

Littlefield Corporation  
Q1 2007 Earnings Conference Call  
April 27, 2007

**OPERATOR:**

Greetings, ladies and gentlemen, and welcome to the Littlefield Corporation First Quarter 2007 earnings conference call.

At this time all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation.

If anyone should require operator assistance during the conference, press star-0 on your telephone keypad. As a reminder this conference is being recorded. It is my pleasure to introduce your most, Jeffrey Minch, President and Chief Executive Officer of Littlefield Corporation. Thank you. You may begin.

**Jeffrey Minch, President & CEO:**

I'm Jeff Minch. I'm spreeing the headquarters in Austin, Texas. The purpose of our conversation today is to discuss the first quarter 2007 earnings.

I'd like to first make the Safe Harbor pronouncement. Except for historical information contained herein, certain matters set forth in this conference call are or may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. That are subject to the substantial risks and uncertainties, including government regulations, taxation, competition, market risks, customer attendance, volatile customer spending patterns, general economic conditions and other risks detailed in the company's Securities & Exchange Commissions filing and report. Actual results may be materially different from those expressed or implied by these forward-looking statements.

I'd like to direct your attention to our press release of the 25th of April, and if you are not receiving these press releases directly, you can contact Cecil Whitmore at our company and I will give you his e-mail address at the end of this. He'll make sure that you receive those directly. So the way they're typically released is they go out over the wire and so you can pick up our press releases on any financial reporting service. And then shortly after that he sends it directly to everybody who is on that list of investors.

In that press release, we noted some particular highlights for the quarter. And the revenue in particular rose 20%, almost 3 and a half million dollars. That was a \$570,000 increase in revenue. Entertainment was up 7%, and hospitality was up 63%.

Gross profit from bingo grew by 16%, or almost \$170,000. And the profit margin increased from about 49.5% to 53.3%. The strongest performer in that segment was Texas bingo.

Word of Mouth, our catering company, had a particularly good first quarter, and they saw for the first time in the history of Word of Mouth, ever, that they made a profit in first quarter. Now, let me point out to you that the catering business is an extremely seasonal business, and the first quarter, with January, February, March -- January and February being particularly weak -- is a very weak quarter. The second quarter is a good quarter. The third quarter, because it's the middle of the summertime and it's warm in Texas, hot in Texas, that's a weak quarter. And then the fourth quarter of course with Christmas and everybody coming back to school, that's a very strong quarter.

So this is quite notable that Word of Mouth made a profit, and hospitality narrowed their loss by approximately \$100,000.

About \$100,000. So those are a couple of notable things that I want to mention to you.

Let me go through each one of these line items in some detail, and again I refer you to our press release. So again, revenue for the quarter was almost \$3.5 million from \$2.9 million, a \$570,000 improvement, or 20%.

Entertainment was up \$161,000, and hospitality was up \$442,000. Entertainment was up 7%, hospitality was up 63%.

As far as gross profit is concerned, and this is where I like to call the economic engine of the company, the profits -- the gross profit for the corporation was up \$240,000, or 27%. Bingo was up 168 -- \$169,000. And hospitality was up 105,000.

Again, hospitality for the quarter, had a loss, it shaved its loss by 105,000, and in comparison to the first quarter of 2006, and of particular note again Word of Mouth actually achieved a profit. And remember we have two hospitality companies. So that's the big picture.

Corporate overhead was up by about \$300,000, and I have a number of questions about that and I'll dig into that in some precise detail.

Legal expenses were up about 91,000, so that's quite an odd comparison because in 2006 we only have \$229 worth of legal expenses in the entire first quarter.

That's the big picture. Taking down to earnings, our earnings were \$358,000, or right at 3 cents, and that compares to the first quarter of 2006 in which earnings were 549,000, which is about 5 cents. That's about a 2-cent decline or 38% decline, and that's about \$191,000 difference. All of that difference, 100% of that difference is attributable to corporate overhead, and some of that corporate overhead is -- are notable charges, and I'll discuss some of the notable charges with you.

So that's the overall picture. Now, let me dig into those notable charges just to give you idea of what the big differences were in the first quarter.

The largest single one in the first quarter was we were engaged in lobbying efforts in the state of Arkansas to attempt to get charitable bingo as we're involved with it, authorized. The state of Arkansas had had a constitutional amendment in which they had approved playing bingo.

And then the legislature was to draft a law and there would be rules, and we were attempting to get that law drafted in a way it would be supportive of our playing a role in Arkansas. As it stands right now, that's probably not going tonight case. We spent about \$75,000 on that.

Another important charge that we've in the first quarter was that we have some additional compensation expense. The most important incremental compensation expense is that we're accruing for bonuses and incentives all across the year as opposed to letting them all pile up in the fourth quarter. So we -- we look carefully at our job descriptions hold as far as incentive compensation for our top employees. And we've accrued for that over the course of the year. And therefore every quarter will have a that will be about \$34,000.

We brought on one additional person who is involved in acquisitions. I'm getting paid a little bit more money than last year, and then we upgraded the position of the Chief Financial Officer. And all those things together account for about \$125,000 in differences. And that \$125,000 in differences is again accruing for the bonuses

through the course of the year, other salary and wages increases, difference in compensation for the Chief Financial Officer, adding an acquisitions person, and a little difference in my compensation. And most of that will continue for the balance of the year. The other big thing that shows up in our numbers is we're now seeing the full interest impact of all of the settlements, the legal settlements that we made. So in the past going back into 2006, we had a number of legal issues, and so we've now sorted out those legacy legal issues and as a result of that we've either made some payments or we've taken on some settlement obligations. And then in the course of doing that we've now gone from the uncertainty to the certainty and therefore now paying interest on the payments that we're making. So those are the big things that have some impact.

Going back and looking again at the economic engine, I want to tell you that I think that our progress is very significant. And I think it's very good. In 2006, we had gross profit from the operating businesses of \$874,615. This year we have \$1,114,653. That's a 27% increase.

In that same period of time, we've increased these overhead expenses, some of which are one-time expenses. As an example, I don't expect to be lobbying in Arkansas next quarter. And it's also good that the nature of those notable expenses are more business oriented as opposed to being legal oriented or some other classification. So I feel very good about the improvement in the economic engine which is up about 27%.

Let me talk to you about a couple of things that are not in the report, which are important, and I always cover in a conference call.

So I'd like to touch on the following subjects here. Acquisitions, new bingo halls currently under development, amusement with prize in Texas, litigation status, legislation status, capital improvements and transforming the bingo hall.

The first topic is on acquisitions. As you know from last quarter when we discussed this, we had sent out a sales piece in the state of Texas that solicited bingo halls for sale. We've had some response on that. The response from a quality vantage point has been kind of mixed. We've got folks who want to sell bingo halls and want to sell them for good reasons. And we have people who want to sell bingo halls and they want to sell them for desperate reasons. And so who knows where the better deal will be found. Somebody who wants to get out of the business or somebody who simply has a good asset and wants to sell it. We're looking at a lot of deals. I want to tell you, and I always say this to you. I want you to know that the bingo hall sales is not a normal trader business, so it's not like the real estate business in which somebody would come to market with their product at any time. Most of the transactions in sales are revolving around a significant emotional event in the owner's life. There's either some change in their own personal status, maybe they want to retire, maybe there's a divorce involved. Maybe there's a succession issue that they have nobody else in the family that wants to run the bingo hall. Perhaps they had a little bit of regulatory trouble. But it's usually driven by some significant emotional event that's going to suddenly transform them from an operator to a seller.

So we have to kiss a lot of frogs in order to find our prince. And we have to in the course of doing that, we have to stay in contact with people for a long time. So it is not a business that you can push down harder on the accelerator and make it go faster. You just have to be very patient and calm and let the businesses in some ways come to us. And it is. We've got a letter of intent outstanding on a small portfolio of bingo halls, and I can't tell you whether or not that letter of intent will get signed. I'd like it to get signed. But that would be a nice acquisition.

We're pursuing the purchase of an adjoining piece of property in an existing bingo hall, and I have a degree of optimism that that will happen. That will enable us to expand that bingo hall. And then I'd say we're looking at a lot of deals, the pipeline is fairly well loaded. I can't see that I see a whole lot of quality deals in the pipeline right now, but who knows where the next deal comes from. So there is good deal flow, and the person we hired in acquisition is out there actively shaking the tree, and we have a number of deals that have proceeded along a normal progression to turn it into an acquisition. And so that letter of intent that we issued, that's a pretty good deal, and I hope we'll be able to make that.

As far as new bingo halls under development. And remember we'd like to have a balance of a few acquisitions and a few new development deals. We have a new bingo hall in San Angelo that we'll open this quarter and our target is to get it open this quarter. There's been a little slippage in that we hoped to open it last quarter but it looks like it will be ready to go by the 1st of January. We're also negotiating a lease for another location. If we were to negotiate and sign that lease, we'll probably talk about four months or so before that bingo hall would be open after that.

So if we were to complete the negotiations this quarter, at the end of next quarter before it would be open.

We've talked before about amusement with prize and this is the redemption gaming business. It is a business that is legal in Texas by virtue of it being an exception from the gambling statutes, and the penal code in the state of Texas, and we're going to open our first one in San Angelo and will have it open by the 1st of June. I had a question or two about what that process looks like and I'll answer that later on.

And then we've got two other locations in Texas that we anticipate doing with another company and so those are moving along. And we have to be very careful about where we select these because we have a good rapport with local law enforcement and those are moving along. I'd like to get those open by the 1st of June but I have a sense they may slip a little from that day. We'll be running side by side experiment, the amusement with prize we open versus one with someone else and see which one appears to be best for us. As far as litigation status is concerned, obviously the litigation has calmed down. I told you last time that we still have a violation with the South Carolina Department of Revenue that we want -- we won a partial summary judgment and we'll have a couple-year delay on that because our lawyer has gone off to war in Iraq. We have the Fergie trial that will be tried here -- or tried in Florida. Probably within the next 60 days. And then we've got a matter, if you look at our SEC filings, we have a matter that's related to sexual harassment in Lubbock. We are not the employer of the individual who is accused of this. And so this is one of those instances in which the lawyers are trying to cast as far a net as they can looking for a deep pocket, and we're not their deep pocket in this particular situation, but it will take some time and cost some money in order to extricate ourselves from that situation.

From a legislative vantage point, we're actively lobbying on a number of bills, some of which we support, some of which we oppose, in the Texas legislature. And we've got two lobbyists who are working for us. In South Carolina we have one matter that's very little detailed matter we're trying to get accomplished.

There's some interesting legislation in South Carolina that relates to amusement with prize. And we're keeping our eyes on that. And if that were to make it through the legislative process, that could turn out to be a very serious and significant opportunity for us in South Carolina.

We have a series of capital improvements that we've undertaken, and I'll just mention these. I did have a question about what were we spending on capital improvements, but I spoke with that individual and so I'll just share with you what we talked about.

In Amarillo with two bingo halls, gold star and hot plains. At gold star we're replacing the heating ventilation and air conditioning system, we've painted the inside and outside of the building and we're putting up a new sign. In Amarillo hot plains we've put up a new sign, we are going to paint the interior, we have replaced some doors and we've already completed replacement of flooring in the offices and in the entrance. We've got some more flooring work to do in the bingo hall itself. In San Angelo we are under way replacing the heating, vents limitation and air conditioning throughout. We're putting on a new roof. We've already put up a new sign and then we'll paint. Some of the delay in good weather the bingo hall open there and getting the amusement with prize operation open is attributable to getting the roof fixed and getting the air conditioning fixed.

At triple city down in the Valley, in San Juan, we've replaced some air conditioners and is the same thing at Americana. That whole pot of capital improvements is in excess of \$600,000. And so that's a very significant investment on our part, and something that we ought to note from time to time.

One of the initiatives we're also launching is an effort on our part to transform the bingo halls into more of an entertainment destination. Along those lines we're creating a prototype, and we're going to put in some new message center boards or signs. We're going to put in some projectors as opposed to monitors. And we're going to try -- we're going to upgrade our snack bars. So we are in the process of taking two bingo halls and going through that upgrade, and so that's a work in progress. Those are some important points that I would like to touch on in the conference call.

I've got a number of questions and then at the end of this there will be an opportunity to ask some questions. Can you please discuss individual Texas legislation bills that you're involved with and what you're doing about them. Do you have a lobbyist?

Easy part of that question to answer is we have two lobbyists. And this is an investment like legal fees that comes around every two years in Texas. And so it's not insignificant but it's not huge. As far as what individual bills, there's a bill that's house bill 1156, I believe it is, but it's a bill that is generally in support of improvements for charitable bingo in Texas.

An example of that would be increasing the number of temporary sessions that a charity can play in the state of Texas from 12 to 24. In those bingo halls in which we can use all of these temporary sessions, so -- enough appetite among customers, that could be a \$50,000 annual improvement to our part of the bingo business.

Then there's a number of other housekeeping issues. There's a bill that's gone through the house providing for small progressive game where you can play a progressive game for \$2,500. That's an idea that we don't particularly like. We can't find a single place in the United States or Canada in which a progressive game has made the industry better. We can find a number of places in which a progressive game has done great damage to the industry. We think it's really going to hurt the big cities. We think it's going to hurt Houston and Dallas, and Fort Worth, and of course we don't have any exposure in those markets. One could argue that it would really help us because we often times own 2 or 3 bingo halls in the same sub market. Abilene, or Lubbock or Amarillo so that's a bill that we're not particularly enthusiastic in.

And then there's one or two other bills that we're going to oppose.

Where are you on your strategy for growing institutional investment in Littlefield?

If you remember, we sent out a research piece to over a thousand nano cap micro cap and small cap funds. We've had some response back from them. You know, most direct mail responses orders of magnitude 1%,

so I have to say ours is consistent with that number. We've had a number of contacts, happiest been a great number. So that's a program that will continue.

And we also are going to attend some conferences both institutional and individual investors. We have not yet done anything on that. Though we have identified the conference that is we would like to attend.

And they we're going to employ an IR firm. We won't employ that IR firm until we've done the first two.

Are you considering a share dividend anytime soon?

Well, we had a board meeting yesterday and took better part of the business day. We did not discuss share dividend, though it was on the agenda. So a direct answer is are you considering one? Sure, we're considering one. Is there any active discussion of it right this second? No.

Could you please give me an idea of how you were able to grow hospitality so much in such a short period of time. Who are the clients new or existing. Can you please give me some idea of the top of clients, does the legislature being in town assist you?

Each one of those. How were you able to grow hospitality so much in such a short period of time. Let me focus on Word of Mouth. I think Word of Mouth, remember that's the catering company, is at a point in time we have the best sales staff we've ever had. They work together very well, morale is high. And we're getting the right kinds of jobs that are a good fit for us. I think some of the problems jobs are coming simply from the growth in the marketplace that we trade in. So as an example, we recently handled the grand opening for Neiman Marcus. And the grand opening for Neiman Marcus was a very, very elaborate undertaking, included great big cocktail party for about 4,000 people and also included wine and beer and alcohol service.

Neiman's is the kind of client we want to work for because they appreciate the quality of our performance, and frankly they're going to have a big enough party we can really get our teeth into it. That was the largest undertaking we had in the quarter.

That by itself accounted for almost -- about 40% of our increase in the quarter. It was opening at a piece of property retail shopping center development, mixed use development, that we also did an opening for Macy's and then also for the developers of the property itself.

So we ended up having a very good three or four days there at that property. That's the kind of thing.

But I want to also tell you across board we're seeing that same increased level of hospitality spending in both our existing client base and in our new clients.

I'm not going to talk about individual clients other than I did mention Neiman Marcus, but there was no great secret about that. And so I don't think it would be appropriate to mention names of the clients.

Does the legislature being in town assist you? Yes, we're doing a lot of work over there at the legislature. I'm very proud of the fact that a couple of nights ago we did a dinner for the speaker of the house and he had all the living speakers of the house and their spouses in for a dinner at the speaker's apartment in the capital. And that's a very beautiful and elaborate space in the capital. So that's an example of how when the legislature is in town, we might do a little bit more work.

I want you to focus on always reporting what the economic engine is doing. You seem to be grinding out a continuing series of improvements in both revenue and gross profit. Is this going to continue? Could you please discuss the upside.

Well, you know, I always like to focus on the economic engine, I like to look at how bingo and hospitality is doing, and I like to focus on the gross profit. This quarter, we had very good performance, excellent performance in the economic engine. We also had some notable expenses and we had some increases in our corporate overhead. As you know, the corporate overhead I've always bench marked \$300,000 per quarter as kinds of the benchmark of a good and bad quarter. I think that number is obviously going to have to go up and I suspect it goes up to about \$375,000 here going forward.

But it had been at \$300,000 for six years running. And inflation alone would tell you that's no longer reasonable.

As far as increases in revenue and gross profit, we continue to grow the Texas bingo business, and it's been very -- it's been very painstaking the way we've done T there's been no master strokes. We're getting the odd extra \$100 here and there. Texas bingo hall can have seven charities, they can be playing 814 sessions. They can pay us up to but not exceeding \$600 in rent per session. And then they have to pay all of their own taxes and insurance, repairs and maintenance. Utilities.

So that's what we would describe as the gross potential. We have about a third of our bingo halls that are at or very close to gross potential. We have a third of them that are quite at the other end that are more developmental, and then we have a third in the middle. And those third in the middle are the ones that are the most fertile for moving up because they're already operating very well. So small improvement will enable them to move up toward their gross potential.

As far as upside, in the business, obviously, we can continue to get more cash flow from existing operations we have if the cash flow is there. If the increase in business is there. And we're doing some things through Littlefield Charitable Bingo Management Consulting, now that's a company that we started that goes out and helps bingo halls. So we want to make a little difference there between the commercial lessor, which is a legal leadership defined by the regulators, and Littlefield Charitable Bingo Management Consulting, which is basically our attempt to educate bingo halls, their charities, their management, about the best practices that we've observed in bingo halls in Texas, Alabama, and South Carolina, and the other markets that we're looking at deals in.

And it would be like McDonald's in their multistate, multiunit operating environment trying to cross fertilize training between two different McDonald's locations. So that's what we're trying to do.

Think there's huge opportunities for upside in that. And that takes the form of us going out and perhaps giving them a class on how to sell pull-tabs or having a discussion with the charities on the most effective way to organize the bingo hall in order to make sure they have the appropriate oversight. Or might take the form of us working with the charities about job descriptions for each one of the people who work in a bingo hall.

What it's never about, ever, is about the conduct of bingo. Of so we can tell them here's a good marketing idea or here's a good affinity program or something, or here's good job descriptions. We just -- I'm not allowed to discuss with them the conduct of bingo.

Now, that doesn't mean that we can't tell them here's a particularly good pull-tab that's working in another location. What we can do is be on the floor during bingo and help them sell pull-tabs. That's not what we're supposed to be doing. Interestingly enough in other jurisdictions, South Carolina and Alabama, we can play a

much more active role. One of our licensed functioned in South Carolina is in fact to be the bingo promoter for that particular hall. So that's a little bit different.

So the elements of upside are getting more cash flow from existing portfolio, adding units to the existing portfolio and adding units can take the place of acquisitions and start-ups, and then the amusement with prize business and the continuing improvement in hospitality business.

And I'm happy to say all of those things across the board are under way. And our improvement in the first quarter, in Texas bingo in particular, is attributable to the realization of improvements along those lines. In other words, we've made an effort in Texas, and now it's starting to bear some fruit.

I think the amusement with prize business could turn out to be an interesting opportunity. There's tons of people out there who are in that business. Now, quite a few of them are in that business illegally. There's a few of them in that business legally. But every single one of them wants to be at or next to a bingo hall. And so some of the legislation that's in the house and in the senate in Texas right now, is an attempt to realize -- I believe an intrusion of these machines directly into the bingo hall, and that's something that we're not enthusiastic about. If somebody is going to be fishing in our pond, with our customers, we'd like to be that person, or we'd like to have a huge piece of the upside. And so from a legislative vantage point, that's something we can't be enthusiastic about. But then also from the vantage point of us capitalizing on the opportunity, that is something that's driving us right now to capitalize on the opportunity. And that could be a very significant business.

Next question. I've been biting my tongue waiting for you to get your first amusement with prize facility open. I now understand you will be open in about a month. Can you talk a bit about the process and planning that goes into this effort. I think this business has huge upside.

So that really just touches on what I just said. So thinking about how we do this logically, the first thing we do, and we have done, is a little bit of legal research and the Texas penal code section 4105 B-4 which is the basis for all this Chuck E. Cheese, Fuzzy Animal, Bucky -- exception to the gambling laws. We think we've done pretty good research there and know the lay of the land. We visit with a lot of companies in that business. We've discussed joint ventures with them. We've actually exchanged some letters of intent with some companies. One, we got very close to the finish line and it just fell apart. And another one I suspect that we'll do a couple with.

We'd also have to go and contact local law enforcement to make sure they understand what we're doing and how it differs from what other folks are doing.

Then we have to identify and select machines that are going to be compliant with this exemption in the penal code. Then we've got to go purchase those machines. And everybody says that their machines are compliant. With the passage of time more and more folks' machines are in fact compliant. But when we began our research, there really weren't that many of them out there. Today I think it's easy to find the machines. Then we have to buy them. We have to configure a system so it's not just a matter of buying a machine and installing it. You have to have a certain way to load the value, recognize the value, you know, so in our case we're going to use an E-fob security device and it's a little computer on a key fob, so it looks like a key chain and there's a little computer on that and that's how we load and store value. And then we have an auto attendant which is a machine that can read the value on that, so that's part of our system configuration. So we have a graphic that shows all of that.

Then we have to go and configure the physical plant. So sometimes we may have to build a room where the amusement prize things are going to be located. And we have to get that done, and there are security

cameras and a counter and a place to count money and all the normal things you'd have to be part of a physical plant. We have to have the appropriate legal structure and that legal structure takes the form of us having the appropriate corporate entity to enter into this business. So it won't be the same entity that owns the real estate or leases the real estate, or is the licensed commercial lessor with the bingo halls.

We also have to enter into an agreement with charities and that agreement usually provides for their redemption of bingo coupons as a result of somebody winning a prize at the amusement with prize center. Initially the only thing that we're going to be redeeming for is going to be bingo coupons.

Then we have to use a normal business plan you would expect of any business enterprise. We have to do a little financial and marketing planning, we have to put together a pro forma. And we also have to deal with some physical and operational security issues. We have to make sure that it's physically segregated from the bingo hall and that it makes sense in how you get in and out of it. And that may require a bit of construction. And then also we have operational security so somebody can't come in there and steal the money. We have some licensing issues that are just normal general business licenses. And also machine licenses. We have to hire staff, you have to train staff. And then you have to conduct some kind of an operational start-up so you're able to start the business up, and that's typically a culmination of everything. So that's where you have to have a lot of emphasis on your marketing.

Those are kind of the steps. I did that kind of by recollection and so I may have missed a step in there somewhere along the way. But I want you to know we have a very systemic approach to it. I figure the first one to open is about \$100,000 proposition, and we expect to have it open in San Angelo by the 1st of June. It will be very interesting to see how that works out.

You had previously noted you had settled up most of the big legal issues. Now I'm seeing the impact of the interest expense on the company. That is no surprise as I always knew the interest expenses were not in the reserve, but how much is the total interest rate (indiscernible).

In quarter it was about \$70,000 and that's going to continue until all that stuff is paid off. We have everything with very good and calm payment plans, well within the cash flow of the company. Even after making those payments, the company continues to build cash. We've got about \$3 million worth of cash on hand.

Approximate material include a question with regard to the President and board's compensation. Can you review and discuss.

This is first such proxy statement I've seen with this kind of question. Well, first, one of the things I want to tell you I think in the general world of executive compensation, I think that the SEC is encouraging people and good corporate practices are encouraging people to expose more of this and make sure share shoulders have an opportunity to have input. I think there's probably 5 to 8% of the companies in America are having a meeting, having an annual meeting, who have a proxy question that questions what do you think about the CEO's compensation, what do you think about the board's compensation.

In this particular year you'll remember that I entered into a new contract with the company, and it's an extended contract. And so therefore this is an opportunity for the shareholders to say whether or not they like that contract. It's not a binding question. It's not asking for approval. It's asking do you think we're within 20% of fair compensation on that.

The board used to be compensated by using stock options. Now obviously stock options are a thing of the past.

So there's a similar question as to whether or not you think that that's an appropriate level of compensation. Each director gets \$20,000 cash spread over each quarter, in four payments. So they get a retainer and then a payment each quarter and get paid to attend the meetings. But it's all quarterly compensation, so they get a retainer and four payments.

And it will be interesting to see what the results are.

Last conference call you discussed your strategic vision and plans for 2007, 2008. Can you please update that statement, parenthesis, speak slowly because I am copying it down, end parenthesis. Can you also let me know what's happening on each of these statements.

Well, I'll tell you what they are and I'll give you just a quick commentary on where we are. So there's 14 different things that I mentioned in particular last conference call.

Now, I want to make it clear to you this is not intended to be a comprehensive statement of the company's strategic plan, and that's both a document and a body of thinking that's in flux right at this second. So here they are. Continue to document and improve all business processes. Focus on the arithmetic drivers of the business processes. Aggressively grow the amusement with prize business in Texas, upon the conclusion of two successful experiments.

So just commenting on those first three there, we'll get our first amusement with prize center open on or about the 1st of June, we'll have two others open shortly thereafter. We'll operate them for about 90 days, see what the numbers tell us and where we ought to be putting our money. And then we'll begin to exploit the advantage on that. We'll go ahead and pile on on the good parts and cut loose on the bad parts.

As far as focusing on the arithmetic drivers of the business processes, I think we do that a little bit more every day. There's a particular book I've read recently on analytics that I like a lot. And you know, my question, or my observation is in God we trust, everybody else bring data. And so yes, I think we're trying to make all of our decisions based upon information and arithmetic. We've gone back and conducted an assessment of our entire portfolio from a demographic, population, income and traffic vantage point. To see which of our bingo halls fall into which characteristics, we've cross analyzed some of that data and created a quadrant analysis, and so I think we know what it takes to have a good bingo hall. And therefore when we look at these other opportunities and other location, then we know whether or not they fit those characteristics.

Increased cash flow by adding units aggressively in existing markets. Open two new markets by year end 2008, transform our bingo halls into an enter statement destination to increase the tenants and build customer loyalty.

So on those ones right there, you know, the acquisitions, the start-ups, the start-up of amusement prize business, obviously supports cash flow growth. Open two new markets by year end 2008. We're looking at a bunch of deals in Florida, and we'll dot right deal. We won't do the first deal, we won't do a deal just because it's in Florida but we'll do the right deal.

Transform our bingo halls and entertainment destinations in order to increase the tenants and build customer loyalty. That's an interesting question because I think there's some specific things about those bingo halls that we want to do. First we want to freshen them up. Second, we want to get much, much better signage and probably one of these moving LED signs out front. I think one of the most understated element of the attractiveness of bingo is the magnitude of payout itself on a daily, weekly, monthly and annual basis. That's something we'll be focusing on.

We'd like to convert some bingo halls from having TV monitors to having projectors. When I think in terms of projector I mean something like a PowerPoint projector. We want to upgrade our snack bars, I think our snack bars in some instances, not all instances, are either hidden asset that can generate a lot of cash flow if we operate them. Or they're an asset that is not fully supporting the entertainment experience of a bingo hall. And I think those snack bars are really important. And we're going to be spending more time focusing on those.

Inside the bingo hall, we want to make sure that just the basic training of how the bingo experience exists is being enhanced. And so there's more emphasis on pull-tab training and things like that. Pull-tab sales training. And we have a PowerPoint presentation, a workbook and formal course of instruction on that. And it's just something that our folks through the consulting end of the business have to get out in the field and make sure that there's more dissemination of that training. We know it's training that works.

Develop and use specific parameters to measure performance, transform the bingo business by eliminating (indiscernible), increasing communication and championing appropriate legislation, drive a stake through the first through remaining issues.

My comments thus far would support what we're doing there and obviously we're involved in some litigation. I'm sorry, we're involved in some legislation.

Organize the real estate part of our business more professionally -- more aggressively particularly the institutions through direct contact conferences road shows, Investor Relations firm, protect the balance sheet, improve ratios, eliminate debt and position the company for future financings now rather than when the money is needed.

I would say our balance sheet is in pretty good shape and yesterday at the board meeting we had a bit of discussion about current ratio and debt to equity ratio and things that would be traditional measures of balance sheet health. And we're actually in quite a good position. As we continue to increase cash flow, we put money in the bank, obviously all those things get better and better.

You get to a certain point where you're strong enough to do what it is that you want to do. So if you think in terms of the professional athlete training for season, you get strong enough and then you got to work on technique. And so I think in a lot of our financial aspects of the company, we're strong enough. And so now we have to get throughout and execute some acquisitions and start-ups and new bingo halls and improve our existing portfolio.

Those are the questions I received and the ones I wanted to answer for you. Now, what other questions can I answer for anybody? Moderator, will you poll for questions.

**OPERATOR:**

(operator instructions).

I'm showing no questions in the queue.

>> Okay, thank you very much. Well, I appreciate everybody listening to the conference call. I got a lot of good questions this time and I appreciate that. I want to particularly note that the economic engine appears to be headed in the right direction. I want you to know that we're up 27% as it relates to our gross profit. I'm fully cognizant of and I'm focused on the overhead issues. Quite a few of those things are things that are only going to occur one time. There are going to be some increases in overhead because we're positioning ourselves for growth in the future and you always have to preinvest in overhead in order to be able to afford

that. I feel very good about our opportunities to increase cash flow and the rest of this year and in the reasonable future. I think that we're active and engaged in the legislative process where we need to be active and engaged. I think we have a good focus as far as our strategic opportunities and our strategic plan. I want to particularly note how well Word of Mouth did in the first quarter. That was just a spectacular performance, and everybody over there at Word of Mouth did a great job and I really appreciate it.

At the beginning of the call I mentioned if you want to get on the list of the people to whom we automatically send press releases, that you need to get in contact with Cecil Whitmore, so that would be CWhitmore@Littlefield.com. Any time you have a question for me, feel free to call me. My number is 512-476-5141. You can e-mail me at JMinch@Littlefield.com. I get quite a few questions in the course of a quarter. I'm always interested in engaging with and answering questions for shareholders.

Let me end by the Safe Harbor pronouncement. Except for historical information contained herein, certain matters set forth in this conference call are or may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. That are subject to substantial risks and uncertainties. Including government regulations, taxation, competition, market risks, customer attendance, volatile customer spending patterns, general economic conditions, and other risks detailed in the company's Securities & Exchange Commission filings and reports. Actual results may be materially different from those expressed or implied by these forward-looking statements.

Ladies and gentlemen, thank you very much. Moderator, I'm going to hold on line to visit with you for a second.

**OPERATOR:**

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

