



TAGLICH BROTHERS

The Standard of Excellence in the Microcap Market

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Research Note

Investors should consider this report as only a single factor in making their investment decision.

Littlefield Corporation

Rating: Speculative Buy

Luis Martins

LTFD \$0.35 (OTC BB)

April 20, 2009

	<u>FY2005A</u>	<u>FY2006A</u>	<u>FY2007A</u>	<u>FY2008A</u>
Revenues (Thousands)*	\$11,331	\$13,401	\$13,428	\$11,222
Earnings (loss) per share*	\$0.10	\$0.07	\$0.03	\$(0.27)

52-Week Range	\$1.14 – 0.22	Fiscal Year Ends	December
Shares Outstanding	16.8 million	Revs/Share (TTM)	\$0.72
Approximate Float	5.7 million	Price/Sales(TTM)	0.5X
Market Capitalization	\$6 million	Price/Sales(2009)E	N/A
Tangible Book Value/Share	\$0.43	Price/Earnings(TTM)	NMF
Price/Tangible book	0.8X	Price/Earnings(2009)E	N/A

*historical numbers are inclusive of Word of Mouth

Littlefield Corporation (OTC BB: LTFD) engages in the development, ownership, and operation of charitable bingo halls in the United States.

Key Investment Considerations:

We are maintaining coverage of Littlefield Corporation (OTC BB: LTFD) with a Speculative Buy and a 12-month price target of \$0.50. Our valuation model is based on a historic P/S analysis.

On April 2, 2009, LTFD announced the sale of the Premiere Tents and Events business unit for an undisclosed sum to an undisclosed buyer. Previously, in April 2008, LTFD sold its custom catering business.

The Company reported 2008 net revenues of \$11.2 million and a net loss of \$4.252 million or \$(0.27) per share, which was adversely impacted by approximately \$4.732 million of notable items. In the year ago period, LTFD reported revenues of \$13.4 million and net income of \$0.304 million or \$0.03 per share, which included approximately \$0.656 million of notable items.

Entertainment revenues declined to \$8.494 million from \$8.526 million. Revenues were adversely impacted by renovating and reopening of certain bingo locations in Texas. Acquisitions of bingo halls in South Carolina and Florida benefited revenues, particularly in late 2008. Entertainment segment profits amounted to \$1.404 million compared to \$3.491 million in 2007. EBITDA decreased to \$2.067 million from \$3.918 million.

We are optimistic that the Company will continue to build revenue and profit momentum in the first quarter of 2009. Therefore, we are looking for entertainment revenues to accelerate and margins (gross, operating, and net) to improve sequentially. Our projections call for entertainment revenues of \$9.6 million. This compares favorably to 2008 revenues of \$8.5 million.

* Please view our disclaimer located on page 10.

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Company Overview

Littlefield Corporation (OTC BB: LTFD), based in Austin, Texas and incorporated in Delaware in 1994, develops, owns, and operates charitable bingo halls. Through its Entertainment division, LTFD operates 37 charitable bingo halls in Texas, Alabama, South Carolina, and Florida.

LTFD contracts with a real estate landlord, via a long-term real estate lease, to rent premises suitable for a bingo hall. The Company develops the physical plant for a bingo hall and attracts the requisite number of charities, depending on regulatory demands, for the use of the premises and the services provided to support the charities' conducting bingo operations. Depending on the regulatory statute, the Company either collects rents (up to an allowable maximum) and/or pays a tax to the State for partial remittance to a charity. Under the agreements, the charities are generally responsible for all aspects of running the bingo game; Littlefield Entertainment is responsible only for the upkeep, maintenance, and physical hall location.

The Company typically invests \$0.1 million to \$0.4 million in a new start up bingo hall, and recovers its entire investment within one to two years after the attainment of a stable and predictable operating environment (typically 6-12 months after the initiation of operations with a full contingent of charities).

The Company's strategy calls for Management to do the following with respect to the Entertainment division:

- Transform bingo halls into an entertainment destination
- Grow existing markets via acquisitions and start ups
- Expand into new markets
- Drive business analytics
- Develop a platform of excellence via best practices
- Develop a customer affinity program
- Improve each halls operations, sales & marketing, and physical plant

Recent Developments

On April 2, 2009, Littlefield announced the sale of the Premiere Tents and Events (PTE) business unit for an undisclosed sum to an undisclosed buyer. During 2008, this unit contributed \$2.137 million of revenues and \$0.345 million in segment losses. In 2007, PTE reported revenues of \$2.489 million and segment losses of \$0.222 million.

Previously, in April 2008, LTFD sold its custom catering business unit and booked a gain of \$0.474 million as a result of the agreement to sell the unit for \$0.650 million. During 2008, this unit contributed \$0.497 million of revenues and \$0.033 million in net losses. In 2007, the unit reported \$2.365 million in revenues and a net segment profit of \$0.039 million.

Recent Results

On March 11, 2009, LTFD reported preliminary results for its fourth quarter and year, ended December 31, 2008. Subsequently, the Company filed its 10K on March 31, 2009 with audited financials for the twelve month period ended December 31, 2008.

The Company reported 2008 net revenues of \$11.2 million and a net loss of \$4.252 million or \$(0.27) per share. In the year ago period, LTFD reported revenues of \$13.4 million and net income of \$0.304 million or \$0.03 per share. In comparison, Taglich Brothers' expectations called for 2008 revenues of \$11.2 million and a net loss of \$1.752 million or \$(0.11) per share.

2008 results included approximately \$4.732 million (net) of notable items:

- \$0.441 million from the sale and results of the catering business sold in April 2008,
- \$2.390 million from goodwill impairments and contract termination costs,
- \$1.811 million of expense from renovating, reopening and start-up of halls in Texas,
- \$0.588 million of legal expenses, and
- \$0.384 million of non-cash expenses for stock-based compensation.

2007 results included approximately \$0.656 million (net) of notable items:

- \$0.39 million of catering unit gross profit,
- \$0.217 million of expense from renovating and reopening halls in Texas,
- \$0.421 million of legal expenses, and
- \$0.057 million of non-cash expenses for stock-based compensation.

Given the recent sale of the hospitality division, we will focus our discussion on the entrainment segment. Entertainment revenues declined to \$8.494 million from \$8.526 million. The following table depicts the revenue mix by geographic area.

Entertainment Revenues <i>(\$ 000's)</i>	FY2007A	FY2008A
Texas	5,372	5,099
South Carolina	1,715	1,667
Alabama/Florida	1,439	1,728

Entertainment Revenues <i>(\$ 000's)</i>	4Q2007A	4Q2008A
Texas	1,261	1,241
South Carolina	301	434
Alabama/Florida	318	424

Revenues were adversely impacted by renovating and reopening of certain bingo locations in Texas. Acquisitions of bingo halls in South Carolina and Florida benefited revenues, particularly in late 2008.

Entertainment segment profits amounted to \$1.404 million compared to \$3.491 million in 2007. EBITDA decreased to \$2.067 million from \$3.918 million.

Unallocated expenses (including notable items discussed above) amounted \$5.278 million versus \$3.008 million in 2007.

Recent revenues and profits have been adversely impacted by energy prices, hurricanes, and economic uncertainties. Based on comments made by Management on the fourth quarter conference call, LTFD has largely tackled these challenges by taking a more cautious approach to its current operations and its growth strategy.

Balance Sheet

At the end of fourth quarter of 2008, the Company had cash and cash equivalents of \$4.426 million or \$0.26 per share, working capital of approximately \$1.984 million, total assets of \$19.526 million, total liabilities of \$6.436 million (including long term debt of \$3.287 million), and stockholders' equity of \$13.090 million.

We believe that the Company's solid balance sheet will enable it to maintain its operations for the foreseeable future.

Bingo Market

The charitable bingo market is fragmented with no one dominant competitor. In Texas, alone there are over a thousand licensed organizations (according to the National Association of Fundraising Ticket Manufacturers - NAFTM, a trade association of companies that manufacture pull tabs, bingo paper, and related supplies for the North American charitable gaming industry) and in South Carolina there are over one hundred. Charitable bingo competes with other forms of charitable gaming such as pull tabs, raffles, and casino nights. Competition for customers occurs on the basis of the quality of the facilities, customer loyalty through various marketing efforts, and other promotional programs to stimulate interest in the game of bingo and number of visits to halls. The Company's competitive advantage lies with its industry knowledge which gives LTFD an edge when negotiating with the various charities to use its facilities for their operations.

According to NAFTM, total gross receipts for the states it tracks amounted to \$8.015 billion in 2007, up from \$7.170 billion in 2006, and as compared to \$7.031 billion in 2005. Total gross receipts include bingo, pull-tab, raffle, and other. NAFTM defines gross receipts as the total amount of money spent on a charity game by game. In a bingo game, it is the total amount wagered through the purchase of bingo cards. Pull-tab games use the term to describe the total amount of money wagered through the purchase of all the pull-tabs in a game.

According to the Texas Lottery Commission, gross receipts in 2007 increased to \$684 million, a fifth straight year of increases. In 2006, receipts increased to \$658 million, an increase of 3.8% from 2005. The increase was attributed to sales of pull tabs. In South Carolina, total gross receipts in 2006 amounted to \$123 million and in 2007 they fell to \$121 million.

Projections

We are refraining from providing formal estimates given the recent sale of the hospitality division and the lack of visibility on the exact cost structure of the Entertainment division as a stand alone entity. We believe that we will have a better feel for the cost structure with the passage of time, particularly as the Company reports first quarter results and comments further on the economics of the Entertainment division as a stand alone operation.

We are providing preliminary Entertainment revenues estimates for fiscal 2009. Our projections call for revenues of \$9.6 million. This compares favorably to 2008 revenues of \$8.5 million. We see increased revenues as the Company sharply reduces the number of closing/reopening of halls and the associated capital improvements in the Texas market, as well as the continuing benefit of incremental revenues from acquisitions, particularly in South Carolina.

The following table illustrates projected annual and quarterly revenue mix items:

Entertainment Sales (\$ 000's)	FY2008A	FY2009E
Texas	5,176	5,350
South Carolina	1,757	2,468
Alabama/Florida	1,726	1,800

(\$ 000's)	<u>Q1(3/09)E</u>	<u>Q2(6/09)E</u>	<u>Q3(9/09)E</u>	<u>Q4(12/09)E</u>	<u>F2009E</u>
Texas	1,300	1,300	1,450	1,300	<u>5,350</u>
South Carolina	685	543	620	620	<u>2,468</u>
Alabama/Florida	450	450	450	450	<u>1,800</u>

Additionally, given the trends observed in the fourth quarter, we are optimistic that the Company will continue to build revenue and profit momentum in the first quarter of 2009. Therefore, we are looking for entertainment revenues to accelerate and margins (gross, operating, and net) to improve sequentially. Absent unforeseen items and one-time charges/credits, we would not be surprised to see the Company operate at break even or at a slight profit.

Risks

Regulation

The Company's bingo operations are subject to varying regulations on a state by state basis (Texas, Alabama, South Carolina, and Florida). Each state in which it operates regulates bingo operations differently. Legislative or regulatory proposals may be introduced or revised that affect the Company's operations and business plans, its financial results, and equity value. The Company has been and may in the future be the subject of proceedings with regulators; an adverse outcome could materially harm the Company and its growth prospects.

Competition

The charitable bingo market is fragmented, with no dominant competitor. From region to region, there may be a dominant player in their immediate markets. Competition is further subdivided by the time of day or night that a bingo hall operates. An individual bingo hall competes within a trade area of approximately fifteen miles against other bingo halls operating at the same time. Within a larger market (e.g. Charleston, South Carolina) the presence of a number of bingo halls may not give rise to significant competition.

Limited Population

LTFD believes that approximately 1% to 1.5% of the population in a city of more than 100,000 are meaningful and consistent bingo players.

Seasonality

Investors should note that the Company's revenues and operating results for any particular quarter may not be indicative of its performance in future quarters. The Company's financial results may be subject to seasonality. The impact of which will depend on numerous factors, including holiday seasons, consumer demand, and economic conditions.

Acquisitions

The Company's business strategy calls for potential strategic acquisitions and/or mergers. Issues that may come up in the integration process include, differing corporate cultures, customer relationships, and management styles. These issues may cause a clash resulting in a lack of synergies and the inability to execute stated goals and financial objectives. There is no assurance that the Company may be able to identify suitable acquisition candidates or on acceptable terms. Its acquisition strategy relies on the Company's ability to identify and acquire target businesses that fit within its general acquisition criteria.

Macroeconomics

The Company's operations will likely be impacted by the direction of GDP, as well as other macroeconomic data (i.e. unemployment and gasoline prices). Recently, GDP statistics pointed to a contraction in the US economy. Economists are forecasting continued contraction in the economy.

Shareholder Control

On March 19, 2008, LTFD announced that it agreed to sell 5.191 million shares to funds affiliated with Value Fund Advisors, LLC of Tulsa, Oklahoma. The Company received \$7 million from the transaction, which was priced at a 10% premium to the 5 day average closing price of \$1.3486 per share. As per the Agreement:

- Littlefield Corporation will expand its Board of Directors from five members to six members and Value Fund Advisors may nominate two of the directors annually through December 31, 2012.
- Value Fund Advisors will not sell any of its common stock holdings before December 31, 2012.
- Value Fund Advisors will vote its shares in support of all propositions recommended by the Board to the Company's shareholders in Annual Meeting proxy materials through December 31, 2012.

A few investors own a substantial stake in LTFD (including Jeffrey Minch, the Company's CEO). Due to the recent stock offering, Value Funds and its affiliates now control over 7.5 million shares or 45.2% of the Company's stock. Small investors should be aware that investors with significant stakes can control the outcome of certain shareholder votes. These outcomes may not be in the best interests of all shareholders. If a sizable stake is liquidated in the open market, there could be substantial selling pressure on the shares.

Reliance on Third Parties

One of the components of the Company's strategy to build its business is to leverage its relationship with its corporate partners (i.e. charities). If these corporate partners are unsuccessful in its efforts or obligations, it could have a material adverse effect on the Company's business, results of operations, financial position, and equity value.

Legal Matters

The Company is involved in a number of legal matters. A number of legacy matters were recently settled. Ongoing legal matters may distract the Company's Management's from key operating matters. One notable outstanding matter is Littlefield Corporation v. Philip Furtney, Case No.: 2001 CA 4000, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

Microcap Concerns

Shares of LTFD have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. The Company has approximately 5.7 million shares in the float. On average, approximately 2,600 shares are traded daily.

Investors should note that shares of LTFD trade on the OTC bulletin board. This market is relatively thinly traded as compared to the NASDAQ, AMEX, and NYSE. This may present increased risk and liquidity concerns to shareholders.

Miscellaneous Risks

The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Valuation & Conclusion

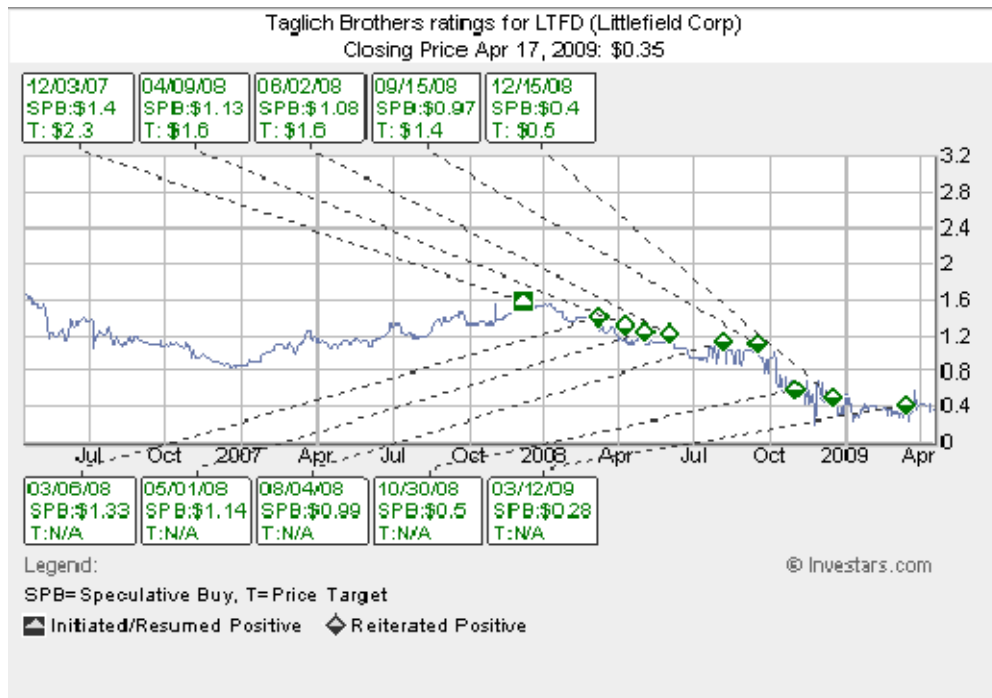
We are maintaining coverage of Littlefield Corporation (OTC BB: LTFD) with a Speculative Buy and our 12-month price target of \$0.50 per share.

Our valuation model is based on applying the 10 year average historic P/S multiples for the Company's stock to our preliminary 2008 sales (Entertainment only) per share of \$0.57 per share. According to MSN Money, the 10 year average P/S multiples for LTFD is 0.8X.

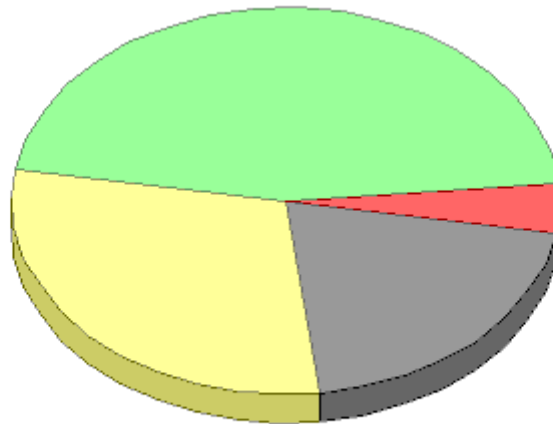
Although we believe that shares of LTFD may be a compelling investment opportunity for high risk tolerant investors seeking equity with exposure to a micro cap gaming equity, investors should be cognizant of such risks and concerns as:

- Competition;
- Industry concerns;
- Economic growth;
- Expansion and growth management;
- Shareholder control concerns;
- Legal matters;
- Corporate governance; and
- Microcap risk.

Littlefield Corporation



Taglich Brothers' Current Rating Distribution



■ 45.95 % Buy ■ 29.73 % Hold ■ 20.27 % Not Rated ■ 4.05 % Sell

Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	2	7.69%
Hold	0	0%
Sell	0	0%
Not Rated	0	0%

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

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As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not have an investment banking relationship with the company mentioned in this report and was not a manager or co-manger of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. The company paid for the creation and dissemination of research reports for the first year a monetary fee of \$24,000 (USD) on September 2007 and *since December 2008* pays a monthly monetary fee of \$2,000 (USD) to Taglich Brothers, Inc. for the creation and dissemination of research reports.

I, Luis Martins, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Littlefield Corporation
Annual Income Statement Model
For Year Ended
(in thousands)

	<u>F12/2005A</u>	<u>F12/2006A</u>	<u>F12/2007A</u>	<u>F12/2008A</u>
Entertainment	6,908	7,909	8,525	8,494
Hospitality	4,327	5,419	4,853	2,634
Other	<u>96</u>	<u>73</u>	<u>49</u>	<u>94</u>
Total Revenues	\$ 11,331	\$ 13,401	13,428	\$ 11,222
Direct salaries & comp	2,600	3,006	3,147	2,431
Rent & utilities	2,302	2,514	2,605	2,969
Other direct operating costs	3,208	3,750	3,544	3,703
D&A	788	645	676	906
License expense	<u>65</u>	<u>111</u>	<u>100</u>	<u>80</u>
Total Direct Costs	<u>8,963</u>	<u>10,026</u>	<u>10,072</u>	<u>10,089</u>
Gross Profit	2,368	3,375	3,357	1,132
<i>Gross Margins</i>	20.90%	25.18%	25.00%	10.09%
Salaries and other Comp	543	884	1,241	1,303
Legal & Accounting	1,051	310	540	618
D&A	94	111	116	126
Stock based comp	67	110	57	385
Other G&A	<u>380</u>	<u>580</u>	<u>700</u>	<u>724</u>
Total Operating Expenses	<u>2,135</u>	<u>1,995</u>	<u>2,654</u>	<u>3,156</u>
Operating Income	233	1,380	703	(2,024)
<i>Operating Margin</i>	2.06%	10.30%	5.24%	-18.04%
Reserve for legal settlement	(462)	(358)		
Gain on Disposition of Assets	996	(3)	23	473
Interest and invest income	40	114	104	117
interest exp	(254)	(289)	(446)	(323)
Other	<u>559</u>	<u>38</u>	<u>(4)</u>	<u>(2,390)</u>
Pre-Tax Income	1,113	882	384	(4,147)
<i>Pre-Tax Margins</i>	9.82%	6.58%	2.86%	-36.95%
Taxes (Benefit)	<u>77</u>	<u>96</u>	<u>79</u>	<u>106</u>
<i>Tax Rate</i>	6.92%	10.88%	20.57%	-2.56%
Net Income	<u>\$ 1,037</u>	<u>\$ 786</u>	<u>\$ 300</u>	<u>\$ (4,252)</u>
EPS-fully diluted	<u>\$ 0.10</u>	<u>\$ 0.07</u>	<u>\$ 0.03</u>	<u>\$ (0.27)</u>
Avg Shares Out-fully diluted	<u>10,426</u>	<u>10,836</u>	<u>11,485</u>	<u>15,500</u>
<u>Percent of Revenue</u>				
SG&A	18.84%	14.89%	19.76%	28.12%
Net Margin	9.15%	5.87%	2.23%	-37.89%
<u>YEAR / YEAR GROWTH</u>				
Revenues	14.14%	18.27%	0.20%	-16.43%

Historical numbers are inclusive of Word of Mouth unit, which was sold in April 2008 and Premiere Tent and Events, which was sold in April 2009.

Littlefield Corporation
Consolidated Balance Sheet
For Periods Ended
(in thousands)

	<u>2007A</u>	<u>2008A</u>
Assets		
Current Assets		
Cash & Equivalents	\$ 1,966	\$ 4,426
Net Receivables	520	688
Note receivable	5	2
Other assets	549	228
Total Current Assets	3,040	5,343
Plant, Property, & Equipment-net	6,927	7,978
Goodwill-net	4,905	5,056
Intangibles -net	699	902
Other	218	247
Total Assets	<u>\$ 15,788</u>	<u>\$ 19,526</u>
Liabilities & Shareholders' Equity		
Current Liabilities		
LTD -current portion	\$ 196	\$ 750
LTD -current portion legal	231	263
Trade accounts payable	232	316
Accrued expenses	1,063	1,748
Total Current Liabilities	1,722	3,077
LTD	\$ 3,443	\$ 3,167
LTD - legal	363	121
Other	48	72
Total Shareholders' Equity	10,212	13,090
Total Liabilities & Equity	<u>\$ 15,788</u>	<u>\$ 19,526</u>
SHARES OUT	11,444	16,755

Littlefield Corporation
Consolidated Cash Flow Statement
For Periods Ended
(in thousands)

	<u>F2007A</u>	<u>F2008A</u>
<i>Cash Flows from Operating Activities</i>		
Net Income	\$ 300	\$ (4,252)
Depreciation & Amortization	792	1,032
Other	57	385
Write-off aand disposals	<u>(19)</u>	<u>1,900</u>
	1,130	(935)
<i>Changes In:</i>		
Receivables	569	(181)
Inventories	-	
Prepaid Expense	62	288
Accounts Payable	(32)	84
Accrued Expenses & Other	<u>191</u>	<u>(252)</u>
Net Changes in Working Capital	<u>790</u>	<u>(61)</u>
Net cash Provided by Operations	<u>1,920</u>	<u>(997)</u>
<i>Cash Flows from Investing Activities</i>		
Capital Expenditures	(1,648)	(2,405)
Goodwill purchase	(105)	(1,375)
Proceeds from Note receivable	2	3
Proceeds from sale	<u>33</u>	<u>632</u>
Net cash used in Investing	<u>(1,718)</u>	<u>(3,144)</u>
<i>Cash Flows from Financing Activities</i>		
Proceeds from stock	552	7,034
Proceeds from Borrowings	401	-
Payments of Long-term debt	<u>(1,739)</u>	<u>(432)</u>
Net cash provided by Financing	<u>(786)</u>	<u>6,601</u>
Net change in Cash	(584)	2,460
Cash Beginning of Period	<u>2,550</u>	<u>1,966</u>
Cash End of Period	<u>\$ 1,966</u>	<u>\$ 4,426</u>