

**Transcript of
Littlefield Corp (LTFD)
4Q & Year End 2007 Earnings Conference Call
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Participants

Jeffery L. Minch, Littlefield Corporation, President and Chief Executive Officer

Presentation

Operator

Greetings and welcome to the Littlefield Corporation Fourth Quarter and Year End 2007 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions]. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host Mr. Jeffrey Minch, President and Chief Executive Officer for Littlefield Corporation. Thank you Mr. Minch, you may begin.

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

Good morning, my name is Jeff Minch. I'm speaking with you from Austin, Texas. It's a beautiful clear, crisp day down here in Austin and the subject of our call today is the Littlefield Corporation's fourth quarter 2007, and the calendar year 2007 earnings conference call. I would like to direct your attention to our press release of the 5th of March of 2008, and you will find that on any website or you can find it – any financial website and you can find it on our website also.

I want to talk to you just for a second about your raw picture. I will touch first on revenue. Revenue for the Corporation in the fourth quarter of 2007 was approximately \$3.3 million as compared to approximately \$4 million in the fourth quarter of 2006. That's a decline of about \$751,000, and that was really attributable to just a few discrete things. Entertainment was basically flat in the fourth quarter of 2007 – entertainment, which is our bingo segment was \$1,879,000 as compared to \$1,917,000, which is about a 2% decline.

Hospitality had a decline of about \$728,000. So, hospitality was the source of most of the difference in revenue. On a year-to-date basis, you recall in 2006 we had record levels of revenue and in 2007, for the year we matched that level. Entertainment was particularly strong and again entertainment is bingo. We have had an increase of 8%, which is \$616,000 in comparison from 2006 to 2007. Hospitality was down about \$555,000 which is about a 10% decline.

Gross profits for the year were – gross profits for the quarter were \$515,000 as compared to \$976,000 and that's a \$460,000 decline, about a 47% decline. And we found that both in entertainment and in hospitality, entertainment being bingo was down about 45% for the quarter and hospitality was down about 58% for the quarter.



On a year-to-date basis for the Corporation the gross profit was just about even and in 2006 for the year the gross profit was \$3,375,400 and the gross profit in 2007 was \$3,356,704, so it is off by about 1%.

Entertainment, again bingo was up by 6%, which is \$207,000 and hospitality was down by \$228,000. Corporate overhead for the quarter and for the year were both good and the corporate overhead for the quarter we were down \$141,000. On a year-to-date basis, we were up about \$349,000, but there is a number of one time charges in there.

Legal expenses were down in the quarter from \$242,000 in 2006 down to \$116,100, which was a savings of about 50% in the quarter and on a year-to-date basis we were able to save about \$89,000 on legal expenses. And again, I direct your attention to our press release.

In looking at the overall performance of the company, looking at the fundamentals of the economic engine Texas was strong. And I want to note one of the things that we noted in our press release was that we had one bingo hall in Texas that we closed, we renovated, we reopened and that was in Abilene, Texas and that had an impact on the quarter of about \$342,000.

So, when you see the entertainment, you'll find for it – both the quarter and the year is particularly noteworthy because there were \$342,000 worth of costs associated with just that one bingo hall and that \$342,000 was about \$80,000 worth of lost revenue and then we spent \$262,000 renovating the bingo hall. And, we've spent most of the cost associated with renovation of the bingo hall, which is in accordance with Generally Accepted Accounting Principles but, you need to know that a lot of those costs are – cost will last us for a protracted period of time.

South Carolina was particularly strong and later on I have a question that asks me to break out those differences and I will do that. But, South Carolina was strong, Alabama was steady, and in Florida, where we acquired a bingo hall had no impact on our 2007 or fourth quarter 2007, but we acquired a bingo hall in Florida and that's already begun to contribute to profits.

Those are the highlights of the economic performance. Couple of important topics, in the last conference call I mentioned to you that we had a fire in Charleston and it destroyed two bingo halls, both those bingo halls are back up and running, they're generating revenue, they are doing very well, there hadn't really been any significant degradation of their financial performance as a result of being closed for a period of time. There are some timing issues related to when we incurred certain expenses and when we will receive insurance proceeds and we have not yet fully processed our insurance claims for both of those losses and so we incurred some of the expenses in 2007 and we will receive some of those insurance proceeds in 2008.

Out in Odessa, we realigned our operations. We had two bingo halls in Odessa. We terminated our relationship with one set of charity as a result of their failure to pay rent in a timely manner, we are now negotiating the settlement, we expect that they will pay substantially all of the delinquent rents and we moved one set of charities from one bingo hall, which was called Let It Ride, over to another bingo hall which is called Strike It Rich. So, we terminated those leases, we moved the charities.

The first day as the new charities operated in the old bingo hall, they made an \$8,000 margin, they deposited about \$7,000 that night. And so, one of our dissatisfactions with the other group of charities just had to do with their management, their response

with us, their communication with us, the delinquent rent but most importantly their management of bingo hall, so we feel as though this change is going to be very good change, we will then go back and renovate the old bingo hall and we will restart that bingo hall from scratch.

I mentioned the acquisition and we negotiated an acquisition in Florida, it's called Town & Country Bingo Hall in Pensacola. We negotiated that in the fourth quarter, we closed on the 1st of January. Like most acquisitions there were some wrinkles that were related to it and we worked through that, it normally takes 3-6 months to stabilize a bingo hall when you buy it. This was an operating bingo hall, it was a pretty good bingo hall, but the seller who had owned it had passed away and so we were acquiring it from his widow. His widow is a very nice lady, and – but as you can appreciate perhaps she hadn't been quite as attentive as she might have been, certainly her heart was in the right place.

So, I am pleased to tell you that that bingo hall in the first quarter of 2008 has already begun to contribute to profits. We paid a very modest amount of money for the bingo hall and as you know we have a hurdle rate of 3-4 times trailing 12-months cash flow, so we are looking at 25% to 33% return on our total investment and I am pleased to tell you that all indications are it will meet or exceed that hurdle rate.

We know in South Carolina we still have a letter of intent and a contract to purchase six bingo halls and we are negotiating with the State there on a regulatory matter, they denied us some licenses, we have asked for an expedited hearing, I went over last week and was deposed by South Carolina Department of Revenue about some administrative matters pertaining to our request and application for those licenses and so, we expect to have an expedited hearing here sometime probably in the next 60 days.

In addition, in Texas we have acquired or in the process of acquiring two additional grandfathered commercial lesser licenses and that gives us a total of about seven licenses that are currently not being used. In Texas we have four specific bingo halls that are under some form of development.

One of them you already know about and that's a bingo hall in San Angelo. We are a little late opening the bingo hall. We expect to have it opened a little bit earlier but we will open it probably right at the end of this month, and we are little bit late because of the construction progress over there.

And remember in San Angelo we have already got a bingo hall and this one is right next to it, it's a separate building and we will slowly but surely begin to gravitate sessions of bingo from the old bingo hall to the new bingo hall. Our point is out here because we should not have a dramatic impact of our normal startup cost where a de novo will start from scratch the bingo hall. So, this already started up pretty good. There might be not there quite as many sessions but we will have them very gradually, but we will get paid a good rent and the charities will have a very productive session. This is a very good bingo market for us and this is a very bingo hall and I think this would be a good success, it's just is going to come up, the curve has right to sessions very gradually. So, we have about 14 to 16 sessions a week depending upon how many temporaries are used, right now. And we will gravitate a few of those over to the new bingo hall and we will begin an increase in day time and late night sessions and so we'll have 123 punch of day time, night time and late night in two buildings that are side by side.

We also have another location where we have signed a lease, I don't want to say it right now what that location is, because I haven't got the signed lease back but we've signed and sent our money in and we are actively pursuing charities in that location and we expect to have that bingo hall open and running within the next 60 to 90 days. It will require a little bit of rehab, but it is in an established location and so, I think it will be a very good start for us.

In El Paso, we've signed a letter of intent for a specific bingo hall location. We have received a lease, pretty good, and I expect to sign that lease here within the next 7 to 10 days and it will begin work on that bingo hall in El Paso. And then in McAllen, we own a piece of property in McAllen that's adjacent to El Bingo Grande which is one of our bingo halls in McAllen and we are going to put a bingo hall in that adjacent property. So, there is four definitive opportunities, you should have known already about the bingo hall there in San Angelo, but the other three there is a little bit of new information there and you should expect to see a press release from us here within the next week or so.

As relates to litigation, you know that we have some ongoing administrative litigation there in South Carolina with the Department of Revenue. And on one of the matters pertaining to our licensing matter our lawyer is off at war, he is in Afghanistan, as soon as he returns then we will begin to litigate that. I have mentioned to you just now the application for the six licenses, so we have six bingo halls we would like to purchase in South Carolina, the sale of the bingo hall is hanging tight with us, you recognize this is not our doing, this is not something we created but we surely like to get those applications approved so we could purchase those bingo halls.

In Texas, you know we had a matter that was under discussion with the Lottery Commission related to a violation pertaining to the extension of credit. They sent us an opportunity to show compliance we have met with them several times, they have now indicated they're going to send us a determination letter, they have now indicated they are going to send us a warning letter. So, we have been over there several times and meet with them. It doesn't appear as though there is anything substantive to this and of course that's my opinion, they may have an entirely different opinion but clearly we did not extend credit to the charities that are involved. The charities that were involved with this were those charities in Odessa, who had failed to pay us the delinquent rent. And so, any way this is all working its way through and I mentioned that here because the character of our legal expenses has changed just a little bit. In the past it has been almost a 100% adversarial litigation. Now its been transformed to a bit more of story of the Furtney case down there in Florida and as you know, Furtney passed away, his estate was replaced as the defendant and so they have to have some period of time to get up to speed and then we will litigate that probably sometime this summer and that's our really only adversarial contentious matter and the rest of the things are more administrative or minor and so – or they are acquisitions related and so the character of our legal expenses has changed just a little bit.

I mentioned you the Furtney trial, since we spoke last in Lubbock we were able to settle the sexual harassment case and as you know our defense was that he wasn't our employee who was accused of this and to make a long story short we allowed ourselves to get blackmailed so that half of what we thought would cost us to go to trial.

Out in Abilene, we have a matter that we have initiated. It has to do with some wrongful acts that we believe that the former manager of that bingo hall made and so that's an active matter of litigation, its not a huge case and you know its one of those

things that we will probably spend a little bit of money on and that going to trial and, I anticipate that a punishment of some kind or damages will be meted out but its not a great big thing.

In Odessa, we had initiated binding arbitration with our charities out there, who have failed to pay us rent and we are in the – getting ready to settle that. We are exchanging some settlement documents, and then out there in Abilene we also were owed some money and we settled that case.

From a legislative vantage point, we are looking at some legislation in South Carolina that deals with some of these licensing issues, pull-tabs and amusement private (ph) machines. Its kind of early in the legislative cycle out there and as you will appreciate, with the primary just having occurred recently most of the legislators are a waiting to see whether or out they are –actually be running to office before they get too energetic about legislation.

In Texas, we have a legislative session next year, similar situation in Texas, they just had the primary on the 4th of March I believe it was, and so we probably will initiate some legislation in Texas, we are going to spend a lot of time I think in Texas on rulemaking – administrative rulemaking.

In Florida, there is one or two items of interest just from a legislative vantage point, and our plan will be same as in Florida. As far as our initiative to transform bingo halls in entertainment definitions that continues. We had a particular sign made on a trailer that we are using up there in Abilene and that was a new experiment for us, our bingo halls are offering, getting you through the snack bar or the charities themselves are offering some entertainment. Elvis is common, we got a juggler and a comedian, we have initiative of providing some massages and car washes and we are continuing some other food related promotions.

From a capital improvement vantage point in Abilene, we are just about finished with Ambler, we have learned a lot of things there, as you know we spent a quarter of a million dollars, almost everything we did there has been extremely positive. Its probably a few things that we would do a little differently based upon our experience, but we can take that experience and use it in other bingo halls.

At Super Bingo out there in Abilene we're almost finished with it. In Austin we got the exterior renovation underway, the parking lot is underway, the roof is completed, the massage center sign is completed. So, we are getting ready to start on interior and the snack bar. In San Angelo, we completed the roof, we completed the air conditioning system. In Odessa, there will be some minor work to be done at the bingo hall to which we have transferred one set of charity. And the bingo hall that they came from there is some significant roof work that the landlord needs to do.

In San Antonio, Blanco Hall Bingo, we are doing some cosmetic work and in Midland, we have a major future project to expand that bingo hall. That bingo hall is doing extremely well and interesting enough the Midland market, which is not a great surprise given the size of oil. Midland is doing extremely well. From a staffing vantage point, we have added another manager in Texas in order to help drive our expansions and to work on these new bingo halls, and so we have a total of four people working on the portfolio in Texas and of course we have four new bingo halls that open up, we got some moved in pieces and some capital renovation on some of them.

I mentioned to you before that Taglich Brothers of New York was doing some research, business research, which we had commissioned. I mention this to you because I had a couple of questions into what our relationship is with them.

They act independently; they simply ask questions that are answered in accordance with regulation FD, fair disclosure and so they have no particular insight as you as a shareholder might not have and they have no particular access. We do not provide them with forecast or anything else. And so that body work is totally independent. Now, it's fairly widely disseminated, I will get a call once in a while from somebody who has seen it, but it is at end of the day, research that we've paid for. But we don't have much influence with those fellows and I think we have paid them the entire amount upfront.

They ask us a lot of questions also and so I think we are doing a good job on that question, they are doing a good job on the research. At that high point, now I always get a lot of questions. First, I want to remind you sometimes I get the same question asked by three or four different people. And each one asks it a little bit differently, and so I compile a lot of questions and so you may recognize the topic, but it may not be exactly the way you worded it, but understand that in the course of compiling it that was a question that I got on that subject so if I got multiple questions I try to put it together to get a little bit of everybody's style in there.

Here is a question, it seems like you are finally seeing the growth as you promised. How are you going to fund the growth? Well, first thing is with positive cash flow. We spend lot of money in capital and so that's inhibiting our cash flows in some ways, that's consuming some of the cash flow. But the bottom line is the flowing cash. We've a line of credit offer, from two different banks. Our current bank is Plains Capital Bank. The White Plains Capital Bank, they have been extremely helpful to us in a number of critical situations and they have offered us \$4 million line of credit, and so we have a ready source to be able fund our expansion. All the things that we have done to-date, the acquisition in Florida, the work on the acquisitions in South Carolina, all the capitals expenditures has all been done with current cash flow. And so, they hadn't been any particular strain on our cash flow as a result of that and the other thing is we are raising capital. And all I am telling you is we are in current negotiations, very close to concluding them. They have raised a meaningful amount of capital to ensure they we are able to fund all of our growth. So, I want you to know that we've got a definitive plan. I've told you some things that we hadn't talked about thus far. You will see that in some press releases shortly but we are very, very conscientious to make sure we're not about some thing that we cannot fund.

I got one late question from somebody who called, I'm not sure I absolutely understood their question. But the question was; is the hospitality business hide directly to technology clients? And so, I guess the answer to that question would be, no.

The hospitality business is driven by social events. Lots of the hospitality business is repeat clients. They are high net worth individuals. Their families were having weddings. There is a fair amount of institutional business with University of Texas and now we do some corporate business. But as a general proposition there is nothing that I would describe as hugely technology related. We do a fair amount of real estate related things. And most of this is for large development where somebody is developing a large piece of property and trying to track some attention. But I think this question was really kind of focused on the history of technology in Austin. You know that there was bit of a bubble and that burst, that occurred sometime ago and I think most of the technology employment in Texas, in Austin is pretty solid. But it would not

be an accurate characterization to say that we have a lot of exposure to technology, first off there is not a lot of technology firms like that to do the kind of entertainment that we do and then secondarily it is simply not a meaningful part of our business. We would like to do some more but its currently not.

It seems like you are being more demanding on the performance to your charities. Can you comment on what troubles and triumphs you have had? Well, first off I am not sure that's a fair characterization that we had been more demanding. You know, we have rent leases, leases start certain things that we have to do and charities have to do and at the end of the day this is the business relationship and so while these are charities that are trying to fund noble causes and we are very supportive for all those noble causes, at the end of the day it's a business. And where we have ever had a problem it's mostly been as a result of something related to business. And I guess, I would say my greatest concern is with the quality of the business planning, of the marketing planning, of the execution and of the record keeping and analyses of performance. You know that we have a separate company that's called Littlefield Charitable Bingo Management Consulting, we provide services, most all of them for free, with the exception of book keeping that we get paid for typically, but we provide services to the charities and what we try and do is cross fertilize the debt practices from Florida, South Carolina, Alabama and Texas so that they can see the best ways to make money in a bingo hall.

And remember in South Carolina we are quite active. On behalf of the charities we promote the bingo there. In Florida, it's a similar situation. In Texas, we are the least active and so once the conduct of bingo begins we have nothing really to do with conduct of bingo. However, we do encourage the charities and we try and educate the charities about the best practices. I think one of the great challenges for all the bingo halls is be competitive in the face of an increasing offering of alternatives entertainment choices. And so, there is lot of other places where people buy money – there are lots of other places that people can buy entertainment, where they can spend their money. That's one of the reasons why we like the secondary markets in Texas a little bit more than the big cities, because we feel like the entertainment alternatives are not as numerous in the smaller cities and the secondary cities than they are in the big cities and the folks are not quite as mobile, they are not going to drive from Abilene as an example to Fort Worth to go and watch a movie. And so as a result there that's one of the reasons that our strategy is the same, secondary city.

You know on occasions a group of charities will think, well we can do what that commercial lesser is doing and we have had that occur few times and somebody has started going to bingo hall never really worked out particularly well. On occasions we have some folks who have engaged in some bad faith negotiations and that's regrettable.

I would also state here, we had lots of triumphs. We have had folks who called us up and said help, we are in trouble and we have been able to nudge in that direction that's made them money.

The results for 2007 are quite good. Our charity is doing extremely well, more customers, more money in the prior year and so I feel like our relationship with the charities with the more people we have now in Texas, we are going to be more available to them. We are going to have higher quality communication and probably the two things that to me or [Spark Trevor] (ph) is when you don't have good communication with the charities, and when one individual has too much control and it's typically a bingo hall manager, has too much control over the charities with the

bookkeeping or something else. But I think across the board we have pretty good set of charities and I think we are in pretty good dialog and we will stay attentive to that.

How much stock value the partners currently own? Are you happy with the relationship? Have they been a demanding shareholder? Do you have any reservation about their continued buying the stock. Well, the first thing is, you know, I don't like being in the business of answering questions as it relates to value fund partners. You need to refer to SEC filings. I don't want a mistake, and I don't really look at their SEC filings that frequently. I do know that they own north of \$2.2 million shares. They are good shareholder, we are happy with the relationship. As you know, we have a very close relationship because they have a board seat. And so one of the – when we raise the money with them, we agreed that they would be able to nominate a member to the board and that fellow was elected to the board. These are professional money managers, smart guys, attentive to business, hard working to the extent that a public company would ever have a partner these guys obviously have the same interest. Well, they have the same interest as all the shareholders. They want the share price to be as much as it possibly can. So, I think that it's a good fit, we have got to know them. I have been up there a few times also to visit with them. I have met several layers of their company and I would just say that they are professional. They got stock in our company, so like a vote of confidence in our – but I think they are the kind of folks which you want to have having that chunk of stock.

Are you considering a share dividend any time soon? Well, I always have the answer to by saying sure, we are considering it. Is the consideration any more or less than in the past? Yeah, we'll probably need to order a share dividend and real issue there would be one of timing.

What was the Q4 2007 revenue mix of Texas, South Carolina, Alabama, and Florida? How do you see the mix changing over the next fiscal year? Well first, I'm going to say is you know, I want to remind you that Florida did not contribute to the Q4 or Q4 2007 or calendar year 2007 performance. We didn't close on that deal until first of January. From a revenue vantage point Texas revenue, and remember we have used the negative impact of the revenues out there in Abilene, it was up above 1%, South Carolina was down about 5%, Alabama was down about 10%, overall the entire portfolio would have been about 2%.

For the year revenue is up about 8%, Texas is up 8%, South Carolina is up 15%, and Alabama is down 1%. So, on revenue there was a very significant and meaningful increase in both Texas which was 147,000 or 8% and South Carolina which was 217,000 or 15%. And remember the revenue in South Carolina is substantially smaller than the revenue in Texas. The revenue in Texas is almost \$5.4 million, the revenue in South Carolina was \$1.7 that was up \$200,000, and revenue in Alabama was \$1.4

As far as gross profit was concerned, the Texas gross profit was down from really because of the impact in Abilene, and remember that impact was lost revenue plus, a flat quarter, a \$1 million of expenses we spent on the bingo hall. So, it was down from \$558,000 to \$212. For the year it was almost flat until in 2006, we have \$2.2 million worth of gross profit out of Texas and for 2007 we had \$2,177,000 so it was off by about 3%. South Carolina, interestingly enough for both the quarter and the year – in the quarter it was up 469% which was from 19,000 to 109,000 and for the year it was up from 552 to 859, that was an improvement of 306,000 or 56%.

Alabama was down for the year about 8% and for the quarter they were down about 50%. And we have a little bit more competition now in Montgomery that we have, because there was a bingo hall that was relocated.

Are you currently generating revenue from Florida in the current Q1, 2008? Yes.

If not, when is that expected to kick in? What is the revenue cost model for this operation? We paid about \$300,000 for that operation and we expect it will conform to our criteria of 3 to 4 times trailing 12 months cash flow. We also think that there is huge upside at that bingo hall, and we might surprise ourselves and we might double the profits coming out of there.

What are the projects or expansion there? We are giving our [indiscernible] in Florida and I think it's a huge market and I think there is great opportunity for expansion and you know everybody that we talk to in Florida at some point in time is already interested in talking about a sale. And you know it's a dynamic market, it doesn't have adequate state wide regulations – that make us very cautious, because every place we go you got to meet that local sheriff and the local regulator make sure you are conforming with their perception of the bingo rules. So, we think there are good opportunities for that.

Can you discuss your 2008 expansion plans and operating plans for bingo operations? Can you discuss any acquisition opportunities for 2008? Well first thing is, as I mentioned to you before, we have four bingo halls in Texas that are getting ready to open in some form or fashion. And in San Angelo it's getting ready to open very shortly and one other location we've signed a lease [indiscernible] and that will be open very quickly. We have a bingo hall that was build from scratch out there in El Paso in a leased premises and we will do the same thing there in McAllen, and so I expect that those four bingo halls. We would put probably may be one more that will have our plate full for Taxes for 2008. Remember we are also doing some capital improvements for improving the existing base also. We have four people working on all that stuff.

In South Carolina, we have the acquisition of six bingo halls and so we are very keen to get that done from an administrative vantage point. We are still looking for some other opportunities in Texas – in Florida and so probably will redouble our efforts there to become more familiar with, more comfortable with Florida.

You mentioned in the press release, that 14 of 17 bingo halls in Texas and South Carolina are strong. What are the factors driving the strength? What has been done about underperforming halls? Well, first off I think that comment was only about Texas bingo halls because we've 17 bingo halls and 14 are doing well. One of the ones that wasn't doing as well was the bingo hall that we consolidated in Odessa, so we had two bingo halls in Odessa, we now have one operating bingo hall in Odessa doing very well and then we are going to back in and renovate the other bingo hall.

In general, I would say that most of our bingo halls, the charity managers are working very well. Now situation in Abilene and Odessa, we are kind of similar and that is that I don't think that the managers were attentive to the operations, our Rio Grande Valley operation is very strong. San Antonio, have a little more competition – they are strong. Austin is strong. Midland is strong. Abilene is in a re-opening mode right now and it's going to take a little while but those operations are very strong and I'm very, very pleased with some innovative things that we have done out there, such as the charities, and buildings and tenants. Lubbock is an area that we can probably improve in. There is only one bingo hall up there, it's a little bit weak, and then I think I've mentioned in Midland, we like our bingo hall. That bingo hall desperately needs to have the physical plan that's equal to it's financial operations. It's doing extremely well, and we just want to make sure that we are doing right by their opportunity.

Are there any plans for significant renovations for existing bingo halls? Yes, I mentioned here that we have renovated the two bingo halls up there in Abilene. We are getting ready to do just some cosmetic work out there in Odessa. Same thing is underway in San Antonio. In Austin we are doing a major rehab and then in Midland, probably this year we will initiate a very significant set of improvements there. I mean, some might say that it might actually be worth our while to discard that building and build a new one.

Has the recent economic uncertainty impacted the bingo halls? Has competitive landscape changed significantly over the recent months? Well, first off let me say to you that I think a lot of what's going on in the economy whether it's the weak dollar or interest rates, or its sub prime loans and all. A lot of that is very, very focused, you know, it is very discrete and so I think in the slice of our folks of our customers the economy is pretty good; you know we notice that it's difficult to hire people. We notice that unemployment is low. Now, if somebody has a difficulty with their house, and their house gets foreclosed, obviously that's not conducive to them spending money at bingo. But we think a lot of that is coming from the sub prime business more so than just the fundamental to the economy. I also suspect during a presidential election year that there is an awful lot of self serving comments that are made that are not necessarily supported by the fact.

Now having said that, it's not a loss on us that there is potential for a recession, its not loss on us if there is a declining interest rate environment. But our experience tell us that sometimes that's quite good for our entertainment business. And what happens in that situation is the people who might have been going out of town for entertainment decide to stay home and play bingo. So in some ways we are beneficiary of a little bit of chaos in the market place as well as the economy. Now having said that, I much prefer to have a strong economy than anything else.

Fourth quarter is historically seasonally strong for hospitality; revenue seem to be weak in comparison to last year and lower and even in the second quarter 2007. What does it say for the performance of that operation for 2008? How was the first two months or so been for this business? How has the recent economic uncertainty hurt this operation? Well first let me to you that a lot of work transpire with hospitality with the loss of one single large client. We live by the large client; we die by the large client. And so in 2006, this large client spent a lot of money, in 2007, they didn't. In the map the numbers are almost singularly based on that difference. So I want to know that the underlying business seemed to really have a crack on it. It was really this one particular client and that's the nature of that business. As far as performance in the first quarter thus far, I would say performance in the first quarter thus far is supportive of a return to the levels of revenue and profitability that we have seen in the past. And so, there is not a continuing downward trend and I think everybody involved with this business is more attentive to manage them.

As far as recent economic uncertainty, I don't think we have really seen a lot of impact on that and again the comments that I made before about bingo really have to do with that customer. I think we do have more sensitivity as relates to a customer who would be using the catering company or the rental company, we have not seen any revenue impact of that thus far.

In the February 29 press release you mentioned an ongoing legal matter in South Carolina. Can you discuss and also any other legacy legal matters still outstanding? Well, first let say these legal matters in South Carolina had to do with a violation that we are defending, it has to do with number of licenses that we can hold. And we

think that we are right on that, of course everybody tells you they think that they are right on that. The Department of Revenue is taking a very unusual legal theory in order to proceed on that and that's part of the comment that I want to make on it. We have an application for six licenses and they are attempting to apply the same theory, of course the implication of that is that they want that first case which has not yet been established. So, it's a matter that's under review with them. These two are related. We kind of think that they need to grant us those licenses, and lump those two together but we'll see how that works out.

As far as other legacy and legal issues, one of the things is we paid off a considerable amount that we owe related to prior legal judgment. So, our cash flow is improving as a result of us having paid off that. The only that I really consider to be a legacy legal issue is the continued involvement in Florida with the Furtney estate. In that matter we are the plaintiff and we really have no counter claims. We have done downside so we will how that works out. Our legal fees also had been associated with regulatory matters as opposed to litigations. And they have also been involved with acquisitions we've spent all those things and in just negotiating the leases and other things like that which would incur legal fees for. So, the character of our legal fees has gone from something in my view as kind of negative to something that is more positive.

Any upcoming challenges or opportunities as it relates to regulatory fund? Well, I think that you know the nature of our business since we are the biggest commercial lesser in Texas, we guide down our toes confidently. You know, [indiscernible] the Lottery Commission they are good folks, it's a tough job, they deal with some folks sometimes who are maybe shouldn't be in the business. I think it's tougher than sometimes to make that transition.

You know we have had a good dialogue with them, we don't think in Texas as an example, there is anything to this business about the extension of credit and I think even a cursory review of the fact there would indicate that would be the case. We are going to become much, much, much more active in rule making. And in the Texas, there is a provision in the administrative law that you can pass a rule, you can propose a rule and you have to get a fair hearing on it. So, we are going to propose some rules to try and clear up anything we think is misunderstood in that in Texas in particular.

Given the weak performance of hospitality, has the time finally come to reap the benefit of spending losses, applying the funds derived from the sale of hospitality as the company's long term debt and realizing whatever general administrative savings can be realized? I think it's time to focus on primarily on being getting rid of hospitality. You know, I get this question asked all times. So, first I want to say is that every business we own, you wake up every morning and say do you want to own it, do you want to sell it, do you want to close it, do you want to expand it. Obviously we want to expand bingo and the other alternative as far as hospitality do we want to close it down. No, we don't want to close it down. And we want hold it? So the only two things we're left with is alternative selling. I will have to say this that with the passage of time and our ability to invest capital effectively in the entertainment business the hospitality business becomes less and less attractive. Now, the premise of the question that we would stem loses, that premise is correct. We will be able to deploy funds from the sale of hospitality to the company's long-term debt. The implication here is the interest rate savings, if we could and we have a general and administrative savings can be realized that probably would have to do with changing the accounting burden and some other things like that. The premise of that question is certainly right. Now, am I telling you that we're going to sell hospitality? No, I'm not telling you that. Am I telling you that we would have any reluctance to? I'm not saying

that either and, you know, just one of those questions that I want to tell you that the premise of the questioners question is absolutely correct. Is there anything I can tell today that we are doing on it? No. Will it be fair to say that those things go through our mind when we think about hospitality? You bet. [Indiscernible] companies we want to make sure would ever happen is to get in the hands of somebody who can do right by the opportunity. But, it is clear that our future lies with bingo not with hospitality.

How do you adjust your cost structure over the past quarter when you plan in terms of cost for the rest of year? Quite an interesting question, I am not sure I understand fully what question is but, I would say to you is that probably we are pre-investing a little bit in the management in Texas, as we had good growth there and you know, it's like a farmer who is who has got one tractor and he is trying to farm a 100 acres and he goes and gets you know 300 acres, and he goes out and get 4 tractors, so we got lot more talent, we have got lot more people Texas. And I think we are seeing the results. In South Carolina when we – if we were able to successfully acquire results of bingo hall we have to beef up our management there just a bit either by acquiring some talent that comes with the acquisition or adding some folks. In Florida, [indiscernible] already manages the bingo operations in Alabama. He is taking care of Pensacola. As you know Pensacola is located, it is really right there below Alabama. So its just across the [indiscernible] where we have a bingo hall, but there will be some pressure on it as we grow in Florida as to how we are going to manage that.

In general, we are attentive to our cost. I can't say that there's been any great triumphs as far as reducing costs. We are probably pre-investing in people as it relates to the growth of business, but the good news is we've got some real growth opportunities that are real and solid.

Can you give us a 5 or 6 blind points about the company's performance in near term? Well, I would say the growth of entertainment – the economic engine of entertainment is very powerful. South Carolina in particular is very good and I will attribute that [indiscernible]. In Florida we've made nice acquisition, I am pleased to say there were no big surprises. Most of our success there is due to Gene [Philinoy] (ph) , Mike Louie and Richard Bunkley, who worked on that. Gene is the one who is really responsible for managing it. Gene is a very competent, seasoned and experience businessman. I think he's got that situation under control. We are going to spend some money. I should mentioned earlier we spent some money renovating that bingo hall also.

In Texas we acquired a couple of licenses, I think that was a good thing. We have got start of some bingo halls in San Angelo, one of the city I had mentioned to you, El Paso and McAllen and so that's very positive. Just one more opportunity and that's a full boat for Texas for the year. I think we have got a very good team in place and I think that, we are dealing with the realities of all the questions that have been raised here, and I'm also pleased to tell you that our instincts as far as transforming bingo halls into entertainment definition and what that means from a physical vantage point, and the marketing vantage point and promotional vantage point and the cost realization of our best practices that starts working. And so, I am very pleased to tell you that when we can have a bingo hall management that is receptive to that I think that we have got some good results.

So, those are all the questions that I had gotten, I tried to answer them all. Moderator, would you poll for questions, please.

Operator

Ladies and gentleman at this time, we would like to ask. [Operator instructions]. Our first question is coming from Louis Martins with Taglich Brothers, please state your question.

Louis Martins – Taglich Brothers Inc.

Good afternoon. You know, obviously you got a full plate and looks like you have done some good things. You mentioned in your prepared remarks that perhaps you are looking at raising capital, how much capital do you think you will need to go through with your plans and what kind of – what form will this take a common stock or preferred stock or a convertible?

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

Okay. The first thing I said to you is that any capital that we would raise – we would raise only [indiscernible]. So, we an offer of \$4 million debt and I think we are in one of those critical times in the history of the company that have a little bit stronger balance sheet, have a meaningfully stronger balance sheet would be very useful. So, in the actual application or whatever capital we raise we would use a combination of debt and equity but I think what we really need to do is raise some equity.

You know little company like ours, I think that's likely to take the form of common stock and so without, saying anything that would be inappropriate for me to say, obviously we have gone out and talked to folks before, we have raised capital and so, I think that there is track record to look at, I think that we need somewhere in the range of \$5-7 million to be able to exercise our initiative and complete all of our plan. Now let me be very clear, we only equate that much for everything I have described to you that is reality, but there is other things that are going on that I have not been able to reveal to you, because they are just not mature in respect of this and those also are things that if we could go to the well, there are not going to be enough funds in order to be able to do that.

I suspect on the other side of raising \$4 million worth of debt capital and \$5 to \$7 million worth of equity, I suspect, you know, a year or two years from today our cash flow will be so meaningful that we will be able to fund an awful lot of what we want to do at our own cash flow. I think there is also a practical limitation in that if we want to raise enough we are then free to ground execute without having our efforts diluted in raising capital, we also don't want to raise so much that there is a huge dilution. And you know, I think we can build the business to a very substantial size and so it's important to make sure that we are not repeatedly going back out to the market and we get enough first time in order to be able to do that. So, I think its likely to take the form of just common stock, I think its going to be in \$5 or \$7 million range, we are going to marry that with cash that we currently have, with positive cash flow and with some debt in order to be able to grow the business substantially.

Louis Martins – Taglich Brothers Inc.

And some sort of a time frame, are you looking at maybe 3 to 6 months or 12 to 18 months that you will be looking for capital or more in the shorter term?

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

I think it will be in calendar year 2008, and like anything else we would like to say it will be sooner rather than later. I would be disingenuous if I didn't say to you it is already underway and so I have nothing to say to you that I could definitely announce but I want you to know that we didn't just dream this up because we had conference call today. So, it's been underway and we always have been careful about timing. You know, financial market out there are fickle and somebody might say now is the good time to pull the trigger and something might change and the front



page to Wall Street Journal will, hey, we want to wait six months but as a general proposition I suspect will do this in 2008 and I think it will be sooner rather than later and I think it will be consistent with things that we have done in the past.

Louis Martins – Taglich Brothers Inc.

Okay, very well. You answered all my other questions, you do a great job on the conference call, you know answering questions. So, I can make use of that and wish you luck in the future.

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

Thank you very much. Further questions.

Operator

[Operator Instruction]. Mr. Minch it appears we have no further questions. Do you have any concluding comments?

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

Yes, thank you very much. But first I will appreciate everybody paying attention during the conference call. I hope that I was able to give you an accurate and useful overview what's going on. I want to conclude by saying that I am very positive about where things stand, it has taken us sometime to assemble the right teams to understand our markets, raise capital and so I think we are in a enviable position. In the next 12 months, I think we have a huge opportunity to grow the size of the business. And with almost every expenditure of money, we are making a very handsome return and we were making those kinds of returns really given the marketplace and spend that money quickly.

I want to close by giving you the Safe Harbor announcement, except for a historical information contained herein, certain matters set forth in this conference call today are or may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to substantial risks and uncertainties, including government regulation, taxation, competition, market risks, customer attendance, volatile customer spending patterns, general economic conditions and another 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. And so again, thank you very much. And if you ever have a question, please feel free to call me and e-mail me, I will be glad to answer in any way I can. Thank you very much.

Operator

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