

**Transcript of
Littlefield Corporation (LTFD)
First Quarter 2008 Earnings Conference Call
May 2, 2008**

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 gentlemen and welcome to the Littlefield Corporation's First Quarter 2008 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press *0 on your telephone keypad. As a reminder, this conference is being recorded.

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

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

Good morning! My name is Jeff Minch. I'm the President and Chief Executive Officer of Littlefield Corporation. I'm calling you from the Corporate Headquarters in Austin, Texas, and the purpose of our call is to discuss the first quarter of 2008 earnings performance.

Let me start with the Safe Harbor Pronouncement. Except for historical information contained herein, certain matters set forth in this conference call are or maybe "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to substantial risks and uncertainties, including government regulation, taxation, competition, market risks, customer attendance, volatile customer spending patterns, general economic conditions, and 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."

So, we're going to talk about the first quarter of 2008 and I want to direct your attention to our press release of the 30th of April 2008. In that press release, we reported revenue was down for the corporation by approximately 10%; entertainment revenue, bingo was down about 4%; and hospitality was down about 25%.

On a gross profit basis, the company last year had a gross profit of \$1,114,653 and this year, it had a gross profit of \$482,071. That is a \$632,000 decline or about 57%. Obviously, the first quarter is also the full year for year-to-date purposes.



Looking in particular at certain of the bingo markets in Texas, revenue was down approximately 9% from \$1.378 million down to \$1.259 million. Now later on, when we talk about notable charges, you will note that the impact in Texas as it relates to some restarts of existing bingo halls and the startup of new bingo halls is actually substantially larger than that \$119,000 difference, and in fact, the stable portfolio, the same store sales at the stable portfolio was up about 3%. South Carolina's revenue was up about 2% and Alabama was up about 5%.

As it relates to hospitality, on the 15th of April, we sold Word of Mouth, so Word of Mouth is still in the numbers for the first quarter. So for the first quarter hospitality, revenue in total was down almost \$300,000. So, it was \$1,143,000 in 2007 and was \$854,000 in 2008. Word of Mouth accounted for almost all of that decline. Their revenue was down about a quarter of a million dollars; \$249,152. And Premiere's revenue was down \$106,298, and remember, those are related sister companies, and therefore, there is an intracompany elimination. So those two numbers do not add to the total decline in revenue for hospitality.

So, those were the high points of the earnings.

As it relates to earnings per share, you will recall that we issued a substantial number of shares in the first quarter related to the investment by Value Fund Advisors. The Value Fund Advisors invested \$7 million in the first quarter. So the weighted average number of shares outstanding is a number that is in flux right now because that transaction occurred during the quarter. So the weighted average is the number of shares that were outstanding for whatever period of time. So in the first quarter of 2007, we had earnings positive of \$0.03 per share and in first quarter of 2008, we had a loss or negative earnings of \$0.03 a share. So, the difference between those is \$0.06 a share. So that's the overview as it relates to earnings.

Notable items in the first quarter of 2008, we had about \$156,000 worth of things that are related to stock-based compensation, regulatory legal matters, litigation legal matters, and acquisition. We also had the startup or the restart of some bingo halls in Florida which accounted for about \$416,000. So, the total of those two together was almost \$600,000. As an aside in the first quarter of 2007, we had about \$97,000 worth of similar notable charges.

Looking at the economic engine, obviously, performance in Texas was down substantially. I'm pleased to say, as please as you can be when you are reporting news like that, it is primarily related to the restart of bingo halls and the startup of a new bingo halls, and therefore, it is normal and ordinary in the ordinary course of our business and while I note it as a notable item, in fact, it is something that would go away as all of those bingo halls continue to march up the startup curve.

Alabama and South Carolina revenue was up just modestly, but their gross profit was down just modestly. So, we made a little bit more money, we spent a little bit more money. And again in South Carolina, we have the impact of some expenses related to the fire there in South Carolina.

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We did get the bingo hall in Florida. The acquisition, we did get it to where it was making a very modest contribution and we're very cautious about how we are accounting for any contribution coming from Florida because even though that is an acquisition, from our perspective it's really a startup. So that's the overview as it relates to the numbers.

Let me hit some important topics. Let me talk first about acquisitions. Obviously during the quarter on the first day of January, we closed the transaction to acquire a bingo hall in Pensacola, Florida, and that bingo hall has already begun to contribute to profits. The first month, it was a little shaky there in Florida as you would expect anytime you're taking over a new operation, but it seems to have settled down and the trend line is modestly better, just a few thousand dollars better, in what we would have expected looking at last year's numbers. So we're very pleased about that.

In South Carolina, we still have an outstanding letter of intent to acquire six bingo halls and we're awaiting regulatory approval. That regulatory approval is a contested matter. So I do not mean to imply that it is a regulatory approval in the ordinary course of things. We have a hearing on that matter on or about the 24th of June and so, I'll keep you posted in our progress.

We are looking at deals in several other states and I want to make that point in particular that these are deals in other states. They are not deals that are in Alabama, South Carolina, Florida, or Texas.

We have new bingo halls under development. The second bingo hall in San Angelo is open. Its initial sessions have all been profitable and we have made some concessions as related to rent for those first sessions, so some of that is not necessarily going to hit our books immediately, but it will within two weeks, and so I am very pleased to say that those sessions in the new bingo hall have been received positively by the customers in San Angelo.

In Corpus Christi, we have a new bingo hall and that bingo hall will be opening here in early May. I think our target date right now is about the 8th of May.

In McAllen, where we own a real estate and so this is a bingo hall at real estate that we currently own, we will have a new bingo hall opening there in the 3rd quarter of 2008 and in El Paso, we are finalizing the negotiations on a lease. We're in that classic lease negotiation phase going back and forth between the landlord and the tenant and trying to finalize things. We expect that bingo hall to open in the 3rd quarter of 2008.

Later on when I talked about our plans in the future, I have a sense that we will have another opportunity in 2008 in Texas, four new bingo halls. Even the size of our portfolio has a pretty substantial growth.

On litigation, I'd like to make a couple of comments. Remember on litigation, I'm often times closed mouth given the nature of the subject. But in South Carolina, we have two regulatory matters. We continue to have a court order at stay, I guess, it's a Statutory Stay as it relates to the piercing of the corporate veil matter. And then we

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also have a hearing coming up related to the licensing necessary to make the six bingo hall acquisition and that hearing, I believe, is scheduled for the 24th of June.

In Texas, we had two regulatory matters between us and the State of Texas and Texas Lottery Commission. Both of them have been settled and what they originally had sent to us was called a Notice of an Opportunity to Show Compliance, which is a requisite for violation that might result in a revocation of a license. So they sent that to us, we answered it, we negotiated back and forth, and they have ended up sending us what they have called a Non-Statutory Warning Letter, and so I view that as a letter from the regulator saying, "please pay attention to these particular matters." So those things have been ended inclusively and there are no fines, there are no penalties, and we simply gotten a letter from them that notes that they had concerns about these particular matters.

We have the Furtney trial in Florida which I suspect we will go to trial here in the next 90 to 120 days, and then I had mentioned that there was a minor litigation matter in Abilene related to something that happened at Super Bingo and so that matter is still in litigation.

As far as legislative initiatives, in South Carolina, there are three meaningful initiatives. One is a minor licensing issue that would have some benefits as it relates to our regulatory issues, and then there was a plan for the inclusion of pull tabs in bingo; I do not think that is going to get out of the starting block. And then there was plan for a legislative initiative for amusement with price machine, and that looks very favorable. If that occurs, that could be a tremendous benefit for our bingo halls there.

In Florida, we are currently playing defense. There is an initiative, a legislative initiative, that would have an impact on electronics in bingo halls and it would not be widely unfavorable, but seems to me, it's just a housekeeping detail as the folks who were proposing that legislation really did not intend for it to have any impact, good, bad, or indifferent on bingo, so we are keeping on top of that.

In Alabama, there is nothing to report, and then in Texas, of course, we're only in session every other year, so this year were not in session, but everybody is gearing up for the next session which will start in 2009.

As far as our initiative in transforming the bingo hall, in the first quarter of 2008, we spent over a million dollars on capital improvement. Now, that includes the Florida acquisition which is about \$300,000 and then the acquisition of several Texas licenses but still, it was a very ambitious plan. We're putting new message board signs in Austin and Abilene. We've put in some custom signage, we have put in some projectors and flat panel monitors. We're slowly but surely painting and upgrading all of our bingo halls here in Texas. We've also initiated a couple of fun programs. We had Elvis come to the bingo halls a couple of times. We've had a juggler that comes to the bingo hall. We're getting ready to start an initiative that we call "Texas Tornado Bingo." We will be starting that out in San Angelo.

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Taglich Brothers updated their research piece and you may have noted that we are going to have some folks at a Small Cap Conference to make a presentation and that the conference is sponsored by Taglich Brothers.

So those are the high points that I wanted to cover with you. I have got a number of questions and so, I will answer these questions and at the end of this, we will pool for questions and you can ask any additional questions.

Are you considering a share dividend any time soon? What are the merits of a share dividend? Well, are we considering one? The answer to that question is yes, but that consideration is normal. I think that the benefits or the merits of a share dividend are the main modestly increased float to maybe a little bit more trading volume available, and then it also has the opportunity to create wealth, and the way it creates wealth is if the share price does not decline and you issue some more shares which we generally had experienced the last time around, and those shareholders will receive those shares and create a bit of wealth. They have something that they could go and sell. Now, it's an art and not a science. I am not a strong proponent of it one way or another. However, I do think that a share dividend is healthy. I am extremely sensitive in fact with a lot more shares out there as this has an impact on our earnings per share, so it is not something that I have overlooked.

In the last couple of years, I have noted a bit of institutional investment activity and now presentation to Taglich Brothers. And in that case, they're referring to the Taglich Brothers' Small Cap Conference this next week. It seems evident that Littlefield is actively marking its merit. I wonder if you could shed more light or detail in your strategy for getting the word out. First, I'll tell you is that in some ways, we are just kind of feeling our way in the dark and at the end of the day, if anything that you do when you talk about the company, you've got a couple of obligations. You've got one obligation to make sure that you're reporting the way you're supposed to be reporting. As an example, this conference call, you want to make sure, obviously, you always speak the truth and you're going to err on the side of being conservative and fully disclosing things, and sometimes that comes across in kind of a negative way, and then you're going to try and get the story out to people who would buy the stock and in terms of buying the stock by increasing demand up as he anticipates there'll be an increase price. Now, I would not want you to think that we have a really well thought out and deep strategy. In some ways, we are just sticking our toe in the water and seeing what happens as a result of this. The history of the company has been that I have had some real concerns about not "promoting" the story because there has been a fair amount of legacy issues that I've had to deal with, and we are kind of getting out of that shadow, and so, this is something that we're going to do a bit more of.

Was the poor performance of hospitality due to you're taking your eye off the ball because of the impending sale? If not, to what do you attribute it? Well, I will be less than honest if I said that when you are getting ready to sell something that you managed it with the same vigor as you would as if you're getting ready to grow or expand the business but I think that's a fair statement. I really cannot quantify it, but we did spend a lot of time and effort in the first quarter getting that business ready for sale and therefore, it absorbed a lot of time. Also, the general manager of that

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operation was on maternity leave, and so I think that probably had a little impact as far as how it was being managed.

I want to complement you on the manner in which you calmly went about selling Word of Mouth. While I'm sure you must have been thinking about it for some time, the attitude was professional and patient particularly your comments on the last conference call. Can you please comment on the manner on which Word of Mouth was sold? Did you have multiple offers? How will this impact your personal time? What does it mean for Premiere Tents and Events? Has Premiere lost Word of Mouth as a customer? Well, first off, I appreciate the comments. I'm not sure that I necessarily agree with or recognize that, but I'd rather say something nice than something ugly. As far as the manner with which Word of Mouth was sold, I believe I have told you in the past that somebody had approached us which then triggered a Right of First Refusal. So, the actual acquire of the company was someone who owned a Right of First Refusal, so it was one of the former owners, and so that's what really drove the transaction. As in any transaction like that, there's a fair amount of give and take, but when you are exercising the Right of First Refusal, you have to have a second match somebody else's offer, and so when we have confidentiality agreements, we work through. We got closed with the normal amounts of angst that you have in any kind of a transaction like that. It's very important obviously personally to the buyer and the seller to make sure that it's done correctly, but I was very pleased with the manner of which it was sold.

Did we have multiple offers? Yes, we did. Since we've had an offer and then we had the Right of First Refusal which matched the offer.

How will this impact your personal time? Well, obviously I won't not have to spend the time at Word of Mouth that I was before.

Has Premiere lost Word of Mouth as a customer? No. One of the elements in consideration of the transaction was an exclusive three-year relationship between Word of Mouth and Premiere Tents and Events for party rentals. And so that was something we had anticipated right up front.

Can you please comment on how the new bingo halls in Florida are working out? Will this turn out to be a good acquisition? What are specifics of the transaction? So, first thing is that it is meeting our expectations and so we have negotiated a deal in which there was some evidence of some seller financing, and some cash, and at the 11th hour, we converted the whole thing to cash, and we got a very substantial discount in return. The return on investment, it appears to be is going to be very good. It might be substantially higher than what our normal portal rate would be. I can't really tell you too much about the specifics of the transaction because it's still subject to a confidentiality agreement, and as time passes, I'll be glad to talk to you about it a little bit more, but right now, I think we'd probably, for competitive reasons, don't want to blurt out what we paid or anything else, but we did pay out cash.

How can you grow the inventory of bingo halls? Comment on acquisitions, startups and other ways? Well, first off, this is a question that I've gotten from three or four people and I'm not actually certain what the confusion is. But let me... It must have

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been something I had said in the past but let me be as clear as I can. I see us as having a growth dynamic as this: First off, we can go and acquire bingo halls. So if somebody owns a bingo hall, we can go to him, make him an offer, run the numbers, see what we want to pay, and buy that bingo hall. In the case of South Carolina, that is exactly what we did, and we have a regulatory issue there. It is not really just a garden variety regulatory issue or same issue with the licenses. They contend that we're not entitled to the licenses, and we think that we are, and so, we are litigating that matter with them. That's a normal acquisition. You can have it de novo startup and by de novo startup I mean, you go to a city, you find a location, you lease it, you build the bingo hall within the leased premises and then you open for business and obviously, you got to go out and get licenses and everything else. You got to find charities and help the charities hire folks who live in Texas or hire them directly in other jurisdictions, and so there is normal startup risk. Then you have what I call cell mitosis. So, this has occurred a couple of times and it is getting ready to occur a couple of more times in the company where we have a good bingo hall then we put in a bingo hall right next to it, and in Texas there are certain regulatory issues related to the nature of the building, how close it can be and things like that, but the bottom line is you're taking a strong base that is currently operating and you're spreading that base to a second location. That's what I call cell mitosis. And then there are special situations; in the case of Corpus Christi, we were able to lease a space that had been a bingo hall and the bingo hall operated then moved out. And so, those are the four ways I look at it. An acquisition, a de novo startup, cell mitosis when you're starting from a strong base and creating a second bingo hall, and then special situations. Each one of those is a little bit different and each one of those is a little bit different from the risk vantage point and in a cost vantage point.

How many total bingo halls does the company have including halls under development, potential acquisitions, and any restructuring? How do you classify bingo hall origins? What are the comparative return parameters? First off, we have 34 bingo halls and before you write that down, let me be clear. In Texas, we have 21; in South Carolina, we have 9; in Alabama, we have 3; and in Florida, we have 1. That's how you get to 34. Of the 21 that we have in Texas, 15 of them are currently operating, one of them is subleased, and four of them are under development. And in addition of that total 21, there's one of them I'm considering closing because of its performance. So, that's the numbers. Now, I will go through this really quickly. In Amarillo, we have 3, one of them is subleased. In Lubbock, we have 3, I am considering closing one. In Abilene, we have 2. In San Angelo, we have two, one of which just opened. In Odessa, we have two, one of which is closed right now for redevelopment. In Midland, we have a bingo hall and that one I have targeted to redevelop. In Austin, we have one. In San Antonio, we have one. In McAllen, we have two, with another one getting ready to be added. In San Juan, which is in the Rio Grande Valley right next to McAllen, we have 1. In Corpus, we have one that is going to open next week, and in El Paso, we have a deal in progress. So that is everything that we have. In South Carolina, we have a total of 9 and those 9 are made up of 6 C bingo halls and 3 B bingo halls and we have an acquisition pending for 6 bingo halls. So that pending acquisition of 6 bingo halls is not in the 34 total. In Alabama, we have three bingo halls all of them operating and in Florida, we have one.

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Can you please comment on the growth in Texas and your realignment activities? What bingo halls are you adding? How much will this cost to do? Well again, San Angelo, we have a new bingo hall that has just opened. In Corpus, we're opening a new bingo hall next week. In McAllen, we have a bingo hall that will likely open in the third quarter of 2008. In El Paso, a bingo hall is likely to open in the third quarter of 2008, and I think we'll have one more bingo hall in Texas. I haven't identified it yet; it will open in the fourth quarter of 2008. So that's everything that we're doing.

How much will this cost? Well, kind of a detailed analysis and frankly for competitive reasons, I probably don't want to talk about that in public right now

I've heard that you are forming an industry group called the Texas Associations for the Advancement of Charitable Bingo. What is that and what is the purpose? What is your approach? Well, first off, these are really interesting questions because I thought that this was a secret, and we haven't been particularly secretive about it, but we were in fact trying to keep that closed to our best. We think there is a need in Texas to have an association group that is very formally formed and represents only the interests of commercial lessors. At the end of the day, the commercial lessors are the folks who have the lion's share of the financial risk related to real estate. So a charity has a lease that they can cancel with one week's notice typically, but the commercial lessor has had to lease their own facility for which he may have had to sign a 10-year lease. Now, one might argue that the rent that the charity pays the commercial lessor factors in that risk. Certainly, that's what we'd hope would be the case. But nonetheless it's a different risk. So I think commercial lessors have some unique interests, that's first. And second, there've been a few ad hoc organizations and we have, in the past, been members of them and so that's one of the reasons why I want to make this very formal. And so yes, we are forming a group with others. It's called the Texas Association for the Advancement of Charitable Bingo. Right now, we've got more than 30 commercial lessors who have agreed to join, and when I say that a commercial lessor has agreed to join, that's one commercial lessor per bingo hall and it will be a 501-C6 trade association, and we just filed, I think, in the last day or two the actual organizational documents.

Can you comment on the regulatory environment in each state in which you operate? Are the regulators fair and is the regulatory climate similar in each state? Well, you know first of all, I'm obviously not going to say whether or not I think the regulators are fair. We have a regulatory matter in Texas that has run its course and we don't think that we've done anything wrong and so now, its run its course and that we ended up with something called a Non-Statutory Warning Letter, and I consider that simply to be a letter. It has no significance as it relates to the Bingo Enabling Act. That's the good news. The bad news is that we spent \$38,000 in legal fees to work our way through that situation. That does not seem to be right to me and so, that's something I'm going to have a little bit more dialogue about with the Lottery Commission.

The regulatory climate in each state is different. So in Texas, we have a fairly well regulated environment because you have a Texas Lottery Commission Charitable Bingo Operations Division. It's a big business in Texas and so there ought to be a fairly large regulatory capability. In Florida, you are dealing with the local sheriff. In Alabama, you're dealing with the local sheriff, and in South Carolina, you have the

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South Carolina Department of Revenues. The only thing I might make as an observation is that where you have a sheriff who is your regulator, they have a tendency to focus primarily on criminal infractions. When you have somebody from the revenue business, as you do in South Carolina, I think that there is a natural tendency for those folks to see things in a very black and white kind of way, and maybe even a little bit small minded because they are dealing primarily with tax issues and revenue issues. I think actually the Lottery Commission in Texas is pretty good. Now, I think that we probably attract a little bit more than our fair share of attention because we have of late been taking a hard look at our bingo halls and we have never, in the past, terminated leases with charities, and we've now done it in two different instances both of which clearly in my view, was the right thing to do. So that probably creates just a little bit more angst and we are applying for a lot of licenses because we are building a lot of bingo halls. When I say we're applying for them, we're assisting charities in applying for them, and I think we've gotten very good service on the Charitable Bingo Operations Divisions as it relates to their dealing with us in these licensing things. So, this is a regulated business and is not a business that you can, whine and cry about. You will have to work your way through those things. Could be a little bit better? Sure. Could we do it a little bit better in that environment? Sure. There are some things that we could improve.

Are there any upcoming legislative challenges or opportunities? Well, I mentioned to you that Texas is not in session but I do expect that there will be some legislative issues. Last session, I don't think we really accomplished anything, but we prevented one or two bad things from happening. So, I think it will be a little bit more the same. In South Carolina, there are a couple of things. One, we'll have an impact in some licensing issues and the other one, we'd create some amusement with prize machine opportunity. In Florida, I mentioned, we are playing a little bit of defense and I think that's all going to work out fine. In Alabama, there's nothing much going on.

Will there be a presentation at the annual meeting of the company's plan? Yes, we make a formal presentation at the annual meeting. Now, when you say of the company's plan, it will be similar to what we've discussed here. It will be in writing. It'll typically be a PowerPoint presentation. I don't think we're going to sit down and go through infinite details on cost and things like that, and if we are targeting an area, and we think it is a competitive area, we may not identify it by name for competitive reasons, but yes, there would be some kind of a presentation as it relates to the company's plan.

Do you personally have a current employment agreement? When does it expire? Is it being renewed? I have an employment agreement that expires at the end of this year, 2008. I've already begun a dialogue with the Board as far as renewing it. Yes, I intend to propose it be renewed, and obviously, the Board agrees with that.

Can you give us a five or six brightest points about the company's performance in the near term? This is the second time I got asked this question. I went back and I look the last time at the answers I've made. So, my answers are just a little bit different. So, here's what I'll say are the five or six brightest points about company's performance in near term. We're a small company but I think we've got very good people. I think we have very good people in all the businesses that we're involved

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with. I think our financial folks are astute and smart. We hired someone to handle our capital transactions and acquisitions and that worked out very good. We've hired some additional folks in Texas and the guy who was in charge of all of Texas is growing into his job very nicely. Obviously in Alabama, the fellow who handles Alabama was able to go to Florida and take care of that bingo hall. So, that's a very, very good development. And I think in South Carolina, we've been very steady and I think if we can get this acquisition across the finish line, which I think we're going to, then I think we'll have to probably beef up the management there just a little bit, but I think we got very good people. I think we're developing a strong capability as it relates to the physical plan of a bingo hall and the abilities to develop the bingo hall from scratch particularly as it relates to licensing. So, I think we've really got a bingo hall figured out.

Now, the bad news is we're probably putting a little bit more into our bingo halls than other people are, so as an example, we have security cameras in the bingo halls. Lots of other folks don't. We spend a lot of money on renovating restrooms. I think when you go to a facility if you do not have a nice attractive, nice smelling restroom, I think it's a real negative. And we're not where we need to be on that. We still got some additional work to do in a number of locations. We've become very adept at soliciting charities and assisting them in getting license particularly in Texas, but also in Florida and in South Carolina. I think another strong point is our ability to acquire Texas grandfathered commercial licenses. And so it seems like every time that there is one that comes up for sale, we have been successful in buying them. We've also demonstrated the ability to go to a new state, learn the regulatory environment, operate and prosper, and that is a very important challenge to our growth. I'm sure, that we can assist the charity in running a bingo hall. I know that we can help them with the best practices, but the real question is, can we go to another state, wiggle our way in, learn the rules, and be able to compete. So I'm very pleased as far as what we did there in Florida. In some ways, going to El Paso fits in the same category because it's a long way from any other place we have a bingo hall, but it is subject to the same regulatory environment as you have in the rest of Texas.

I'm very encouraged as there seems to be a lot of opportunities. Now, I can't say to you that where I thought the opportunity was a year or so ago is necessarily where I see it today, but I continue to see opportunities. In some ways, it has a little bit of a wackamole characteristic to it, by which I mean, when opportunity falls by the wayside then something else pops up. I think we're getting a little bit of critical mass and the deals are finding us now where in the past we were out looking for the deals, and so that is something we've earned as a result, I think, of being in the market, and so we'll slowly but surely continue to capitalize on that. And I think the growth opportunities, and particularly in Texas in the Rio Grande Valley and in Central Texas, are very exciting.

So, those are all the questions that I had received. I hope I haven't missed anybody's question because folks like e-mail them to me.

Moderator, would you pool for questions.

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Operator

Ladies and gentlemen, we will now be conducting the 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, if you do have a question, please press *1 on your telephone keypad. Our first question is coming from Luis Martins with Taglich Brothers.

Luis Martins – Taglich Brothers

Good afternoon. Congratulations on a solid top line and getting back into Florida. Can you just comment on the drop in the gross margins year-over-year. It looks like there was significant drop and what are the implications for the rest of the year on gross margin?

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

Well, Luis, thank you very much for your question. First is that, in certain measure, when you have a startup, you're overwhelmed by the expense in comparison to the revenue. So, obviously, that has a direct impact on margins. So we're really talking about the same thing looking at it from a different vantage point. What is going to improve is going to be that the startup expenses, which in many instances are incurred a single time or for a short period of time will diminish at the same point in time that revenue will accelerate back to prior levels and to higher levels. And so that's what is going to reestablish the margins. So in certain measure, you're not managing the margin as much as you're managing the time when you incur those expenses and they'll return to normal and balance levels of revenue. And I think that will occur before the year is over.

Luis Martins – Taglich Brothers

Okay. So there were one-time startup issues in terms of cost built into the cost of total direct cost?

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

Yes. As an example, the situation in Abilene, if you remember, we closed down that bingo hall and then we restarted it. So, even though that has been very mature and solid bingo hall, it then became in effect a startup and so the revenue and expenses were out of balance and it will slowly but surely come back into balance. And again, I think that will be about the year end, those things should be back in balance.

Luis Martins – Taglich Brothers

Okay. Do you have...? Can you quantify the level of expenses that were part of the startups and one-time situations in terms of the gross profits of the quarter?

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

Yes, the number I gave you before was \$416,320 and that's a discreet, those are multiple charges but fall totally under the category of hall-related startup expenses.

Luis Martins – Taglich Brothers

Okay, so...

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

And in some multiple halls, not just from one bingo hall.

Luis Martins – Taglich Brothers

Right. So if we add back \$416,000 into the gross profit that would give us some visibility as to what a going forward margin might be if there were no startups and the like.

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

Well, yes and no. Remember, that's just the expense part of the equation. The other thing that is going to happen with the passage of time is revenue is going to improve. So, what I don't want to do is I don't want to get into situation of where I'm trying to give you a sterile answer that you make these two changes, increased revenue and reduced these expenses, because we are going to have startup expenses going forward because of McAllen, Corpus Christi, El Paso, and hopefully, two or three other places. I think what's going to happen more and more is that we're going to have to present that information similar to what I did in conversationally here where I say on a same store sales basis, revenue is up 3%. So, we're going to have to begin to dissect it in a way that you can peer through and see, well, here's the core of business and here's the part of business that had seen growth. But, I'd hope to have those kinds of expenses all the time because it means that we're growing rapidly.

Luis Martins – Taglich Brothers

Relative to Word of Mouth, are you planning in the near future to provide additional details as to the operation in terms of its contribution so we can model some financials going forward excluding the Word of Mouth, obviously, with Premiere Tents being a sister company, there are some intracompany allowances but can we get additional visibility in terms of that and how soon?

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

Well, that's a question I'm going to have just a little bit of thought to and obviously I'm going to just, kind of in the spirit of full disclosure, Luis is with Taglich Brothers and so we have a little bit different relationship in that we might be able to provide them with some information that we would provide everybody but it might be targeted as result of interest they having writing research. So let me give a little bit of thought to that. One of the things that is going to happen, it's kind of interesting that I really haven't had a chance to focus on yet is that the intracompany elimination between Word of Mouth and Premiere is going to go away and so I have to think about that just a little bit. But I'm sure that we can share with you some more of the magnitude things that would enable you to make some projections as long as those projections are going to be published publicly.

Luis Martins – Taglich Brothers

Right. I mean, I wasn't looking to get information that's not out in public domain. I was just curious to see if the company planned to file an 8-K or disclose any financial information relative to Word of Mouth in its upcoming 10-Q so we can get an understanding of where the order of magnitude of importance on the hospitality division that Word of Mouth have.

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

Well, I hadn't really considered that but you asked the question, I'll consider it. I would say that from a reporting vantage point of view, if you're using an 8-Q as a standard, it probably didn't rise to a level of materiality to be necessary for that. But I'll look into that and make sure that it's handled appropriately. As it relates to issuing an 8-K, we have no flexibility. If it meets certain standards, we have to, and if not, we may, but as a general proposition if we don't have to, we typically wouldn't.

Luis Martins – Taglich Brothers

You mentioned you spent a million dollars on capital improvements over the quarter. In terms of, historically, how does that compare and in terms of going forward, obviously, you're flushed with cash now from the equity investment. How much going forward over the balance of 2008 do you plan to spend on capital improvements and I guess in terms of your renovating halls, what percentage of your hall base has been improved to your expectations?

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

Well, first off, none of the halls has been improved entirely to our expectations. There're a few of them that are pretty close. The bingo hall out there in Abilene is close and we're getting ready to start some work here in Austin that will bring that up to our standards.

When you've mentioned capital, I would make a distinction between capital as necessary for the addition of new bingo halls, so as an example, in Corpus Christi, we've got a new lease there so we're going to spend some money painting and doing some other stuff there and then expenses that are associated with startup. You know historically that are businesses that would have capitalized those expenses. As a policy, we don't and so this is the old MCI issue as to whether or not we should be capitalizing startup expenses and as a general proposition, we don't.

As far as to how much money we would spend, I would anticipate that we would spend in the balance of the year about a million dollars on startups and renovations. Now, the startups don't really figure into my thinking as it relates to restraints on the spending of capital. And the amount of capital that we would spend on renovation, as a general principle, I would like it to be equal to our cash flow. So, I don't mind spending all of our cash flow. But I really am reluctance to penetrate any of the new capital that we've raised. Now, we also have an offer of a line of credit which we'll finalize here in the next few months and I've come to conclusion we had about \$12 million worth of resources between the cash we had, the equity investments, the line of credit, and the proceeds from the sale of assets, in this figure case, Word of Mouth. So, I think from that vantage point, we've got enough capital to do what we want to do. I would much prefer to spend that capital on things that are going to increase cash flow. And so internally, when we're competing for expenditures, I'd much rather spend it on a new bingo hall in El Paso than I would on something else. Now, having said that, there are so many things that the time has come. If you have to put on a new roof, you have to put on a new roof. But as a general proposition, we want to spend a dollar to make \$0.30. That's what our objective is. So we'll be very careful about that.

Now, I'd also tell you that philosophically, I think we're in one of those situations where there is a lot of growth opportunity there in front of use. So, if we can pick up these six bingo halls in South Carolina, which I think we will, we will have 40 bingo halls. And so that's a pretty good start. I mean, that's 30% to 35% annual growth rate. That's not a sustainable rate. I mean, that's too much growth really, but I think we'd lurched forward to 40, and I think the next weighing station is 50. And at 50, I think we have to kind of take our breath, take our time, and take a deep breath and make sure we've absorbed it as much as possible. So, I do think in the short term here, we may be willing to endure some growth-related issues in order to be able to capitalize upon the growth opportunity, particularly if there's a little recession. I mean that maybe some that drive some business into our arms. I mean, I'd be quick to point out that I personally think that the bingo business is a minor beneficiary of a little recession and that people who would otherwise be going to Atlantic City and Biloxi are staying home and I hope they're playing bingo.

Are there any other questions?

Luis Martins – Taglich Brothers

Yes. In terms of the acquisition pending in South Carolina, you said you have meeting, I guess, for June 24th. In your experience with the authorities there, in terms of a decision forthcoming after that date, what is a realistic expectation to expect of the decision? Is it days, weeks, months? And so that's like at the tail end of the second quarter, the decision. So, how does that make an impact on operations for the second half?

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

Well, first off is I would not want to mislead you and tell you that we have huge amounts of experience in dealing with these kinds of issues. This is the first time that we've ever had a contested regulatory matter in South Carolina, I believe, in the history of the company, and that's going from before when I was involved. This is a regulatory issue that is related to the piercing of the corporate veil case. And what they're saying is if you're not entitled to have more than five licenses and they're counting all of those licenses, they are intellectually trying to count those licenses at the parent level. In fact, I believe they should be counted at the subsidiary level. So, I can't really tell you with the voice of experience what I think will happen. Now, my instincts tell me that all of these things always take longer rather than shorter. But I also think that the legal issues that are at play here are not complex legal issues. And so we're going before an administrative judge. We have filed a motion for summary judgment. We believe that the law is clear on this and so we ought to know something now. If we were to prevail, then the South Carolina Department of Revenue certainly has the right to appeal it. And so there may be some common ground and that they issue the licenses and then write us a violation and attempt to consolidate it with the existing matter, the piercing of the corporate veil matter. So, I really can't give you a knowledgeable experienced answer, but I can tell you what my instinct is. And I think that there'll probably be some kind of a judgment within 60 days after that date of 24 June.

Luis Martins – Taglich Brothers

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Okay, 60 days, you say?

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

That's my instinctive guess based upon what I know. But I really have no experience with this.

Luis Martins – Taglich Brothers

Okay, so that would bring us into mid third quarter, correct?

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

Right.

Luis Martins – Taglich Brothers

Okay. Alright. Thank you very much.

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

Okay. Any other questions?

Operator

No, sir. We have no further questions at this time.

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

Okay. Well, ladies and gentlemen, thank you very much for listening in on the Littlefield Corporation Q1 2008 Conference Call and I'll end with 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 regulation, taxation, competition, market risks, customer attendance, volatile customer spending patterns, general economic conditions, and other risks detailed in the company's Securities and Exchange Commission filings and reports. Actual results may be materially different from those expressed or implied by these "forward looking statements."

Again, please feel free to call me or to email me. My phone number is 512-476-5141. My email is jminch@littlefield.com. I'll be glad to answer to your questions.

I would close by saying that while the numbers that we report for the first quarter are not what anyone would like them to be, the underlying progress, the underlying growth is meaningful. The disposition of Word of Mouth is a very important milestone. The ability to be out there in the marketplace adding four or five bingo halls is a very important achievement and so all of these things will come back into balance as we get over some of these startup expenses. So, again, thank you very much for your attention. I look forward to visiting with you again in the future. Thank you.

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