

**Transcript of
Littlefield Corporation (LTFD)
Third Quarter 2011 Earnings Conference Call
October 28, 2011**

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Participants

Jeffrey L. Minch, President and Chief Executive Officer

Presentation

Operator

Greetings and welcome to the Littlefield Corporation's Third Quarter 2011 Earnings Conference Call. At this time, all participants are on a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press *0 on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Mr. Jeff Minch, CEO for Littlefield. Thank you, Mr. Minch, you may begin.

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

Good morning. This is Jeff Minch from Littlefield Corporation. It's a beautiful day here in Austin. Our topic today is the third quarter results for Littlefield Corporation. You should have a set of slides with the first slide showing Q3 2011 Earnings Conference Call.

First, I want to mention to you the Safe Harbor pronouncement and so if you go to slide #3, you could read and I will speak it. In accordance with the Safe Harbor Provisions of the Private Securities Reform Act of 1995: Except for historical information contained herein, certain matters set forth in this press release and conference call are forward-looking statements that are subject to substantial risks and uncertainties, including government regulation, taxation, competition, market risks, customer attendance, spending, general economic conditions, and other risks detailed in the company's Securities and Exchange Commission filings and reports. Actual results may be materially different from those expressed or implied by these forward-looking statements.

Next slide, slide #4 there, you'll see my contact information and a number of one submitted some questions and I've had a couple of phone calls and I've summarized these questions and I'll answer all those again at the end of this conference call.

I'd like to direct your attention to our press release on the 26th of October and in that press release, we reported total revenue had increased about 1%; however, that continues to be a record for the third quarter revenue in the company's history. Gross profit increased by about 5% when compared to the comparable quarter of last year.



Gross margins increased from 26.6% to 27.5% and the company posted a net loss of \$215,000 as opposed to \$131,000 last year. The most substantial difference being some additional legal fees that was paid during the quarter. In general, you'd have to say that revenue, gross profit, and gross margin were good news and earnings were bad news as related to the performance of the company.

If you look at slide #6, you can see what the net income for the company. I just noted to you that we had lost \$215,000 and if you look at Q3 of 2010 on the same slide, you'll see the comparable number I just reported of \$131,000. So we had a modest increase in the magnitude of the lost.

Third quarter of every year is always our weakest quarter. In that same quarter, if you took out the noted items I've just mentioned, we would have made a profit of about \$66,000 but, again, that would have been less than what we've made a year ago where we would have made a similar profit of about \$144,000.

Going to slide 8, revenue was \$2,223,000 and that's just \$21,000 more than the third quarter of 2010, which previously had also been a record revenue. So revenue has stayed pretty solid in spite of what's going on out there in what's an increasingly dicey economy.

If you look at the trend of revenue over some period of time, the revenue began to dip in the second quarter of 2010 and you see that for the next five quarters, revenue in fact had decreased and so we've had just a slightest little increase in revenue in the third quarter of 2011 and I think that that may be the bottoming of a very shallow trend and perhaps it's headed in the right direction here. I don't think we're going to see a huge improvement but I think we can continue to see some improvement.

I'd direct your attention to slide #10 and, on slide 10, you can see that our gross margin increased by about just 1%. The fact that the gross margin held firm in the face of the current economy to me is a sliver of good news.

On slide #11, you can see our corporate overhead which also was a bit more than what it had been in the third quarter of 2010 and I attribute most of that to some additional hiring and I don't see that as being a meaningful trend.

If you look at our cash position, we're showing a cash position of about \$2.2 million which is substantial and is enough for us to continue to execute our plan. Should we find more acquisition opportunities than we currently have in the pipeline, we will likely have to raise a bit of cash.

As far as some highlights, if you look at slide #13, we completed one acquisition in late June. That deal was a pretty good deal and it continues to operate in conformance with our plans and we continue to be the only public acquire in the industry. We continue to look at two other States for entry for some new acquisitions and, right this second, we have quite a number of deals in the acquisition pipeline.

Nothing meaningful to report there on slide 14 as it relates to legislation.

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And on slide 15, we concluded the Furtney case in Florida. As you know, that case has been going on for about 15 years. We did not recover any damages and that case now is concluded for all time. In the long run, that will have a positive impact on our legal expenses, probably to the tune of as much about \$100,000 a year.

I received a number of questions. Let me hit those questions right now. You should be on slide 17 and hang on just one second. Okay. The slide that you see there on 17 on the presentation is the wrong slide so let me read the question to you.

Are you more or less optimistic about the current business environment?

I would say that I'm just a little modestly more optimistic about the current business environment and that there's a number of issues that we would uniquely have which have been resolved and, therefore, I feel like we have more time and energy to focus on growing the business but, in general, there's not a lot in the current business environment that would be encouraging. Our strategy is a bit of a contrarian strategy and, as a result of that, a little bit of bad times is good for our business because it gives us an opportunity to continue to acquire bingo halls in the face of an otherwise generally bad business environment so I'm cautiously optimistic.

Can you provide us with any update on the Abilene oil well? Would you mind showing us the pictures from the last time again?

No particular update on the Abilene oil environment. There are some things that the drillers are doing behind the scenes but our interest is best served by making sure that those things are held in confidence. As far as showing you the pictures, if you look at slide 18, they are the same pictures that I showed you last quarter. So there's a picture of the well when it was being drilled. Next you'll see pictures of the tank battery being installed. All that tank battery is now installed on our property and is being filled with oil on a daily basis. Here's another picture of the tank battery from a different direction. All of this construction is now completed and fenced and cleaned up and everything else. These are the exact same slides from the last quarter. And then there is your well right there and you can see it. That straight tall stack right there is where the well is.

I know you were disappointed in the outcome of the Furtney litigation but how much will this save on an annual basis?

It will save us about \$80,000 to \$100,000 on an annual basis. More importantly, it will recapture all of our energy and so I feel very good about the ability to refocus that energy on things that will be good for us.

I have a different set of questions here. So, again, I'm reading from the questions. The presentation that you're seeing on the screen is an earlier one that is not the same as what I'm looking at. So let me read you these questions.

What does the Florida landscape look like especially in the Panhandle region?

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The Florida landscape continues to be... the landscape for environment for acquisitions continues to be an attractive opportunity for us and we're looking at a number of deals there. Obviously, given the confidentiality of that situation, it would be inappropriate for me to comment any further on.

Can you provide any specific examples of the impact of your new social media emphasis? The next question is would you please discuss the implications of your social media marketing efforts and their cost impact?

From a cost perspective, we anticipate spending for the next forward-looking 12 months about \$150,000, most of which is salary expense. Part of that is offset by reduced investor relations expenses.

I have a number of slides here on my presentation that show you the Facebook and show you the websites that we had developed for one particular bingo hall and let me be clear, this is all done under the umbrella of Littlefield Charitable Bingo Management Consulting Incorporated, which is an entity that we have that serves these kinds of needs by social media. It is not licensed by any State and it doesn't require a license from these States but I want to be very careful and make sure that people understand that we're not using any licensed entities in all of these social media work and we do not generate any revenue as a result of that. No one is paying us any revenue as a result of that.

So I'm on my slide #22. Your slide 22 does not have the right questions there.

Moving on, what is the anticipated annual revenue run rate for your latest acquisition in South Carolina and when might it start making a meaning revenue contribution?

It's already made a contribution. It's fairly consistent with what we had anticipated and so it continues to perform with the exact compliance with what we thought it would. It's a very solid bingo hall.

Has social media marketing begun to make an impact on driving attendance to the halls?

Yes. And, again, we're in the infancy of that effort. As a result of that, it has not yet been rolled out to the entire portfolio but the experiments that we've conducted, things like some proximity marketing or marketing to customers who live close to the bingo hall, perhaps apartments, that's been successful and those experiments have been very successful. We've done some pay-per-clicking and paying-to-estimate (ph) successful. And one of the things I want to share with you that I thought was particularly successful was some... a raffle that we had conducted in conjunction with one of the bingo halls and I'll talk about that in just one second

With the economic uncertainty rearing its ugly head again, will it present an opportunity to acquire bingo halls at a more rapid pace?

We have a number of deals right now and, for whatever reason, they all seem to be a little bit bigger than we've done before so I can't comment on the deals but I do feel

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like there is a bit of a wind through the industry that a lot of folks that have been tethering on the fence have now decided to sell.

In the prior quarter, you provided the great social media test example of the benefit versus cost of the potential to drive revenue growth? Are you seeing and can you detail the benefits from your social media efforts since they have been in place for nearly two months?

Well, again, it's all in its infancy. One of the things we have done as has been extremely successful that we're happy with performance on a raffle that we did in conjunction with one of the bingo halls. So this particular instance, in compliance with the Texas Raffle Act, we had a raffle for \$1000 gas card or a \$2000 gas card depending upon which color card you won on. So the raffle was set up for about three weeks. It cost about \$250 to print the materials for the raffle. It was publicized in the bingo hall. It was publicized using posters and was also publicized on the website for that bingo hall and on the Facebook page of that bingo hall and also through e-mail. The net proceeds for that one day or the day that the actual raffle was executed where somebody won, the net proceed run was \$10,000. Said another way, that bingo hall, as a result of having that raffle in the bingo hall, generated almost \$10,000 more net revenue. The total cost... because they won a \$1000 gift card, the total cost was \$1250. So the return on investment was almost 800%. Most importantly, there were 501 more customers over those four sessions of bingo, 137% increase; over 250 names were added to the database. And so that was a very, very successful raffle. If that was duplicated, you can... seven charities could have up to two raffles each over a 12-month period; that would be 14 raffles. You can do the math; it's over \$100,000 improvement for that bingo hall alone.

Now, let me be very clear again, Littlefield assisted the bingo hall through Littlefield's Charitable Bingo Management Consultant Incorporated. Littlefield Corporation does not make one penny as a result of assisting them with this raffle. Where we will ultimately make some money is their cash flow goes up and they would then therefore be able to pay their rent with more certainty. Their rent doesn't go up, there's no incremental return to Littlefield but, for the bingo hall itself, it would be in a much, much healthier posture as a result to that.

Let me go back and get a couple more of these questions.

Please address your outlook for legal expenses.

Well, for whatever reason, we seem to be getting to the end of a lot of these legal scrimmages. So, in the case of Florida there, we're done for all time with Furtney. We settled another case in South Carolina yesterday. We have one more case in South Carolina that I would hope to get to trial here in the next couple of months. Then we only have a rent collection case and one other case in Austin and that's basically all the legal work that we have.

I was also asked what I thought was a normal level of legal exposure or expenditure in the course of a year.

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I think that because of acquisitions, we expense all of our legal work associated with acquisitions, normal regulatory work, and often times that normal regulatory work includes rule making, attending lottery commission meetings, normal discourse with the staff, perhaps filing or replying to a complaint. I think a normal level is probably in the \$200,000 range. And, therefore, the potential for savings on legal fees over the course of a year in comparison to some of the years we've had in the past may be as much as \$500,000 to \$600,000.

The last question I received, I noted that you put new chairs in some of your South Carolina bingo halls. Why?

Well, we did put almost 3000 new chairs in the South Carolina bingo halls here in the last month or so and that was just routine capital expenditure. The chairs that we had were not as comfortable as the one we replaced them with and so that was just a normal replacement. There is nothing beyond that and those chairs ought to last for about 10 years. That's the chair we paid about \$30 for. It's a very expensive chair in comparison to other alternatives but amortized over the 10-year period is a fairly low cost.

So those are the questions that I've received. I apologize for the confusion on the slides. The slides that you received were not the correct set of slides.

So, moderator, if you would pool for questions and please let me answer any additional questions.

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 may press *2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the * keys. Once again, ladies and gentlemen, that's *1 to ask a question at this time. One moment please while we pool for questions.

Our first question comes from the line of Gary Hamilton with Security Research. Please proceed with your questions.

Gary Hamilton – Security Research

Good morning, Jeff. Gary Hamilton. Congratulations on a record quarter. I was thinking, I noticed... you have a real valuable asset (inaudible) in your customer base and I was wondering what are some of the different ways you can utilize that. I mean people would love to have access to your base and... excuse me a minute. And is there a way that you could have advertisers have access to them or what are your thoughts on that.

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

Okay. Well, let me make sure that I understand your question. The question you're really asking is, you know, is there a way for us to leverage our existing customer

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base by exposing it to other opportunities for which people would pay us in some form or fashion. Is that an accurate assessment of the question?

Gary Hamilton – Security Research

Exactly. Thank you.

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

A couple of things I'd say is, first off, the management of the customer database is any extremely sensitive issue. The first thing is that we've obtained that data from customers with a promise that we will not use it for any other purpose other than in the bingo hall. Obviously, we slice and dice that database and we identify by value. So we're constantly looking at our database and saying what is the cost to acquire one more customer versus what is the long-term value and so CTA versus LTV is the way we constantly look at the database. There is some very small percentage of our customers, I won't tell you the percentage because I think it's a trade secret, who represents about 50% of our revenue. It's a very... it's a comparatively small number. And those customers, which I described as our VIP customers, are customers to whom we provide rewards. Now, let me be very careful here. In South Carolina, Alabama, and Florida, we do this directly. In Texas, we would advise through Littlefield Charitable Bingo Management Consulting Incorporated. We would advise the charities that this would be a good way for them to do the same thing. So when I say we do, it really doesn't apply to Texas but charities do.

So what we want to do is we want to shower some attention and love on these customers because we have some customers who spend an incredible amount of money and so we might give them some particular reward that rewards them for being a loyal customer, for being a valuable customer, and try to beat in that relationship. So one of the things that I'd say to you is we'd be very reluctant to ever expose that customer to someone else; so that's one thing.

Second thing is then there's a fairly small percentage of people who get you to about 85% of your total revenue. So the first group we called the VIPs and the second group we would call our valued customers. And so it's a fairly small percentage of the overall bingo hall and, again, we treat those people with a lot of attention. We have a pilot program that we have just done which we have agreed to embrace in the entire company which is what I call the Old to New New Old Program. And so we send handwritten cards from the bingo hall managers, again, the jurisdictions where this is appropriate. We send handwritten note cards from the bingo hall managers to those particular customers on a regular basis. So it's a handwritten custom made note card and in there we include some incentives or discounts or something else that celebrates the special nature of our relationship with them. That program has turned out to be extremely effective. And if you think about the impact of receiving a discount or some other thing of value from a place that you go for entertainment, you would think you're so... wow, this people really have identified and appreciate the special nature of this relationship. And these may be people who are spending thousands of dollars per year in the bingo hall. So that program is like an outreach program I call the Old to New New Old Program and it entails handwritten cards with custom discounts tailored to the value of those customers delivered on a regular basis. It celebrates the special nature of our relationship with them and it has been very

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successful. We've had folks come into the bingo hall with that note card in hand, literally on the verge of tears, expressing their gratitude for what we have done for them. And some of those customers are so valuable that in some instances, we've given them free football tickets or something that makes that relationship extremely valuable. But believe me, when marked by the yardstick of the cost to acquire versus the long-term value, those are very substantial and good investments.

Same thing happens with what I would call a series of goody bags. Right now, this idea is in its infancy and so we give them a custom logoed bag with some contents that they would... that would be special for them if they would receive that reward in the bingo hall. So when we reach out to them with... through the note cards, we're going to, in effect, their house; and these goody bags are something that celebrate the nature of the relationship in the bingo hall. These have been very successful programs and I expect it will roadmap an entire portfolio within the regulatory guidelines. And so, again, as I said before, in Alabama, Florida, and South Carolina where we are a bingo promoter, we can do this without any particular consultation since we run the bingo halls for charities. In Texas, it would all have to be done through the charities and some charities would see the wisdom of it and other charities perhaps would not see the wisdom of it. So that's the way we leverage that relationship.

Now, as far as exposing them to other folks, one of the other things that is also in its infancy and it's tied into the social media is what I would describe as B2B relationships, business-to-business relationships. So we'll put up a poster in an apartment complex, give them some discount cards to go into their new resident package, develop a relationship with that apartment manager, and, in turn, that apartment complex would be invited to put a poster of in our bingo hall. And so if you think in terms of the folks who might come to the bingo hall, obvious, anybody within 10 miles of bingo hall living in an apartment complex, it's our targeted demographic and, therefore, that could be a very, very good relationship. I would like to tell you that in the bingo hall in Austin where we're observing things, last week or so, we probably saw eight tables that were filled with between 8 and 14 younger folks, folks who would be very receptive to social media outreach programs and that was quite a change for that bingo hall in that, you know, that was all incremental attendance to the bingo hall.

Now, I would conclude by saying, again, there's some privacy issues related to how we would expose them to somebody else and we'd be very, very careful. I don't see that in the near term becoming a particularly meaningful profit center and, frankly, I don't want it today sharing of that data with anyone else because the valuations that's put on individual customers and groups of customers is quite a trade secret today. I suspect we're the only people in the business who are thinking of those... thinking of those customers along the lines of cost to acquire versus long-term value.

Any other questions?

Operator

Once again, ladies and gentlemen, to ask a question, please press *1 on your telephone keypad at this time.

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Mr. Minch, there are no further questions in queue at this time. I would like to turn the floor back over to you for closing comments.

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

Great. Look, I appreciate everybody listening in on the call. Slide 27 there gives you the Safe Harbor pronouncement. I'm going to let you go ahead and read that yourself.

I think that the third quarter was a pretty good quarter. It wasn't a great quarter but I think that lots of folks in business today are running faster to stay in the same spot and so that's how I kind of see us and so I'm very encouraged by a lot of the things that we're doing as it relates in particular to the fundamentals of managing the bingo halls and particularly marketing, some of these experiments that we've conducted with raffles, with targeted employer discounts, with proximity marketing, with B2B marketing, with social media, and these are all things that now have gone from the experimental position to become a reality. There are bingo halls that have Facebook pages, Twitter accounts, and websites that did not have them at some earlier point in time. So I think all of these things are huge and great improvements and I think that they bode well for the future.

The big question out there is what's going to happen with the economy in general and so stay tuned. I think it's going to be a little bit of a rocky ride between now and the elections but I think we're well positioned to benefit from that and I would also say to you that our acquisition pipeline looks pretty good.

Now, I want to encourage you that anytime you ever have a question, give me a call, and my number is 512-476-5141 or to e-mail me at jminch@littlefield.com. I appreciate very much your interest and look forward to visiting with you again at the end of next quarter.

Moderator, thank you very much.

Operator

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

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