they do not know why they like it, but it is attributable to the chair. So you have hit on an area that I would have to say that today I'd give us kind of a C, but I think, there is an opportunity and we have the knowledge and we have the people and we have the expertise and wisdom and the experience to be able to be an A level performer there. So I think that there is a great opportunity for us to improve across the board. I would give you one note of caution and that is that we now have enough bingo halls that I may be making a comment about something that in fact we are doing perfectly in some one particular location, but it is just having bubble to the surface and we are not crossed fertilizing quite enough in all the other locations. So I do not mean to imply that you know anybody is sitting on their hands or anything that we just – it takes some time to get some of these more esoteric things to bubble to the surface, but I consider that to be some low hanging fruit which ought to really bear excellent results for us in the next 12 to 18 months.

**Howard Harpin – Tagless Brothers**

One final question about the ATMs, how many do you have and how many would you like to have ultimately and what type of margins are we talking about there?

**Jeffrey L. Minch – President & CEO - Littlefield**

Well ATMs are very interesting because first off, think anytime we have a point of sales which means 100% of our bingo halls would likely have an ATM. Where we have bingo halls that are located or co-located side by side, our initial deployment might just have one. Over the long run we are going to have probably more than one ATM. If we back up for just a second, the fee arrangement on most ATMs is a \$2 to

\$2.50 fee and that typically is being captured by somebody who is the owner of the ATM, somebody who is the processor of the ATM and let us say if there is a bank. Most multiunion banks are now reimbursing their customers for using somebody else's ATM and so the cost to the customer is now is approaching zero. So he used our ATM. You happen to have a BB&T ATM card, BB&T may reimburse you for the \$2.50 charge. So the first thing is that the way the banking environment is organized is making it very attractive for people to use ATMs, because it is virtually progressing to zero cost for customer. Owning the ATM is where most of that revenue goes and those ATMs are costing us or a magnitude about \$2000. So in some instances we are seeing returns on deployment of those ATMs that are quite extraordinary. I do not want to delve into what those returns are, but they are very, very good. They are better than the bingo business.

The other thing that happens as a result of that, is that we do not take checks at many of the places that we have an ATM, and as a result of that we also reduce our credit cost and we may not take credit cards, and the credit card processing fee then falls out of the sky also. So you now create a profit center for the company in deployment of the ATM. You eliminate credit risk associated with checks, and you eliminate processing fees associated with credit cards, all of that taken together means it is a very substantial improvement. And so the very short answer is that anyplace money is changing hands, we would like to have our ATM right next to it and it is genuinely a service. It is not an attempt on our part to snag a cash flow that otherwise would not exist, it is genuinely a service. It is cheaper for everybody and in this particular instance, those fees end up on our income statement as opposed to somebody else's income statement. The only complication at all is that we have to warehouse the cash and so you know we typically are putting \$3000-\$5000 cash in those machines and so we have some invested capital in those machines in addition to the cost of the machines. The equipment itself is very, very good and when we were first doing this we analyzed the cost of using used equipment which was appreciably less expensive than new equipment, but the combination of the new equipment and the warranty just in the comparatively lower cost that the -- competitive cost and our buying power because we are buying so many, so just sent them out to get the new equipment, so I just think it is a win-win situation for us all round.

**Howard Harpin – Tagless Brothers**

Thanks. That sounds great. Keep up the good work.

**Jeffrey L. Minch – President & CEO - Littlefield**

Thank you Howard. Any other questions?

**Operator**

I am showing no further questions at this time, Mr. Minch.

**Jeffrey L. Minch – President & CEO - Littlefield**

Well, again thank you, very much to everybody participating. I appreciate very much the opportunity to visibly see about Littlefield Corporation. As I said I think the third quarter was a very, very good quarter and if you ever have a question feel free to call me. My number is 512-476-5141. Email me at [jminch@littlefield.com](mailto:jminch@littlefield.com). Thank you very much for your attention. I look forward to visit if I can at year-end.

**Operator**

Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time and we thank you for your participation.