

LITTLEFIELD CORP  
THIRD QUARTER 2006  
EARNINGS CONFERENCE  
CALL  
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11:00AM

**PARTICIPANTS**

Jeffrey Minch, President and Chief Executive Officer

**MODERATOR:** Greetings, ladies and gentlemen, and welcome to the Littlefield Corporation Third Quarter 2006 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, 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 of Littlefield Corporation. Thank you, Mr. Minch. You may begin.

**Jeffrey Minch-President and Chief Executive Officer:**

Good morning. My name is Jeff Minch. I am the President and CEO of Littlefield Corporation. I am calling you from Austin, Texas, and I am calling to discuss the performance in the third quarter of 2006. First, let me give you 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.

I want to remind you that these numbers, as we have presented them, and as we discuss them today, have in fact been reviewed by the auditors. They've been reviewed in accordance with SEC regulations SB item 3 10(b) and it does take just a little bit of

additional time in order to have that done. Now during these 2 quarters that we are comparing, Q3 of 2005 and Q3 of 2006, we had a number of notable, extraordinary and/or nonrecurring items, both of expense and income. In Q3 2005, we recognized two extraordinary income items, or I guess I call them nonrecurring income items, one for about \$57,000 which was the payment on a note which had been through a bankruptcy, so the party who was the maker of the note had been through a bankruptcy and therefore, we could not recognize the interest on that until we were actually paid. The second thing is, if you recall, we sold a shopping center that we had owned in Columbia, South Carolina, and those two things together gave rise to about \$1,002,000 of extraordinary income. In Q3 2006, we had primarily extraordinary expenses and these would be extraordinary, nonrecurring or notable expenses. We had some expenses related to stock option-based compensation. As you know, we were successful in finally settling the long-running Collins case and that gave rise to about \$220,000 worth of additional expenses. We will continue to have a small interest expense that goes forward on that, but we have now recognized all of the expense related to that settlement. And then we had a little bit of bad debt or a doubtful account rather, in Texas and South Carolina related to Bingo. So, those are the highlights of the nonrecurring items.

Now, I want to address your attention to our press release of the 1st of November. So that was a press release that was sent out yesterday, on Wednesday, and I will be following that along as I make my comments. A couple of highlights were the revenue for the third quarter of 2006 was up 11% and the total revenue for the quarter was \$2,857,931. Entertainment was up 12% and Hospitality was up 8%. Year-to-date revenue was up 17% with both Entertainment and Hospitality being up about the same amount, Entertainment up 17% and Hospitality up 15%.

I got a couple of questions from somebody in regard to what we describe in our press release as the trend of revenue increases and they asked me why that was there and what point we were trying to make. Really, we had initially put that there because we were trying to show that revenue had been declining for a period of time and then things appeared to reverse themselves at the end of the third quarter of 2004. And since then, we have seen pretty good revenue increases across the board. I think anytime that you have continuing double-digit revenue increases on a growing base of revenue, so it is harder and harder to achieve those double-digit increases, I think that is meaningful. So, seeing an increase in the third quarter I think is very important because it shows that we are continuing to increase revenue, even though the base of revenues we are working against is growing.

Gross profit. I want to make sure that you note that we are describing this just a little bit different than we have in the past. It is really just a change in the nomenclature, but it follows more closely with our SEC filings. So the corporation was about flat, we were down about 1%, for Entertainment, which is bingo, we were up about \$88,000 and for Hospitality,

we were \$108,000 to the bad. The Hospitality numbers to me were a real disappointment because revenue was up about \$70,000 and gross profit was down about \$108,000 and so we have a little bit more work to do in that. As far as corporate overhead was concerned, we controlled it very well and then stripped of all the nonrecurring costs, last year in Q3 2005, we had corporate overhead of approximately \$400,000 and this year, it was about \$392,000. So that is a pretty good performance.

As far as net income, with all of the notable nonrecurring and extraordinary items added back in, we had a loss for the quarter. Now, some of that loss is non-cash loss. Some of it is in fact cash, and some of it is a one-time. But anyway, we lost \$340,511 and that compares to the third quarter which was negative \$1,022,000. Now bear in mind that that profit that we made in the third quarter was driven by two extraordinary expenses that I had mentioned to you. So, if you look just at the net income stripped of everything, in the third quarter of 2006, we made a profit of about \$21,000 and in the third quarter of 2005, we had a loss of about \$36,000. So we are about \$57,000 to the good for the third quarter when you strip out all of the notable nonrecurring and extraordinary items. When they are all included, we have a loss as I said before of \$340,000 compared to a gain of \$1,022,000. So those are the highlights of the report.

Legal expenses. We had some legal expenses that were attributable to the Collins case, obviously, and they were included in the discussion just now when I discussed notable extraordinary nonrecurring expenses. Later on, there is a question about what I consider to be a normal level of legal expenses. I think that is probably dependent upon the number of transactions that we were involved in, I think that is probably \$200,000 a year, so even in spite of that, we were just a little bit high.

Important topics. Acquisitions. I always get lots of questions about acquisitions. You know we have hired a full-time acquisitions person. We are looking at a number of transactions and, as you know, we are interested in making acquisitions in Florida. So, right this second, we are look at specific deals, none of which are far enough along that I would announce them, but we are looking at deals in Florida, South Carolina and Texas, and of course, those are the markets we are in right now.

New business opportunities. Last time when we visited, we discussed our prospect of going into the amusement gaming business and if you remember, in Texas, there is an exemption to the gambling laws that provides the opportunity to conduct redemption amusement gaming and that is similar to what Dave and Buster's and Chuck E. Cheese would do and so we are going forward with a test facility at our San Angelo Bingo hall and we anticipate having that open in the fourth quarter of this year, so we have October, November and December, so this is the 2nd of November, so we have got the rest of this year to get that open. As you know also, there is another bingo hall that we are going to

open in San Angelo and so we will have two bingo halls that are side-by-side plus the amusement center and we think that that should be a good experiment for that.

As far as the new bingo hall, we also expect to get it open in the fourth quarter because we have an existing bingo hall there, we are really going to transfer some bingo sessions from our existing bingo hall to the new one and then we are going to grow both of them, so will have the opportunity to offer daytime, nighttime and late night bingo all at the same location.

As far as litigation status is concerned, you know that we settled the Collins matter. We recently had oral arguments in Florida on the appeal of the Purgee case and if you remember, that Purgee case has a corporate element where there is some corporate plinkas and then has an individual, and that individual is the defendant, both of whom are controlled by a gentleman named Furtney. So we had the oral arguments and I thought they went pretty well. I thought that the appellate court judges asked some very pointed questions. Virtually all of the questions were asked to the other party, and so I have some more than modest optimism that there will be some relief granted in that. Basically, we are trying the case and it will be tried on the 11th of December in Florida, and we will be the plaintiff and Mr. Furtney will be the defendant and it has to do with similar facts but different circumstances related to this same matter. And in that case, we are very optimistic about making some form of recovery to offset our loss in the other case and that case deals with his representation and his warranty as it relates to the presence of an investigation and then his financial guarantee for the first year's performance of that acquisition. And again, this matter goes back about 10 years.

Then we have a regulatory matter before the South Carolina Department of Revenue and we will have an administrative law judge hearing on a summary judgment motion that we have and it is a licensing matter and that will occur also in January of next year.

So those are the topics that I typically hit on in every conference call. For some reason, I got a lot of questions and I got a lot of questions very late, so I apologize to anybody who does not recognize their question.

<Q>: Are you still going forward on your approach to amusement-type gaming?

Yes. And these are amusement centers. I am not sure that the word gaming is appropriate. These are all redemption. And in our case out there in San Angelo, we will initially be redeeming only for bingo bucks. So it also ends up being a business driver for the bingo hall itself.

<Q>: If so, where will your first installation be?

San Angelo.

<Q>: How big a business can this become?

That is a tough question to answer. We don't know for sure. We have 17 bingo halls that we will be operating in Texas and I would say that it is fairly easy to see our way clear that at least half of them would have a legitimate opportunity to have a good amusement center. You know folks who are in that business, remember we were in this business in South Carolina when it was legal in South Carolina once upon a time, folks say that you can make anywhere between \$100,000 and \$500,000 in each one of those installations. I am not sure that those numbers from South Carolina are as comparable today as they were once upon a time because, if you remember, in South Carolina, we were trading there for cash, so you could win a cash prize. Here in Texas, this is only redemption. So the machines are similar. They are built to a Texas specification so it follows the Texas rules, but you cannot win a cash prize. The only thing you can win is something that you can redeem for and so the rules are not loudly detailed, but there is just enough complexity that you have to stay on your toes about them and we are going to redeem for bingo bucks. So, we ought to know something here within the next couple of months once we are open and the results will be pretty clear almost immediately.

<Q>: I ask this question because when the company was in South Carolina, the gaming was way, way bigger than the bingo business. Are there any legal dangers in this business?

Well, the legal danger in Texas is what I would describe almost as a regulatory matter. There are certain rules that you have to follow and if you follow those rules, while there may be a little bit of discussion and controversy, the fact is that you are operating a perfectly legal business. Part of the controversy comes from the fact that you may have people using virtually identical games, but they are not operating them for redemption. They are paying cash, and therefore, there would tendency in a certain jurisdiction if you were a chief of police or a sheriff or a district attorney or county attorney, you might lump all of those together. But our operation is inside the law. It will be perfectly legal. It will respect and adhere to all the regulatory requirements and will initially only be redeeming for bingo bucks.

<Q>: The third quarter is the worst quarter for both Hospitality and Bingo. Isn't that correct?

Yes, that is.

<Q>: What can you do to mitigate that fact? You have made a small operating profit. Can that continue and can it grow?

Well I would say to you first off that the Hospitality performance for whatever reason, an increase in revenue and decline of profits, is very disappointing and so we are going to dig into that and make sure that we understand all of the details of why that occurred. Our book of business in the Hospitality business for the fourth quarter looks very, very strong and I would have to say to you that I think the Hospitality business is reflecting the general economy and as the economy continues to get stronger, I think that our Hospitality business will get stronger. I think the main problem with the third quarter is July, August and September, and I am not saying that to be funny, but July and August are hot in all the locations we are in the south in the bingo business. It is also Daylight Saving Time, so folks just don't play as much bingo in those time periods. Maybe they are outside more and maybe it is too light at nighttime, but the bottom line is historically, there has been a very clear and pronounced impact on the bingo halls that we have fewer customers in that period of time. And then, in the month of September, you have back-to-school and so you have lots of folks whose disposable income is impacted for that month because they have expenses related to back-to-school. I don't think that you are going to reverse July, August and September, the seasonal implications by some stroke of genius. Whatever we do is going to be also reflected in the other quarters of the year which are better and so we are just going to have to live with the implications of July, August and September.

<Q>: How did Texas bingo do this quarter? How much bigger is Texas bingo than the other segments?

Let me give you some specific data on that. Texas bingo had revenue of \$1,285,265 as compared to \$926,084. So revenue in Texas was up 39% and that was up \$359,000. South Carolina revenue was \$281,761 and Alabama revenue was \$255,391. On a year-to-date basis, Texas revenue was \$3,700,000 as compared to \$2,873,000, so revenue was up \$833,470 so on a year-to-date basis, it is up 29%. So in the quarter, we are up 39% in Texas. Year-to-date, we are up 29% in Texas. The revenue in the third quarter for Texas was almost \$1,300,000 and the revenue for each one of Alabama and South Carolina was about \$250,000. So that gives you an idea of their comparable size. So Texas is about five times bigger than either Alabama or South Carolina and with the two of them together, it is more than 2.5 times bigger.

As far as profitability is concerned, Texas had a gross profit of \$564,000, which was up from \$336,000, so that was an improvement of \$227,000, which is a 67% improvement. Both South Carolina and Alabama were down from the third quarter of last year and the profit in South Carolina was \$60,000 and the profit in Alabama was \$45,000 and those numbers were down kind of substantially. Now South Carolina has had the imposition of a

new tax on C bingo halls and that tax took effect on the 1st of July. So the third quarter of 2006 is the first time that we have seen the impact of that tax, and so that tax obviously has had a negative impact. Now, in the spirit of full disclosure, they reduced the tax on the B bingo halls and they imposed a tax on the C bingo halls. So as things shake out, we will see some increase coming from the B's and a marked decrease coming from the C's and so that is kind of how things compare.

<Q>: You had the wherewithal to make a large acquisition. How large is a large acquisition?

Well, those things kind of go hand-in-hand. The most recent bingo hall that we bought I think we paid about \$650,000 for and the seller financed a little bit more than half and we paid cash for the balance. So, given that as a benchmark, yes. We have the wherewithal to make a number of acquisitions and we could, in fact, make a larger acquisition. How large is a large acquisition? Well, we have seen some bingo hall opportunities that were \$4,000,000 or \$5,000,000. I think we would probably be reluctant in the near term to put that many eggs in the same basket, but at some time in the future, in the right marketplace and the right conditions, in fact, we would do that.

<Q>: How has the new tax in South Carolina impacted your income from South Carolina bingo?

Well the question here has to do with the fact that there is now a 10% tax on paper, that is a 10% tax on gross revenue, on the C bingo halls where before there had been none, and a...I'm sorry. I said that wrong. There is a 4% tax on C bingo halls and then the tax on the B bingo halls was lowered from 16% to 10%. So, 4% on the C's and 10% on the B's and so we will see, obviously this quarter, it has driven our income down and that is what would be expected.

<Q>: Can you give us some specific information on the bingo operations in each state on a state-by-state basis?

Well we really just covered that when we were talking about Texas, so again, revenue-wise, in the third quarter of 2006, revenue in Texas was \$1,285,000, South Carolina was \$282,000, and Alabama was \$255,000. As far as gross profit, in Texas, it was \$564,158, in South Carolina, it was \$60,000 and in Alabama, it was \$45,160. And so that is how they compare.

<Q>: I hate that the Yahoo chat room has gone down, and now I can't write goofy stuff on the chat room. What can you do about getting that back up?

Well, we don't get into the chat room business. I used to look at that message board is what I call it. I used to look at that message board from time to time. I can't say that I have done it recently, but the company has no control over what message boards are allowed and which ones are not. I did learn in the course of something, I am not sure what, that Yahoo was getting rid of a lot of their message boards, so the company is not going to do anything as it relates to that particular message board and we would not approach Yahoo about that.

<Q>: Now that you have all of your legal issues settled, how have your legal fees been running? What is the normal level of fees?

Well, we got most of our stuff done. We have the appeal in Florida, so there is a Furtney appeal we just had the oral arguments on, and remember, that case is bonded, so the company has made the appropriate financial arrangements in order to be able to deal with that situation, and, I am more than modestly optimistic that we are going to have a good outcome based upon my observation at the hearing. Then, we have a case where we are the plaintiff and Mr. Furtney is the defendant and it has to do with fraud and his representation and in his warranty and then also, the enforcement of his financial guarantee from the first year. And that will be tried in Florida on the 11th of December and I have a more than modestly optimistic feeling about the outcome of that. As far as the normal level of legal fees, I think we really can't answer that perfectly, but I think it is about \$20,000 a month on average over the course of a year.

<Q>: How have your new CFO and new acquisitions guy been doing?

Fine.

<Q>: What are their names?

The new CFO is Richard Chilinski and the new acquisitions guy is Mike Lindley.

<Q>: How did you hire them?

Well, in the case of the CFO, we worked with a number of headhunters and we got a number of resumes. We ran an advertisement and we received resumes and I interviewed people and hired him. As far as the salvage handling acquisitions, that is somebody with whom I have worked before and we were just getting ready to look for an acquisitions guy and he was interested in that position. He had been involved with acquisitions in a company that I had been involved with before, and so he seemed to be a really good kid and we hired him.

<Q>: Many companies are abandoning stock option plans in favor of restricted stock. Are you going to do the same thing?

I think I have said several times that nobody should be surprised if we abandon our stock option plan. You know, the accounting for stock options which really began on the 1st of January of this year and which we thoroughly messed up, that really makes them a lot less attractive, so it should come as no great surprise to anybody if we were to terminate those plans. Now, when I say we would abandon them or terminate them, you know, we would do it in accordance with the plan. We are not pulling the rug out from under anybody's feet. We are perfectly authorized to do this. We would just terminate this plan. Are you going to do the same thing? I said we would consider it.

<Q>: What is your long-term commitment to the use of stock options?

I have no long-term commitment to the use of stock options and to the extent that restricted stock was a better element to be included in executive compensation, I would certainly consider it. I think at the end of the day, it is all a compensation issue in that you are going to have to compensate people, whether it is through stock options or with restricted stock, in a manner that is going to make it attractive for them to work here. I do think that the employment market is stiffening up just a little bit and over the last couple of years, it has really been an employers' market and I think things are now stiffening up just a little bit and that is a reflection of the economy continuing to improve.

<Q>: When you strip out the nonrecurring and notable expenses, you have been growing the revenue income for 10 months, and I think actually the person meant to say 10 quarters. I know it is difficult in the third quarter to do too good because it is a bad quarter, but do you think you can continue to grow revenue and income far into the future?

Well, we like to stay out of the business of projecting the future, but it would be fair to say that we point this out from time to time and we have had 10 quarters of consecutive growth, because it is the imposition of a trend. Now, some of that is a trend is created by the economy as there are more opportunities with people who have more disposable income. Some of it also is growth within the company. I am not sure how hard we should be patting ourselves on the back if we say that Texas bingo has continued to grow at a great rate when some of that growth may be from acquisitions. So I personally look at things for sale, so I am constantly looking to see how much of that growth in revenue is coming from growth in the number of units as opposed to each unit being able to contribute more and we have a very nice balanced combination of both. I would like to continue to grow as a result of adding units and I think we have both the management expertise to be able to handle a much bigger portfolio of in particular bingo halls. I don't see much opportunity in the near term here for unit growth in the hospitality business. I don't anticipate expanding

the operations until they are solidly profitable. So, how far into the future? Well, in some measure, who really knows? I mean it is all dependent upon what the business climate is like. The single greatest negative impact on our business in the last five years was 9-11. And so, to the extent that I could hold up a crystal ball and know whether or not we are going to have anymore 9-11s, then I would say yes, I think things are going to continue to grow. If something catastrophic like that occurs, obviously, all bets are off, but that is true of the entire business environment in the United States.

So, those are the questions that I received before the conference call and I have answered as well as I can. Moderator, will you poll for questions.

MODERATOR: Absolutely. Ladies and gentlemen, at this time, we will be conducting a question-and-answer session. If you would like to ask a question, please press \*1 on your telephone keypad. A confirmation tone will indicate that 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. Our first question is coming from Mr. John Sergio (ph), a private investor. Please state your question.

<Q>: Jeff, if stock price languishes at a CE of somewhere around 5 and 7 and until there is significant and consistent growth from expansion activity with new bingo halls, I don't think we are going to see a PE of anywhere near 10 to 15 like we would expect with a growth stock. This year, you have added one bingo hall to date, another one to be added. One was midyear, one was purchased at almost the very end of the year, and so activity from about half a bingo hall a full-year basis, do you have objectives for next year? If the business was going to grow 10% to 15% and a lot of that was going to come from expansion of new bingo halls, are you looking at five to seven bingo halls next year or do you have objectives around that?

Okay John. Thanks for the question. Really, the bottom line to that question is what are your plans for growth as relates to the future. I would say to you a couple of things. First off, we have had 39% growth in revenue in Texas alone in the third quarter and for the year, we had 29% growth. So, the most important thing to me is actually growing the numbers. We have a number of acquisitions that we are looking at right now and this is not a trader business like real estate. If this was the apartment business, everybody who owns and apartment project has it for sale sooner or later and it is all just a matter of at what price they would sale. Bingo halls are operating businesses and in most instances, the motivation to sell is driven by regulatory pressures, somebody gets in trouble with the regulators, personal health issues, retirement issues and succession issues if somebody does not have somebody who is going to continue to run it. So, while we have very specific goals, I would like to grow, you know, we have 30 some odd bingo halls right now; I would

like to grow by 25%. We certainly have the management talent within in the company to be able to do that. Part of it is just the deal flow. Sometimes we see a situation where we are looking at 7 to 10 deals all at the same time and sometimes we have been through all of those and we said we don't like any of them. We are being fairly selective right now because we have real opportunities to increase our revenue both from same-source sales and from implementation of these amusement games. So, I would have to say to you that we are being fairly picky and fairly cautious and conservative about what we would actually pull the trigger on. What I can assure you is that we have looked at lots and lots of deals. We have crunched lots and lots of numbers, and sometimes, the answer is that does not make any sense for us. Now, having said that, I would also say to you that you could very easily read between the lines that we hired a full-time acquisition person, because I feel like we do have good opportunities out there. And the addition of that talent is a very precise decision on my part that we need more man hours focused on that because there is a decent amount of deal flow. Unfortunately, a lot of what we are seeing is that the reasons why somebody is wanting to sell a bingo hall has negatively impacted operations and I am saying that unartfully, but the reason somebody wants to sell is because they have a problem. They are very rarely selling a bingo hall because it is peaked in value. That is not the way people think about operating businesses. They might think about that about real estate or the stock market, but they don't think about that about operating businesses like bingo halls. So, the answer to your question is yes. We do have those kinds of objectives, but they are no more reliable that us just writing them down and looking at them and repeating them like a mantra. We have got to find the right deals at the right time. Now, I do not want to leave a pessimistic note. We are very positive about that and that is the reason why we hired a full-time acquisitions guy, but I would say to you that we have kissed a lot more frogs than we have found princes thus far. But we are going to keep on kissing frogs.

**MODERATOR** : Ladies and gentlemen, again it is \*1 to enter the question queue. One moment while we poll for further questions. Our next question is coming from Jim Basone from North and Webster. Please state your question.

<Q>: Hi. Just along the line of the acquisitions, I know you are being selective and that is great, so I guess what kind of criteria or hurdle rate are you using to evaluate potential acquisitions?

Well, that is a good question, Jim. Thank you. Here is what I think about the business. First off, there is a fairly established market. Remember, this is a retail business, it is a consumer-driven business. Every night, you open up your doors, people drive into your parking lot and they come through the front door. Once they come through the front door, we have some historic basis to evaluate what we would call their average spend. And it varies greatly. In the Rio Grande Valley, it may be \$22 per person. In Amarillo, it may be

\$46 per person. In Charleston, it is a different number. In Montgomery, Alabama, it is a different number, but it is a consumer business in which every day, you are hoping that somebody is going to come through the front door. As a consumer business, it typically trades at 3 to 4 times trailing 12-month cash flow and a typical acquisition would have the seller financing about one-half of the transaction at time and us paying the balance of it in cash. So the returns that you are seeing are very high returns. The returns are consistent with the nature of the risk. In addition to having a market risk, a consumer customer risk, you also have a certain element of regulatory risk. And in either environment that we operating in, any regulatory environments we are operating in could change their rules. Obviously, what we talked about before with South Carolina imposing a 4% tax on the C bingo halls is going to drive out lots of marginal operators and we expect that business to interact significantly in South Carolina. Well, we have some offset there that we own B bingo halls in which the tax was reduced, and hopefully, it will be a bit of a balancing act between those two. So, as far as our criteria, we are looking for bingo halls that have some stable operating history. We would like to buy them at 3 to 4 times trailing 12-month cash flow. We have bought some better and there is one or two we paid a little bit more dearly for. We want the seller to finance about half of it and we would typically have a 5 to 7-year note on that and we want it to be in markets in which we think that there is a long-term potential in that market for us to own multiple bingo halls in the same submarket. So, if it were a city like Mobile, Alabama, we would like to think that there is enough room there for us to own a couple of bingo halls in the same submarket. Does that answer your question, Jim.

<Q>: Yeah, no, that is good. It seems like you have a handle on that. Have markets reached their saturation point?

Well, that is a good question. You know, I think what you have with charitable bingo, and again, remember, that is what we are talking about, with charitable bingo, and you have a customer base. It is middle class to light blue collar, and so therefore, in any given city, 1% to 1.5% of the people in that city are your bingo customers. So, if you were in a city like San Angelo, it is 106,000 people. Multiply that by 1% to 1.5% and I think that tells you your audience. And they are typically older, so your players are 40ish to 70ish. At any given time in that marketplace, you are going to be able to attract 10% to 20% of that base to your bingo hall. And so, as far as growth, all of the growth I believe, is dependent upon increases in population, so if you had a city whose population was declining, that would not be an attractive market. If you had a city whose population was growing by some background number, so as Texas grows, I have seen various growth rates, but let's say San Angelo got its fair share of growth. San Angelo is kind of an interesting city because it is flat in that particular city. It is not declining, but it is also not increasing dramatically. So, you want to be in those markets where you think there is going to be a little bit of growth. There are obviously complications. So, you could have the same bingo hall operating in

Lubbock using the same programs and everything else, and it would not have the same outcome as say San Angelo just because of the level of competition. Sometimes, that competition can get pretty bloody. So we are in a very competitive environment as an example in Odessa, Texas. But in the long run, you oft times conclude those complications by winning. A competitor just can't stay in business if they are not going to make money and I think that our opportunity is a vast amount of growth on a same-source sales basis is going to be driven by marketing. We have an entire separate part of our business that we call Littlefield Charitable Bingo Management Consulting and it is an opportunity for us to provide what we describe as the best practices to any of our charity tenants. And so we can help them with expense control, we can help them with marketing and one of the good things is where charities and bingo halls have adopted I think just ordinary marketing strategies, developing a database, some kind of an affinity, a frequent-flyer-type program, specials, direct mail, birthday specials. When they have done those kinds of things, they have seen a meaningful impact on the profitability of their business, not of our business, because remember, they pay us rent, but of their business. So if 10 more people come and each one of those people spend \$30, then that is \$300 more per night that they are making, and remember all of the bingo halls have a fixed payout. They are paying out the same amount of dollars regardless of how many people walk in the front door, and if you multiple that \$300 by 365 days a year, that is a meaningful improvement and so we are very keen on marketing. On a scale of 1 to 10, I would have to say in our entire portfolio, I feel like we are at a 3. There are a few places within the portfolio where there is an individual bingo hall that is at an 8.5. But I don't think we have any 10s and so I am very enthused about the prospect of kind of dragging the charitable bingo business kicking and screaming into a more modern marketing posture and it starts with everything from branding to signage to the physical condition of the plant, to the quality of the environment, the heating ventilating and air conditioning to signage and then to the actual marketing programs that you can use in order to draw customers. And where we have gotten charities to do those things, they can point at some very, very, very good results. And they can say yes, we know that works and it showed up on the bottom line. So that is an area that I have great optimism in long-term and it takes some time. If you have a bingo hall that has been operating a certain way for 10 years, it takes some time to bring those folks along and since these are typically charities and they people who are working on behalf of the charities are typically good community stewards, it also may not be a great fit for their personal life skills and so there is a lot of education that has to take place in order to be able to convince somebody from the Elks Lodge that there is another way to market that bingo hall than what they have been doing for the last 10 years.

<Q>: Okay. Great. Thank you.

**MODERATOR:** Again, it is \*1 to enter the question queue. One moment while we poll for further questions. Mr. Minch, it appears that there are no further questions at this time.

**Jeffrey Minch-President and Chief Executive Officer:**

Great. Well thanks to everybody for listening on our conference call. I want to leave you with a note of optimism. I just want to tell you that I feel very good about Texas bingo. I feel very good about bingo in general. We were very close to getting things sorted out there with hospitality. This has been a little step backwards this quarter, but I feel very, very good about our book of business for the fourth quarter and I feel very good about the national economy. I know that these acquisitions we are looking at sooner or later one of our frogs is going to turn into a prince and I know that we are looking at a great number of deals and so I am optimistic about that. And so while this quarter, we only made a small improvement, in fact, it is important because it is always our worst quarter and so I would leave you with a note of optimism. I will close 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.

Thanks again for your attention. If you ever need to get in touch with me, feel free to e-mail me at [jminch@Littlefield.com](mailto:jminch@Littlefield.com), or you can call me at 512-476-5141. Thank you very much.

