

**Littlefield Corporation**  
**Q3 Financial Earnings Conference Call**  
**October 21, 2005, 12:00 p.m. EST**

**Operator:**

Greetings, ladies and gentlemen, welcome to Littlefield Corporation third quarter 2005 financial earnings conference call. (Operator instructions)

As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Mr. Jeffrey Minch, president and chief financial officer of Littlefield Corporation.

**Jeffrey Minch, Director, President & CEO:**

Good morning, I'm Jeffrey Minch, I'm the chief executive officer of Littlefield Corporation. I'm calling you from Austin, Texas. It's a beautiful, sunny, cloud-free day in Austin. That's why everybody lives in Texas.

The purpose of this call is to discuss the earnings for Littlefield Corporation for the third quarter of 2005. First, I'd like to direct your attention to the press release that was made the 20th of October which was sent out in our normal delivery means. And so if you have any questions, I'd like to make sure that you refer to that 20 October press release.

I will cover for you the highlights of the earnings in a similar manner to that press release. In the future if you have that press release, that's a good thing to have at the time. Revenue for the corporation was up by 20 percent, and in particular hospitality revenue was up by 90 percent. All of the improvement in the revenue from the corporation was attributable to hospitality's improvement.

The actual numbers, Littlefield Corporation, had revenue from the third quarter of \$2,596,056 as compared to the third quarter of 2004 where we had revenue of \$2,167,646. Hospitality revenue was \$933,354 as compared to Q3 2004 which was \$492,219.

In the press release, I also noted that this is the continuation of a very favorable trend for the company in general but for hospitality in particular. And going back over the last four quarters, we've seen increases on a quarterly basis at 6 percent, 5 percent, 19 percent and 90 percent. So I think that's a very meaningful trend and one that we anticipate is going to continue in the future but not nearly of that magnitude. I don't expect every quarter to increase by 90 percent.

The third quarter for hospitality with the months of July and August included is typically a very weak quarter. Those are two of the four weakest months of the year for hospitality and so that improvement is a very meaningful improvement. Year to date the company's revenue is up by 14 percent, and we've had total revenue of \$8,083,293 as compared to \$7,112,541, that's an improvement of almost a million dollars which is 14 percent.

Hospitality's revenue is up by 32 percent and again that's very meaningful. When looking at this level of revenue I would point out to you that we're just really beginning to get back to pre-9/11 levels of revenue. So even in the history of the company for the last four years, revenue has declined in general as a result of 9/11 and economic conditions and any number of things. We're getting being back now to levels of revenue that are consistent with the company's performance before 9/11.

And so even though there's a dramatic improvement in revenue it really does not indicate that we surpassed levels of revenue that the company has very experienced until the past. As far as net income is concerned

we had a \$1,113,160 in that income. That compares to a loss of \$88,597, which is an improvement of about \$1.1 million.

Now, let me interject that the most important thing in looking at our improvement in income is to focus on nonrecurring items. We sold a piece of real estate and we received a final payment from the Heep note, and so I'll come back and talk about that. But that's not as keen an indicator of continuing operational improvements because the numbers are so large because the profits on those two transactions.

Hospitality was able to trim their loss. They typically lose money for the third quarter, from a loss of about \$325,000 last year to a loss of about \$150,000 this year. That's an improvement of a little bit more than \$170,000 which is a 53 per cent improvement.

Year to date the company has had a income of \$1,614,935 as compared to the same position last year where we had \$172,427. So that's an improvement of almost \$1,442,000, which is an 837 percent improvement. It's important to note also for hospitality that they had last year at this time year to date a loss of \$6,13,000 and they trimmed that to 347 and that's an improvement of 43 percent.

EBITDA earnings before interest taxes depreciation and amortization, which is a very rough measure of the company's ability to generate cash also improved. And I will refer you to the press release to see the exact (inaudible) of EBITDA for the cooperation, entertainment and hospitality. This is a rough measure of the real cash coming from these businesses or required to feed these businesses.

So the company for the third quarter of 2005 had EBITDA of \$1,270,380, and that's an improvement over the third quarter of 2004 when EBITDA was \$240,637. That's an improvement of \$1,029,743, which is an improvement of 428 percent.

Hospitality has consumed in this period of time, again as a rough measure of cash flow, \$92,656. Entertainment, which includes one of the nonrecurring income items, generated \$1,692,514. So hospitality ate a little bit of cash and entertainment generated a lot of cash. That's an improvement for hospitality of \$132,342. So our real cost to date or a measure of our real cash to date for hospitality is a cost of \$92,000.

And in that period of time entertainment has generated \$1,692,000. That's for the quarter -- I'm sorry, I said year to date. That's for quarter. Year to date Littlefield Corporation has had EBIDTA of \$2,521,559, as compared to 1,130,154 last year. That's an improvement of almost \$1.4 million which is a 123 percent improvement. Entertainment for the year has generated EBITDA of \$3.2 million as compared to \$2.3 million in 2004.

Hospitality has had -- has consumed 78,428, so our real year to date cost, a rough measure of our real year to date costs for hospitality is \$78,428. That compares to 318,216 last year which is an improvement of 239,788, which is a 75 percent improvement.

I would also note for hospitality that the trend, the trend of improvement appears to be a sound trend. On a segment basis, both Word of Mouth, the catering company, and Premiere Party Rentals for the quarter were up 90 percent each. For the year they're both up approximately 32 percent. So that's a trend, that 32 percent that we think will be solid for the year (inaudible) -- in good control for the quarter was 395,789, which includes \$156,000 of legal expenses. In the four quarter of 2004 we had 73,324 in legal expenses. For the fourth-quarter of 2004 our corporate overhead was \$310,566, so that shows an additional cost, an increase of 85,223 which is a 27 percent variance. Now, let me point out to you that had we had "normal level of legal expenses" in fact, corporate overhead would have been.

On an earnings per-share basis, the earnings per share a quarterly basis were approximately 12-cents, they're 11.8-cents. That compares to a loss in 2004 of approximately 1 cent. So that's an improvement of almost 13-cents. On a year to date basis earnings, were approximately 19-cents per share, as compared to 2-cents per share year to date at this time, which is a 17-cent per share improvement. And that's a 820 percent improvement. These big percentages are not particularly meaningful because there's just one or two items that really contribute to the great difference.

I want to speak last about the extraordinary items. So the extraordinary items we had a gain of a million dollars on a sale of a piece of real estate in West Columbia, South Carolina and then we picked up about \$57,000 of additional income from the final payment on the Heep note. Those two together are \$1,058,000 of extraordinary income in that quarter. And I've got a couple questions I'll answer later on about the real estate. So that's my report to you.

As it relates to other important topics, you know that we made an acquisition and as part of our sales real estate we made another acquisition. So let me talk to you about each of those. The company purchased on the last day of the quarter a bingo hall in San Angelo, Texas. We paid more or less \$700,000 for it. It's a little complicated how you arrive at the number. We had some credit for some work that needs to be done to the building but the bottom line is we incurred a liability of about \$700,000.

The seller provided some seller financing. We take cash for the balance and we anticipate placing a bank loan for that difference. In other words, to replace our cash. And that was closed on the last day of September. The week before that is when we sold the real estate in South Carolina. Now, the real estate is a shopping center that used to be the company's corporate headquarters.

We sold it for approximately \$1.8 million. We realized a gain of about \$1 million. We received some cash upfront and had a note. As part of that we had a C. bingo hall and a B. bingo hall in that building. So the new acquirer of that property is likely to operate those two halls or rent them to somebody else. We also received an assignment of bingo hall in Charleston, so we ended up with a bingo hall in Charleston where we own several other bingo halls and as a result of that we ended up with one more bingo hall in Charleston. We now have no bingo halls in Columbia and the individual who bought the shopping center I anticipate will open new bingo halls.

We have no new startup locations right now that are in progress. However, we do have a number of locations that we're interested in. In Charleston we have a B. bingo hall location that we have subleased to an individual. We recently took that back over and I anticipate that we may open a paper only bingo hall at that location in Charleston. That's a matter that's under discussion and review right now.

In Texas I told you before that we're looking at some other locations and so, in fact, we're going to look at some other locations in Texas. Right this second we're absorbing the acquisition that we made there in San Angelo. I should have noted when I talked to you about San Angelo that this is a location that's very complimentary to the rest of our portfolio. We have operations in Adeline, Lubbock, Amarillo, Midland and Odesa. So if you're driving to some of those locations you might go right through San Angelo in order to get to them. And, therefore, that's a very complimentary acquisition compared to the rest of our West Texas portfolio.

So those are the specific things I wanted to share with you. I've got a number of questions that were asked and if you don't recognize a question that you asked, if you e-mailed me or sent me a fax or something, please feel free to follow-up with me afterwards. I received a number of questions that were duplicates so you may not hear the exact wording of your question because I combined them.

One question that I just received is not on my written summary is a question about hurricane damage down in Mobile. You will remember that we made a press release in which we noted that there'd been some minor damage to our bingo hall down in Mobile, Alabama. We're fully insured. We have property, loss of rent and business interruption insurance. And that's something we pay for so it's protection we purchased.

Processing a claim for that, it looks to me like we're out of business for about three weeks. The charities were obviously very interested in getting back in business because that's an important source of income for them. And so in this question somebody raised the point with me, why did we get back in business so quick if we had the business interruption insurance. I think we had about six months worth of insurance.

The answer to the question is the charities are the ones who make the decision. As long as the real estate is okay, there's no safety issues, it's their decision when to open. That is their business. We're just their landlord. They really made that decision. So we'll process a claim for a few weeks of business interruption and loss of rent insurance and then the charities reopened.

Now, the charities believe that they're getting a few more folks as customers than they have seen before and they attribute that to a reduction in the competition coming from areas that were very dramatically impacted by the hurricane. So folks who might be going over to Biloxi and that was wiped out are now staying home in Mobile and playing by bingo.

Why were earnings released a day late? No good reason. It was primarily just a scheduling conflict. I like to have a full half a day to work on the earnings release and make absolutely certain (inaudible) to really reflect upon them before we send them out. And I just didn't get them in time in order to be able to do that and I apologize for that.

What is your schedule to release earnings in the future? We typically like to release earnings on the third Wednesday of the month following the end of a quarter and then have our conference call the following day, on Thursday. So following that protocol we released them yesterday and we're having our conference call today.

Please discuss in detail the implications of the enormous increase in hospitality growth revenue. How is that possible and what do you attribute that to? Is the hospitality business getting real good again? How do you evaluate your prospects in that business? First off, let me say to you like a lot of things this is a combination of things and there's no one element or feature that I can point to and say this was the nexus of all of those things but I would say to you that it's a market response.

So the market has gotten better. I suspect that we're getting a little bit more than our fair share in market. We have really good people working for us in both the rental company and the catering company, and they're good at what they do and they can see the opportunities that are coming to us. We got a couple of big jobs that we hadn't gotten before and so that combination of things, the market, little bit more on our part and opportunity for those people really to use their skills all contributed.

Now, 90 percent improvement in revenue in a third quarter is very, very, very impressive. And while we knew during the course of the quarter that things were getting better and we knew that our numbers were going to be better, we didn't see in real time that it was going to be a 90 percent improvement. I was frankly a little bit surprised by the sheer magnitude of the improvement. That's good when you have something growing at that level. I attribute it to primarily to hard work in that even though the market has provided us with fertile opportunity to be better at what we do, we still got to have the people who are capable of doing the work and then once you get the work, you got to be able to execute it.

And so in the case of the catering company, as an example, I think our event planners did a cracker-jack job, but then the kitchen and party staff have to be table sure they're able to execute that. In the case of the rental company, same thing. Our sales folks and general management of the company and the sales manager did a fabulous job, and then you have to have the people on staff to be able to execute that.

Our prospect in the business again, we're only returning to levels that are pre-9/11 levels. And so if I put my most optimistic view on things, I think that the market is going to continue to get better for some protracted period of time, absent any massive adverse developments from a national perspective. And I -- if that continues, then we will undoubtedly surpass the performance when we originally purchased the companies.

Now, you know, when we purchased the companies our original underwriting of due diligence indicated a very high level of returns. Returns that were consistent with other opportunities we had in the (inaudible) capital. While I'm not prepared to announce that we returned to that level of profitability, I think revenue is always going to lead profitability because in that ensuing four year period we've had increases in costs, we have been able to increase prices and the market has absorbed those increases. We have been able to absorb the additional cost associated with fuel and, therefore, we'll be able to slowly but surely manage a higher level of profitability.

It's a very my high probability that the hospitality businesses will break even or make a little profit for the company this year, and if that's the case then the next year, 2006, given the reinforcement of the same trends can only be better. So I'm more than mildly bullish on that business.

We sold a piece of real estate and made a \$1 million market. (inaudible) transaction. What were you going to do with the money? Why didn't you do that earlier? Let me kind of answer them in reverse. From a strategic vantage point we weren't prepared to realign our interest in South Carolina earlier. The second thing is somebody approached us as opposed to us offering if for sale. We had been leasing it out and we have one lease in there and we had the bingo halls.

It was a good transaction for us because our level of return from the bingo halls wasn't consistent with the value of the asset. It was consistent with the cost of the asset but it wasn't consistent with the value of the asset. So in certain measure we were able to withdraw the values from that transaction at no disadvantage to ourselves.

Another new question that came in, it's not on the prepared list, in the past we have sent out a broadcast e-mail to investors in regard to press releases and earnings announcements. Why have we stopped that? I really wasn't aware that we had in fact stopped that and I'll take action and make sure we continue that. Anybody who's on this conference call, if you give your e-mail address to the conference call moderator, then I'll make sure you get on the list and we continue to send those out.

How many bingo halls does the company have? I'm totally confused. As opposed to answering that right now I'm going to send out a press release sometime next week, because as you recall we acquired one more in Texas, we obtained one more in South Carolina as part of the transaction. We disposed of two in -- when we sold the shopping center. So I'll make sure all that gets sorted out, there's no misunderstanding about how many we own.

We acquired a bingo hall in San Angelo and made several press releases about that acquisition. Why don't you just tell everybody etching upfront? Well, first thing is our obligation to you as shareholders is to make sure you're fully informed. There is a great number of these things that we have no obligation at all to announce in accordance with Securities and Exchange Commission policies. So, as an example, if we

disposed of (inaudible) that was less than 10 percent of the company's assets, we wouldn't have an obligation to disclose that.

As a general policy, I think it's a good policy for a little company like ours to always be forthcoming about what it's doing. That's one thing. Second thing is we want to make sure that every investor has the same knowledge that nobody has unfair or superior or not widely disseminated knowledge. So we announced we had entered into a letter of intent to acquire that San Angelo bingo hall, because I'm always worried if the word gets out, that might influence somebody to buy or sell the stock.

When we entered into the contract we had a confidentiality requirement during the term that have contract and when we closed the deal, we had a right to disclose it. And so the multiple steps that you saw there were really as a result of our making sure that all shareholders have the same information, discharging our obligations under regulation F.D., full disclosure or fair disclosure, rather. And then once the contract closed, once we actually exchanged money, we were allowed to announce in accordance with confidentiality provisions of contract.

What are your plans to implement unit accounting of your Texas bingo halls? It's an interesting question. It shows the questioner knows a lot about bingo in South Carolina -- I'm sorry, Texas. Unit accounting is a provision that allows the charities and the bingo hall to aggregate revenue and expenses and then to distribute the results, through the process, among themselves without each charity having to run their own individual set of books.

And so what it does is it takes the take of the guy on Tuesday night, (inaudible) and couples it with the take of the charity on Friday night or Saturday night, which arguably are better nights, and it gives them all a common interest. Now, as far as our plans to implement it, we don't have any particular right to implement that. We might encourage it because we might help them become educated about it because we think that it takes away some conflict among the charities.

But we're really not the ones to implement it. In some instances through a management contract with the charities we may actually do some bookkeeping for them or help them with their marketing or something but that's purely a third party relationship that's entirely given than our landlord tenant relationship or our commercial (inaudible) relationship. So I think doing the accounting for the charities is a good business policy but we're not the ones to implement it, they have to.

I did some Lexus Nexus legal research and identified legal matters for the company going back five years. How did the company get in so much litigation matters? The recent record is pretty clean. How did you stay so clean in the same kind of industry? What do you think is a normal legal fees for something like American Bingo? Well, when I first got involved in the company, I think the first conference call I ever handled, I said legal issues are the biggest undisclosed liability of the company. So we bent over backwards to make sure this was disclosed. This was a long e-mail this person sent to me and I distilled it to this essence.

How did the company get in so much litigation matters, I think it was a new company, they were expanding into Florida, into South Carolina. I think in the course of those expansions that they primarily made good steps, they made one or two missteps and I think that's what resulted in litigation.

I think the company was a tad litigious, which means I think they were willing to engage in litigation and that's not necessarily my style. How did you stay so clean in same kind of industry? I don't think there's any kind of point to other than the fact I personally have a bit of aversion to any litigation. And every contract that the company writes we try and write in binding arbitration, and I just feel that that's a better resolution technique.

And the other thing is that I would say that we're probably today a lot more attentive to the due diligence in some of the things the company does.

What do you think is a normal level of legal fees for a company like American Bingo? Well, I think that we're always going to have some SEC lawyer fees because that's a dynamic situation. So we have a relationship were a law firm that's an got an excellent SEC lawyer. And we're always going to have some transaction fees so we're buying or selling we have transaction legal fees.

I imagine we'll all have some level of regulatory related legal fees. When we're dealing with the regulators, whether in Texas, Alabama or South Carolina, we'll always be paying a few bills to those folks. So if I have to stick my neck out, I would say 100,000 to \$150,000 a year is probably the right level of legal fees that we would have.

Every single legal fee that we're incurring right this second as a result of result of some discreet legal issue. The normal things that I just mentioned to you are all in that mix. I think year to date we've had legal fees that are \$662,000. So I would anticipate that a normal level of legal fees at this point, at the end of the third quarter, be about \$100,000. I think we have about half a million dollars that's related to legal issues that will not repeated because those matters are all coming to some kind of a resolution.

The questioner goes on to say, in the course of my research I think that many of the characters of the side of the company's legal matters are real low lifes. How do you get along with them and how does that impact the company's ability to resolve these matters? Well, first off, I personally have a luxury and a curse and that is that all these matters are things that I weren't involved in. Some of these matters go back to 1996 and so I can't really judge the nature of those relationships. I think it's kind of a harsh description, and I don't -- you know, I don't subscribe to that description.

I would say that across the board I kind of like every single person with whom the company is involved. There's only -- I'm only talking about four, five individuals, but, you know, I like them well enough. Since I've been trying to settle most of this stuff, I take a pragmatic approach to things.

I would have to say that in every single instance, it's perfectly understandable to me of how the company got in this fix. I suspect that I had been involved with these things from the beginning, that there would have been some chance that they wouldn't have gotten to the dire situation that perhaps they're in. You know, one or two of the folks who are, you know, indiscreet folks or entrepreneurs I like. And I don't like the fact the company is in contention with them and I don't let my guard down but I can't say I'm the kind of person to if I want to resolve something like this, I have to dislike the person are be mad at them.

We want to make good sound business decision and understand how other folks or doing business and that includes litigation. And we're going to vigorously, vigorously protect the company's interest in thing and that involves a bit of tenacity. I don't wake up in the morning mad at anybody and a few of these people I like.

I understand the Word of Mouth has been voted Austin's best caterer again for 2005. How many years in a row? Is there any significance in this long period of time? Who votes on these matters? How long has Littlefield won now with regard to that award? Well, first of all, it is correct that Word of Mouth was voted Austin best caterer again for 2005. That's ten years in a row.

I think the significance to this is that catering company, and whole hospitality enterprise, is operating a very high level of quality. And during the bad times we didn't diminish that level of quality. I think if I'm not wrong, that after ten years they retired that award. I'm not absolutely certain about that, but it's quite remarkable that

we would have won that award for ten years. Littlefield has owned the company for four of those -- five of those ten years.

And so I think the significance of that is that after we bought the company there was no reduction, there was no decrease in the company's level of performance. And, in fact, I can point to a number of things that I think where the company has improved. You're always concerned about the company's reputation for quality food and I would say that our kitchen certainly has not let us down in that score and I think they've done a very good job.

Here's my favorite question. I recently saw you at a Texas Longhorn football game going into one of those high priced luxury suites at the stadium. Please tell me that Littlefield Corporation does not own a luxury box? Well, I was in fact over at a Texas Longhorn game, which was Texas versus Colorado, if you saw me you should have said hello to me. And I was a guest of a company that we have a business relationship with, a bank, happen to know the principals of the bank and know them for a very long time. I knew them before I was involved here. It was at their invitation.

I can assure you that the company does not own a luxury box and does not incur any expense as a result of me going to a football game. I happen to have six season on tickets to the Texas Longhorns. The company has nothing at all to do with them. I have one seat each on the 50-yard line, and the 50-yard line goes right down the middle and I have two seats there and I have four seats down around the 20. And my children, my son is in college now and my daughter is in high school now typically use those tickets and go see the games. I have to tell you I kind of like watching the games more on TV these days than in person.

Are the Longhorns going to be national champs? Yes, I promise you that the Longhorns will be national champs and I give you my personal guarantee. I was at your corporate headquarters and I saw a beautiful red Impala convertible which I was told belongs to you. I kind of get complexed when somebody is spying on me or something. Is that a 1966? I own a 1966 red Impala convertible. I've owned for about 20 years. It's a really beauty. I drive it every day. I like it a lot. It's real inexpensive transportation. It's not something I'll take on a long trip but I'll drive it 50 miles each way if I'm going some place and I enjoy it. This year I never really changed anything about it, all original, this year I put in a new radio.

The questioner goes on to say, can I borrow it? Yes, you can borrow any weekend at all, just -- fine. Are you going to do anything with the Texas Tornado Bingo experiment results? If so, when? This is a question that really links to an experiment we conducted a long time ago with the Texas Tornado Bingo to encourage charities to use some techniques we had seen down in Florida. We have no control how the charities conduct their bingo but, in, fact some of the charities wanted to experiment with this so we helped them get educated about if and they did in fact conduct these experiments. And it's a lot of small games that go pretty fast. You might call it like lightening bingo down in Florida.

When we got our acquisition in San Angelo I think took our eye off this a bit and in some of the new startup locations in Texas, this is a technique we think might be a very useful way to penetrate a market inexpensively and quickly, because it requires a very small physical plant in order to do this. So that's the answer to the question.

I have no further questions that I have received ahead of time. So moderator, would you please poll for questions.

**Operator:**

Thank you. Ladies and question, at this time we'll be conducting a question and answer session. (Operator instruction). Please hold one moment while we poll for questions.

Mr. Minch, it appears we have no questions at this time.

**Jeffrey Minch, Director, President & CEO:**

Okay, very good. I'd like to end by giving you the required Safe Harbor pronouncement. Except for historical information presented today, 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 security and exchange commission reports. Actual results may differ materially from those expressed or implied by these forward-looking statements.

Let me close by saying that I think the improvement in hospitality revenue is very, very significant. And after having suffered, the company, the hospitality companies and the shareholders through a very difficult time I think there's a bit of light at the end of the tunnel. And so I encourage you to be optimistic about that. I'm certainly very, very optimistic.

I think the business in general is pretty sound. This change in the number of bingo halls that we own in South Carolina I think will turn out to be a good opportunity for us and I think operationally we're getting better and better control of our numbers every place. I should note to you that the State of Texas, the lottery commission recently created a warehouse of data where they made available lots of and lots of data from all different sources, primarily from the quarterly reports for access better. That only happened in 2005.

So we're now able to assist the charities in reviewing their operations and comparisons to competitors and try and develop some best practices kind of information. Now, again, we have nothing to do with the conduct of bingo, and they conduct their bingo but it does assist us in analyzing whether or not we're seeing a fair level of rent which obviously is a product of their operations. So we can [ inaudible ] a methodology or a piece of data, which would enable them to operate more efficiently we can both be the beneficiaries of that improvement in operations.

So, there you have it. I'll look forward to answering your questions again in the future, and as always, if you have a question, please call me. My number is 512-476-5141 or you can e-mail me at [jminch@littlefield.com](mailto:jminch@littlefield.com). Lots of folks do so don't be afraid to be one of those folks. Thank you very much and I look forward to visiting with you at the end of the year.

**Operator:**

This concludes today's conference. Thank you for your participation, you may disconnect your lines at the time.