



Transcript of Littlefield Corporation (LTFD) Fourth Quarter 2008 Year End Earnings Conference Call March 13, 2009

Vcall
601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

info@vcall.com
www.vcall.com
www.investorcalendar.com

Participants

Jeffrey L. Minch, President and Chief Executive Officer

Presentation

Operator

Greetings Ladies and Gentleman and welcome to the Littlefield Corporation Fourth Quarter 2008 Earnings Release 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 call, 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 now begin.

Jeffrey Minch – Littlefield – President & CEO

Thank you. Good morning, my name is Jeff Minch, I'm the president of Littlefield Corporation. We're headquartered in Austin, Texas; I'm calling from Austin. It's a great rainy day here in Austin. I want to direct your attention to our press release of the 11th of March 2009 and you can find that press release either on the company's website or on any other financial website. In that press release we noticed that the fourth quarter 2008 had some specific notable items including a total of \$3,199,000 of which 2.4 million was good will impairments and contract termination costs. \$388,000 was attributable to renovating, reopening and start up of bingo halls, primarily in Texas, legal fees of \$75,000 and non-cash costs associated with compensation expense, primarily options of \$346,000. That compares to the fourth quarter of 2007 which we had similar charges totaling \$271,000, \$96,000 of that was profit from the catering unit which was sold in April 2008. So everything that we are going to talk about today excludes from the numbers, or the numbers have been adjusted for the sale of the catering company which occurred in April 2008. In that quarter and the fourth quarter 2007 we had expense of \$244,000 attributable to reopening bingo halls in Texas, we had \$109,000 worth of legal expenses and \$14,000 for non-cash expenses related to stock options.

Now the big news of course in all of that is that we made a \$2.4 million impairment to good will and contract termination costs. Neither of those costs are cash costs those are adjustments to the carrying value on our balance sheet. In the calendar year, what I just talked about was the fourth quarter of 2008, now I'm talking about the entire year of 2008 there were approximately \$4.7 million worth of notable items. We made a net gain of \$441,000 from the sale of the catering business which occurred in



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April 2008. We had \$2.4 million worth of good will impairments and contract termination costs, that is the same 2.4 million that I just spoke of in the fourth quarter. We had \$1.8 million worth of expense related to renovating reopening and start up of Texas bingo halls. We had almost \$600,000 worth of legal expenses and almost \$400,000 worth of non-cash expenses related to stock-based compensation. So going back, \$4.7 million worth of notable items of which \$2.4 million was the same good will that we had mentioned in the fourth quarter and again good will impairment and again that's a non-cash cost and then almost \$400,000 worth of non-cash expenses related to stock-based compensation.

In the calendar year 2007, so in the comparable period there were \$656,000 worth of notable items. About \$40,000 worth of catering losses and again these numbers all have the word of mouth results stripped from them, \$217,000 worth of expense related to renovating and reopening bingo halls in Texas, \$421,000 worth of legal expenses and then almost \$60,000 worth of non-cash expenses. And again all this is as detailed in our 11th March press release.

Some highlights of what occurred in the year 2008, total consolidated revenue for the year was down 3%, entertainment, bingo was steady and hospitality was down by about 14%. The entertainment or bingo gross profit was \$3.2 million which is down 13% in 2007. Later on I'll answer some questions as to why I think that occurred and what the impact was of the recent economic downturn. Jumping to Q4 2008 highlights, revenue for the fourth quarter of 2008 was up 5% since previous year's fourth quarter and if you look at our trend, the trend of revenue changes I would say its very significant in that that is the first quarterly revenue increase since Q3 of 2007. So I'm looking at the recent economic downturn which I think continues, you began to see things pureed a bit in the fourth quarter of 2007 when revenue was down 19%. For the consecutive quarters it was down 19%, 105, 6%, 3% and in this quarter, the fourth quarter it increased by 5%. In particular, bingo increased by 12%. I want you to be a little bit cautious in that some of that increase is as a result of some units that we had added, however there is an increase also in our core business. And again looking at revenue for the year, revenue was down 3% from 10.7 million to 11.1 million so in 2007 it was 11.1 million, in 2008 it was 10.7 million. Gross profits for the corporation was down 35%, so gross profit in the fourth quarter was \$272,000 and that compares to \$419,000 in the fourth quarter 2007. For the year, gross profit was down and remember we had these write-offs so gross profit was down from 3.3 million in 2007 down to 1.2 million in 2008. Corporate overhead was down about \$80,000 in comparison to the fourth quarter 2007 and year to date it was basically flat, it was, it improved by about \$2000 for the year.

As far as earnings are concerned, and again we had the write-offs in the fourth quarter, earnings for 2007 were a loss of about 300,000 and with the write-offs in the fourth quarter of 2008, earnings were a minus 3.2 million. We went from a loss per share of \$0.03 to \$0.19 a share. For the year, last year we had made a profit of approximately \$0.03 and share and this year we show a loss of \$0.27 a share. At the end of the year in 2007 we have weighted shares outstanding of \$11.3 million and this year we have \$15.5 million. So that's the basic results and again all that is as covered in our 11th March press release.

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In looking at the economic engine of the company, the Texas core business, in other words the bingo halls that are not impacted by renovation or reopening, revenue was up by about \$54,000 for the quarter. In South Carolina, where we made some acquisitions, we made a big acquisition in 2008, revenue from that acquisition was up \$178,000 in the quarter and the core business in South Carolina was down \$44,000 for the quarter. Florida was very strong and of course was made that acquisition in January 2008 so there is really no comparison to 2007, but our Florida performance is very good. The Florida performance, even for this first quarter is better than it was for the prior two years for comparable periods. Alabama was down \$14,000. You'd have to say that our core business was basically flat which is very encouraging for the fourth quarter given that it had been very negative in the third-quarter and so I think there's been some noticeable and meaningful rebound on our business in the fourth quarter.

In the quarter we took some actions to realign our business with the realities of the market place. If you remember last quarter I had a question asked as to what we were going to do about the deterioration of the economy. We reduced our staffing by three people, so we laid off three folks, we hired one additional person so we have netted two lost, we've basically frozen our compensation levels, we delayed the opening of two new bingo halls, we had a bingo hall that was getting ready to open in El Paso and one in McGowan and we have delayed that, I'm not sure how long we will delay it but certainly for the foreseeable future and our only reason for delaying those is that it takes \$200,000 to \$400,000 of real cash in order to make those bingo halls break even and so we just don't want to incur those operating losses right now.

We closed two bingo halls in Texas. One of the ones that we closed in Texas, we may be on the verge of reopening, and then as part of our acquisition in South Carolina, we recently made an acquisition in South Carolina, we closed one of the bingo halls that we acquired and then we closed another bingo hall whose lease had terminated, so if you took the number of bingo halls we had, added to it the acquisitions we've netted closing two bingo halls from that number. As far as acquisitions are concerned we continue to look at acquisitions. Today we're probably a notch or two more deliberate in our acquisition process. And while we always had had a fairly good due diligence process we have become quite detailed in our due diligence process and in these times right now we are looking more to project what we think the future is going to hold as opposed to what has necessarily happened in the last trailing 12 months. We are looking at a number of deals, we have one deal right now that is under contract and due diligence is underway on that deal.

As far as new bingo halls currently under development we still have the El Paso bingo hall and the McAllen bingo hall that are both on hold. The El Paso bingo hall could open up in a very short period of time and the McAllen bingo hall would take just a little bit longer because there is some construction work that needs to be done. Both of those bingo halls have licenses in place that would allow us to open very quickly. From a regulatory vantage point, in South Carolina we have settled our regulatory issues with the State of South Carolina. We have a signed settlement agreement, we are awaiting an order of dismissal with prejudice for the case. In this particular instance we've settled it, it's in writing, it is signed by the Department of Revenue but nothing is ever finalized until the court dismisses the case and in this case with

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prejudice meaning the case would not be rebrought in the future. The company has not paid any fine and really the company is not required to change anything about its operation. We have agreed to, as far as the settlement to report to the State of South Carolina some normal and routine corporate governance things that we otherwise were doing to ensure that they continue to be convinced of the legitimacy of our wholly owned corporate subsidiaries in South Carolina. So this is very good news. And in our recent acquisition there in South Carolina, there were no regulatory issues related to that.

As far as legal matters, we continue to prepare for trial in the case in Florida, the case I call the Furtney case. As far as legislative matters from South Carolina, through the Allied Bingo Professionals which is an industry group of which we are a member, we are in the process of drafting a bill which we hope will be passed which will have a favorable impact on the performance of charitable bingo in South Carolina and we think that there is some high probability that in fact that will be successful. In Texas the legislature is in session, remember in Texas it's only in session every other year, there has been a bingo bill introduced. It was introduced by an industry group of which we used to be a member, we're no longer a member, we are generally supportive of everything that is in that group—correction we are generally supportive of everything that is in that legislation. We anticipate lobbying in favor of that legislation and I suspected that there are a few changes that may be amended to that legislation or amended to some other vehicle and there are a few other things that we would like to have considered.

So that's my basic report. I got quite a few questions this time around so I'll go through those questions and try to answer them for you. I had two questions that were very similar, one was, "please comment on what the company is doing in response to the weak economy" and then its sister question was, "please discuss any realignment, cost cutting or other actions taken in response to the weak economy". So obviously we reduced our staffing by three people and a net of two, we have frozen compensation. We're not opening any new bingo halls right now, we've delayed two. We are also delaying capital expenditures. We've closed four marginal bingo halls, one of which I think we may reopen here shortly and we're being diligent about conserving cash. So in general we're being extremely cautious about everything we're doing.

Are you personally under a binding contract? Yes. Can I get a copy of it? If it is filed of record you certainly can. Is it filed of record anywhere? There's, in the 10k there is a ratable from it, there is a description of the contract and I would anticipate that in the next 10k that we file, which will be shortly there will be a copy of the contract. As a general proposition we wouldn't send that contract out, but it will be attached to the 10k and you can look at it there.

Can you give us a sense of your thinking in regard to the write-offs which occurred at year end? When you make these determinations do you ever consider the impact on earnings or the stock price? Well the first thing is that most of the things that we dealt with at year-end are required under generally accepted accounting principles. So while our attitude is to be very conservative, there is not a lot about the decision that is particularly discretionary. So as an example, every year at the end of the year we

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have to test goodwill to see whether or not it has been impaired. It's a fairly simple little test, we conduct that test but I must say to you, the general proposition in times like this we would be more anxious to write-off those kinds of costs because we believe it is a fundamentally accurate view of the financial position of the company and our number one obligation under generally accepted accounting principles is to provide an accurate picture of the financial condition of the company. So yes we probably are a bit on the conservative side, we don't have any choice about it, these are not discretionary things we must analyze them on an annual basis. And frankly we don't really make any determination based upon the impact on earnings or the stock price so GAAP doesn't give us any particular latitudes that we can fudge in one way or another and we would not be inclined to do that, based upon what the impact might be on earnings or stock price. Obviously we have no control of the stock price but from an earnings vantage point it's all just arithmetic. And we make our decisions as relates to these kind of issues in accordance with GAAP and then the consequences or result are whatever they're going to be.

Can you provide a qualitative sense of how much the economy has impacted your business and how severe the impact has been? Well I would say that first off, August, September, October, November of last year were quite bad and I think I've said this before and I will say it again, I think that the presidential election probably exacerbated things and that there was an awful lot of public note about how bad things are. In general, I generally feel that things are never as bad as people say they are when they're bad and they're never as good as people say they are when it's good. And so from that vantage point, August, September, October, November were very, very, very weak. In December we began to see a bit of a rebound and I would say to you that looking forward in January, February and March. January and February and March exhibited some real strength force and as opposed to being down in comparison to prior years, both the prior years, 2008 and 2007, the first quarter looks quite good and one of our best barometers is to look in South Carolina because South Carolina was at the tail end of all of the gasoline cost increases. South Carolina appeared to be more sensitive than other markets because the price of gasoline not only got to \$5.50 a gallon but also it was rationed and people couldn't get as much gasoline as they wanted at any price. And in the first quarter of 2008 we're really starting in about the middle of December, so in the first quarter of 2009, I said 2008, I meant to say 2009, in the first quarter of 2009 and about midway through the December we saw some real improvement in our financial performance. Later on I'll be asking a couple of questions about how I see our performance in comparison to our proforma and I think that we'll hit our original numbers. We did not hit our original numbers in August, September, October, November.

What is the status of regulatory concerns in South Carolina? I think we've got everything settled we have a signed settlement agreement, we should shortly get a signed dismissal order and then the courts should dismiss the case with prejudice. It's a very, very good development. If this is not successfully concluded what are the implications to our continued operations in South Carolina? Well the obvious implication was that they might revoke our licenses in South Carolina, but I think this has all worked out fine and you know obviously one of the other silver linings is this cost a lot of money from a legal fees perspective and so this meter is going to stop running.

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What industry aggregate groups does Littlefield or its wholly owned corporate subsidiary belong to and in what states? So in Texas we are a member of the Texas Charity Advocates and the Texas Association for the Advancement of Charitable Bingo. Now in Alabama we're a member of the Alabama Charitable Bingo Association. In South Carolina we're a member of Allied Bingo Professionals and South Carolina Charitable Bingo Associates. So we're a member of every group with the exception of one in Texas which would describe as an advocacy group.

What legislative initiatives are being pursued? In South Carolina the Allied Bingo Professionals is proposing a bill which has not yet been filed which would have some meaningful improvements for the performance of charitable bingo. And by meaningful improvements I mean they'll generate more revenue, the charities should make more money, the state should collect more tax and I think we would have a chance to make a bit more profit as a result of that. So really it would be an invigoration of the South Carolina bingo business.

Any chance that the company will buy back any stock? Well it's something that is always in my mind given the current stock prices but right this second we have not authorized the purchases.

I know you're unwilling to offer earnings guidance and I think you're dead wrong on that score, however can you give us some qualitative sense of how the first quarters shaping up now that we're almost at the end of the quarter? Well as I said to you before, August, September, October, November of 2008 was extremely weak. Now midway through December and really through now we've seen a very dramatic improvement in performance. In a number of our bell weather bingo halls, bingo halls that we would look at because we think they actually catch the sentiment of the market place, in fact these 2009 January and February numbers are better than the comps in January and February of 2008. So qualitatively I have to say to you I'm extremely encouraged.

Can you please discuss the impact of renovating and reopening bingo halls and your future plans for such action? Well obviously the impact is that it consumes cash and we had spent a lot of money on renovations in the year 2008 particularly in Texas. I think in 2008 in the entire portfolio we spent about \$1.3 million in the fourth quarter alone we spent almost \$500,000 so we did make some meaningful expenditures. I do not expect those to continue and as part of our strategy, late in 2008 we decided to forgo or delay any capital expenditures that we possibly could.

What has been the realignment of your South Carolina bingo halls as a result of the two South Carolina acquisitions? So one acquisition we acquired six bingo halls, in a second acquisition, more recently we acquired two more. So we had a total of 8, we then shut down one our existing bingo halls and we shut down one of the acquired bingo halls. So that one that we acquired which hadn't been operating, it really just was a dead acquisition but it was from the same seller so it was necessary to acquire it but we do not intend to operate that bingo hall. Both of those closures, in our view, transfer all if not most of the revenue to another bingo that we own that is in close

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proximity. So we really feel as though we have captured that revenue and we have reduced our expense structure so it all should be very good for the bottom line.

Have the two South Carolina acquisitions hit your return expectations? Well as I said to you before in August, September, October, November, when we had one of the acquisitions done the answer to that question is no but our entire portfolio was suffering. Since then, looking at the first quarter, numbers thus far, I expect both of our acquisitions in 2009 to hit our hurdle rate and that would be a return that would be in excess of 30%. So I anticipate that we will have invested about \$1.8 million and I expect that we'll make about a 30% return on that money.

One acquisition was made before the economic downturn and one was made after the economic downturn, any difference in their performance? Yes as I said to you before, the one that was made before the economic downturn was negatively impacted by the economic downturn. In that period of time it failed to hit our hurdle rate expectations. It since has recovered and we forecast for 2009 that it will meet or exceed our expectations. The one that we just acquired, to a certain measure, we had the bad times priced into the deal and so that deal is going to turn out to be a very good deal also.

Would you make these acquisitions today? Well yes, the answer is yes we would. Obviously the one we just made, there's no particular reason to have any buyers remorse, we haven't owned it for particularly long and the other one, given that it has rebounded again and we anticipate making our hurdle rate, then yes we would make that acquisition.

Is there any additional upside in these? Yes we think there is some additional upside in these deals and you know it may be some expense reduction, we may be able to purchase a more expensive computerized electronic system, there is any number of things we can do to improve them and if the economy continues to improve than I think we'll get our fair share of that. One cautionary note I would give you, is I suspect that some of that improvement is because bingo may be just a little bit recession tolerant. In that somebody who might otherwise have been going to the Paluxy is now going to play bingo locally and so as things recover a day may come that they will return to going to Paluxy. We hope that's not the case.

Can you please describe your capital improvements in the quarter of the year in the future? Well as it relates to our capital improvement in the quarter we spent approximately \$413,000 in the fourth quarter and for the year we spent about \$2.4 million and bear in mind that some of that is related to you know programs that we had ongoing for awhile and so even though we had turned off the tap in the fourth quarter, about halfway through the fourth quarter those bills still came due in the fourth quarter.

Can you please compare the relative performance of the different states in Q4 2008 and calendar year 2008? First off let me just focus on revenue for a sec. In Q4 2008 revenue in Texas was \$1.241 million, in South Carolina it was \$434,000, Alabama and Florida, since we only have one bingo hall in Florida, we think of Alabama and Florida as a single market place it was \$424,000. So Texas \$1.24 million, South Carolina

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\$434,000, Alabama and Florida \$424,000 for a total of \$2.1 million. For the year, Texas was \$5.1 million, South Carolina was \$1.7 million and Alabama and Florida was \$1.7 million. So Texas continues to be larger than both South Carolina, Alabama and Florida combined.

How is Florida in particular doing? Again we have one bingo hall in Florida right now, we've got another one in the contract, I can't tell you that that deal will close, we're right in the middle of due diligence, but in general our bingo hall in Florida is doing very, very well. Are you looking at other deals in Florida? Yes. Are you doing well selling pull-tabs in Florida? This party obviously realizes that in 2008 pull-tabs were legalized in Florida, we had a bit of an advantage there in that pull-tabs have been in Texas for a long time and as a result of that we had the expertise of selling pull-tabs and so we have done very well in selling pull-tabs in Florida.

Can you please segregate the core performance from the balance and give us an appreciation for the core performance? Well the core performance in general, in other words taking out the new bingo halls or bingo halls that have been renovated, the core performance is up modestly on a year to year comparison and it's up just a bit on a quarterly comparison. It relates to the first quarter of 2009 and you know here we are in the middle of March so we've got a good idea how the quarter ought to end up, it's up in a meaningful manner.

What are the regulatory pluses and minuses? What's helping and what's hurting the company? Well plus vantage point, settling the regulatory matter in South Carolina is very important, it's going to save us legal fees, but the other thing, it gives us a very clear path to continue to operate in a legal and lawful manner in South Carolina. So that's a real, real plus. We continue to be concerned about things like no smoking bans, and a no smoking ban is negative and oft times, if the entire market is impacted by the no smoking ban it's not as big a deal. So from that vantage point there is oft times an initial wave of negative impact which then goes away with the passage of time. I don't think we ever recovered to 100% so, if the no smoking ban cost you 15% of your revenue, than I think you recover about 12 or 13% of your revenue over time. In Texas there appears to be a little bit more enthusiasm for enforcing the law against illegal eight liners and so that is something that we would be very supportive of because we think that is a drag on bingo revenue.

Looking forward to the balance in 2009 what do you see on the horizon, what thoughts will guide you performance? Again we don't like to provide earnings guidance we won't do that but I have to say to you I'm more than modestly encouraged by what has happened thus far in 2009 and we may be the beneficiary of a little bit of recession proofing in that bingo may in fact attract a few more customers who otherwise might be traveling so I am modestly encourage by what I see in 2009. I would also say to you, I think from an operational vantage point we'll probably also get the benefit of improving the quality of our operations and so just closing down a few marginal halls I think has given us some time and energy that otherwise might have been a distraction. And even though we had to write-off some termination costs as it relates to those bingo halls and those are non-cash costs, those just hit the balance sheet, what we really regained was a lot of our time and energy to be able to focus on the other operations. So I'm quite positively disposed toward the balance of

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2009. Now having said that, that also implies that there is not another shoe to drop as it relates to the economy and I think that continues to be kind of a dicey question out there and I think the tax policy and some other things will have some impact on how much money our customers have to be able to spend playing bingo.

How was your cash position at year end and how much was consumed in the fourth quarter? What are your prospects for raising additional cash? Well we've been careful about our cash situation obviously because it's important consideration. At the end of December 2008 we had \$4.4 million of cash on hand. We expect at the end of March to have \$3.6 million cash on hand. The big difference there would be a \$500,000 pay off on the note and some cash associated with the acquisition. So cash is holding pretty steady. We have in outstanding negotiation we're very close to closing an acquisition line of credit for about \$1.8 million which would in effect refund some of the acquisitions we've already made. So that would put our cash position up in the \$5 million range which I think is a healthy position for us to be in.

What do you do with PTE? You previously have signaled that you intend to dispose of PTE are you making any amenable progress on that front? Well obviously we are committed to disposing of PTE, we have a signed contract right now that is in a due diligence period to dispose of it. We have not reported that contract previously because frankly there is always a risk in a due diligence period that it will not close. And so even though it's not, it doesn't rise to a material level, I would say to you that we are very diligently working and we have a number of buyers who are interested in purchasing that company.

Did the year end tax selling materialize as you had indicated? I think it did yes. Was it what you had anticipated? Yes I thought that the stock price would go down as a result of year end selling. Now I do think that all the stock markets are in a little bit of chaos and so I do not think that our stock price or our stock market is particularly rational right now. It's mighty hard to put a price on something when nothing is trading and that is kind of where I see most of Microcaps and our company in particular.

Can you give us an overall assessment of how you see the business today as opposed to this time last year? A year ago we were willing to incur some drain on our cash and some consumption of our cash in order to be able to renovate some bingo halls because we were looking over the horizon. With the change in the economic situation we made some very quick actions to retrench. Those quick actions to retrench are going to result in an improved cash flow in the future. So we've gone from being willing to tolerate a bit of negative cash flow in return for the opportunity to grow to now being very cautious about incurring any negative cash flow in order to conserve our cash. Having said that I would also say that just in the last six months of going back to the period of time in which I said to you that I thought the market was quite weak, it really now has recovered very nicely. Now that's a very weak recovery, you know it's half an inch deep and three feet wide, it's not something to hang your hat on. It could be overturned completely if there were some other negative impact in the market place but I have to say to you that the January, February and March month to date numbers look very encouraging. Also the things that we have done have worked. Now there's no, it's no great mystery there if you lay somebody off you save some money. If you stop spending money on capital you stop you know spending

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money. So many of those things are purely structural but I would have to say that I'm modestly and cautiously optimistic about the future and if things continue at that rate, as we have seen in the first quarter year to date we'll probably have a smile on our face come the end of 2009. Now, that's a smile on our face in comparison to the performance of the economy. That's not like winning the World Series and so we'll feel better about things and we'll undoubtedly be profitable and again that's very much a subjunctive comment. I'm not saying we will be probably I'm saying if the trends continue it clearly points to a profit. And if that's the case then you know we'll be very cautiously optimistic and we'll be extremely grateful and thankful. So that's kind of how I see the difference in how we assess things. Now, all those things we did, closing marginal bingo halls conserving cash, delaying capital expenditures, delaying openings, freezing compensation, laying off a few folks, that's all what has been necessary in order to create that modest optimism. So that's my report to you. Moderator would you poll for questions please?

Operator

Thank you. We will now be conducting a question and answer session. 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 can 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. One moment please while we poll for questions.

Our first question comes from the line of Luis Martins with Taglich Brothers. Please proceed with your question your mic is now live.

<Q>: Good afternoon, can you just provide some additional color on you know Premiere Tents. I guess you had said that you have a signed contract to dispose of it and there are a number of interested buyers, you know what's the time frame there?

Jeffrey Minch – Littlefield – President & CEO

Well first off, the question not been asked, I would probably not have volunteered the information but I am not going to ever be in a position of misleading anybody in an environment like this. So the answer to the question is yes we have it under contract. Now that probably doesn't rise to a reportable event because the contract is in a due diligence period. I think the buyer is extremely credible, I think they're a high quality buyer, I think their logical for wanting to buy the company is unassailable. They clearly have the capability of doing it, they have begun their due diligence. If in fact they are, make the final decision to buy it, I expect that sale to close sometime in early April. The nature of that sale would be a fair amount of cash and a promissory note and the promissory note would be for some fair period of time, 5-7 years and it is likely that we would not recognize any profit on that transaction until we actually receive the cash. So I can tell you that you know we've got a buyer, I can tell you that they've gone to the trouble of signing a contract, I think it's a good contract, it's a contract similar to the one that we used for Word of Mouth so you know it's a commercially reasonable deal, the buyer makes sense, it's a good strategic acquisition for them. They have been extremely attentive and hard working and painstaking in their due diligence. They have the capabilities to due it, they're in a due diligence period and so they could pass on the deal in complete conformance with their contractual rights.

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Now I expect by the beginning of April to know whether or not we've got a deal or not. We've got a couple of other folks waiting in the wings if that deal should not make. So you know I don't want to holler it because I'm a little superstitious but you know I think that we've made reasonable progress on that.

<Q>: Mm-hmm and so that's Q2 you'll be able to report to us if indeed the individuals or organization is moving forward. So and subsequent to that the deal will close shortly thereafter or are there additional steps?

Jeffrey Minch – Littlefield – President & CEO

No I think, we'll probably have a closing in the first week of April if it closes, and we would obviously report to you the second, or within a very short period of time, I think we have four days or 48 hours or something to report that.

<Q>: Okay. You know in terms of the energy that you're using to manage that operation, can you elaborate on that and you know in terms of you know if a deal should come to pass, you would be you know a pure play/entertainment business and can you just discuss that in terms of your strategy going forward.

Jeffrey Minch – Littlefield – President & CEO

Yes, I mean first off, I think you raise a very good point and that is that our original reasons for diversifying into those businesses at the point in time that we made those decisions are probably decisions I'd make again today. Unfortunately those acquisitions were made just prior to 9/11. This division of them makes equal sense combined with the consolidation of a couple of our marginal youths or four of our marginal youths I'd have to say to you that the company has got more energy focused on better things. It's always a distraction. Anytime you're dealing with something that you know you're holding for sale and you've got to make continuing operating and capital investment decisions about that entity. Now for the company itself for Premiere Tents and Events. They will end up being owned by people for whom that is their core business and that will be very good for them, it'll be good for their careers, it'll be good for the business and frankly I think that that owner will do a better job of that business than we ever could have. So it's good for the company. From our vantage point, we will return our focus exclusively to the charitable bingo business and I think it will enable us to do a better job on operations and give us a lot more energy, we'll have a few small improvements in our overhead structure but whatever we might save in overhead will be consumed in the incremental units that we acquire. So I don't expect that there are going to be any meaningful personnel savings as an example. And one of the positions we did eliminate was the corporate overhead and therefore I think in some ways we have taken that savings before it actually has materialized so I don't expect any savings but as we add units I expect some of that capacity to be available to deal with additional units. So the other thing is, I just think, you know kind of like spring cleaning, you get your mind right and you go and do something, you feel more positively disposed towards it. So I think from that vantage point it'll also be extremely good for the morale of the company.

<Q>: In terms of like Q4, the termination cost to you know, that you may have had you know to close down the bingo halls was mentioned and to reduce staff, can you quantify that at this point?

Vcall
601 Moorefield Park Dr.
Richmond, VA 23236

Phone: 888-301-5399
Fax: 804-327-7554

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Jeffrey Minch – Littlefield – President & CEO

Well I can't do that off the top of my head but as a general proposition let me tell you what those costs are. If you had as an example some tenant improvements or you had some goodwill, all of those things would be written off, and so to the extent that we closed a bingo hall that was marginal and one of the bingo halls, there's a high probability that we will reopen it but we took a very, very conservative approach. There was probably another \$800,000 worth of cost that philosophically I would like to have been able to write off. However it really didn't fit perfectly within the GAAP definitions of what we could and could not do. At another point in time we might have just created a reserve for those financial costs, but again these are non-cash costs but that you just can't do that today under the current GAAP environment. And so you know the termination costs were only those costs that we could write off in accordance with GAAP.

<Q>: In terms of CapEx in 2009, obviously you know towards the end of 08, you know your CapEx expenditures fell off quite a bit. And in 2009 should the economy improve, operations improve, do you get a sense that you'll be spending \$2.4 million again or will that number be substantially lower?

Jeffrey Minch – Littlefield – President & CEO

Well I think philosophically one of the things that has happened is businesses live on a family of curves and you know it's kind of like the cat that sits on the hot stove who never sits on any stove again. But I think that we're probably going to be progressively more cautious than we have ever been before. So I like the prospect of having about \$5 million worth of cash on hand. I like the ability to make acquisitions and be able to say to somebody that we have this degree of certainty. I think if over the next couple of years things would develop the way I hope that they will, the way I think that they can and we're generating \$1-3 million worth of free cash flow, I'm probably inclined to pay off debt in near term and in the past, where we may have said to ourselves we would like to do some capital expenditures we may be a little bit more deliberate. Now let me just make one thing very clear. A meaningful amount of the capital expenditures that we did make in 2008 had been delayed from prior periods. And so instead of spending over \$2 million in capital expenditures, perhaps if we had done that over the last four years there would have been a substantially smaller amount of money each year for four years as opposed to how much money we spent in 2008 and don't lose sight of the fact that our revenue and our profits have been very stable in the core business where we have spent that money and so in certain measure that stability has been purchased by capital expenditures that were made to bring some of those units that might have been a little, you know worn at the edges, up to speed. So I would say philosophically, even in the market rebounded substantially I would still be quite a bit cautious. I'm probably inclined to pay down some debt if I had some excess cash flow that was coming from operations and we'd probably be more focused on acquiring things to spend our money on as opposed to attempting to enhance some of the things that we already are doing. I would also say to you that you know when we look at our actual experience on capital expenditures, absent having to do things like replace an entire roof or an entire air conditioning system, the low hanging fruit very clearly appears to be tables, chairs and paint. And so even though in some bingo halls you know we've redone the monitors and the



computer systems and other things, I have to say to you that if we were out buying a bunch of bingo halls in one location I'd be very tempted to just do tables, chairs and paint and limited the capital expenditures going forward. And part of that is a learning lesson. You know no sooner do people have a good electronic bingo system then they all begin to crave playing paper only bingo. So you have to respond to what it is the customer wants.

<Q>: Alright thank you for your time. Good luck in 2009.

Jeffrey Minch – Littlefield – President & CEO

Thank you very much. Any further questions?

Operator

Mr. Minch there are no further questions at this time I would like to turn it back over to you for any closing comments you may have.

Jeffrey Minch – Littlefield – President & CEO

Okay, so this time I made it a point. I'm getting ready to read the safe harbor pronouncement, except for historical information contained herein, certain matters said forth in this conference call are or may be forward looking statements within the meaning of the private securities litigation reform act of 1995 which is subject to substantial risks and certainties including government regulation, taxation, competition, market risks, customer attendance, volatile customer spending patterns, general economic conditions and other risks detailed in the company's security and exchange commission filings and reports. Actual results may be maturely different from those expressed or implied by this conference call and these forward looking statements. Thank you very much, I appreciate everybody's attention and please do not hesitate during the quarter to send me a question or give me a call. My phone number is (512) 476-5141, my email is jminch@littlefield.com. Please feel free to make contact and ask me any questions. Thank you very much for your attention I'll look forward to visiting with you again here shortly.

Operator

Ladies and gentleman this concludes today's teleconference. You may disconnect your lines at this time and thank you for your participation. May you all have a wonderful day.

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