



# TAGLICH BROTHERS

The Standard of Excellence in the Microcap Market

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## Research Report- Update

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

### Littlefield Corporation

Rating: Speculative Buy

Luis Martins

June 1, 2009

LTFD \$0.73 (OTC BB)

	FY2006A	FY2007A	FY2008A	FY2009E
Revenues (Entertainment) 000's	\$7,909	\$8,525	\$8,494	\$11,205
Earnings (Entertainment) per share	N/A	N/A	N/A	\$0.08

52-Week Range	\$1.08 – 0.22	Fiscal Year Ends	December
Shares Outstanding	16.8 million	Revs/Share (TTM)	\$0.50
Approximate Float	5.7 million	Price/Sales(TTM)	1.5X
Market Capitalization	\$12 million	Price/Sales(2009)E	1.2X
Tangible Book Value/Share	\$0.43	Price/Earnings(TTM)	N/A
Price/Tangible book	1.7X	Price/Earnings(2009)E	9.1X

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 increasing our 12-month price target to \$1.10 per share from \$0.50 per share. Our valuation model is based on a relative P/E analysis.

On April 2, 2009, LTFD announced the sale of the Premiere Tents and Events (PTE) business unit for \$0.9 million consisting of \$0.3 million cash consideration and a seven year note for \$0.6 million at 6% interest.

On April 21, 2009, LTFD announced that its Board of Directors approved the reactivation of its prior common share repurchase program, which authorizes the purchase of up to \$0.5 million.

The Company reported 1Q2009 net revenues of \$2.8 million and net income from continuing operations of \$0.393 million or \$0.02 per share. In the year ago period, LTFD reported revenues of \$2.3 million and a net loss from continuing operations of \$0.111 million or \$(0.01) per share.

LTFD has a solid balance sheet. At the end of first quarter of 2009, the Company had cash and cash equivalents of \$4.1 million or \$0.24 per share, working capital of approximately \$2.7 million, total assets of \$19.4 million, total liabilities of \$6.0 million (including long term debt of \$3.1 million), and stockholders' equity of \$13.4 million.

For fiscal 2009, we estimate revenues of \$11.2 million and net income of \$1.4 million or \$0.08 per share. Given the trends observed over the past quarters, we are optimistic that the Company will continue to build revenue and profit momentum during the last nine months of 2009. Therefore, we are looking for entertainment revenues and profits to remain around the levels seen in the first quarter of 2009.

\* Please view our disclaimer located on page 9.

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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 Divestments***

**On April 2, 2009**, Littlefield announced the sale of the Premiere Tents and Events (PTE) business unit for \$0.9 million consisting of \$0.3 million cash consideration and a seven year note for \$0.6 million at 6% interest. According to the 10Q, the sale is expected to result in a yet to be determined gain on sale which will be recorded in the second quarter of 2009. 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***

In May 2009, the Company reported 1Q2009 net revenues of \$2.8 million and net income from continuing operations of \$0.393 million or \$0.02 per share. In the year ago period, LTFD reported revenues of \$2.3 million and a net loss from continuing operations of \$0.111 million or \$(0.01) per share. The net after adjusting for discontinued operations was net income of 0.283 million or \$0.02 per share versus a net loss of 0.341 million or \$(0.03) per share in the year ago period.

Revenues benefited from less renovating and reopening of certain bingo locations in Texas. Acquisitions of bingo halls in South Carolina and Florida also led to increased revenues. The following table illustrates the broad based gains across its bingo portfolio.

<b>Entertainment Revenues (\$ 000's)</b>	<b>1Q2008A</b>	<b>1Q2009A</b>
<b>Texas</b>	1,260	1,326
<b>South Carolina</b>	510	973
<b>Alabama/Florida</b>	480	506

The Company also reported that:

- Gross margin increased to 41.5% from 31.4% in the prior period primarily due to higher revenues; and
- Operating margin was 16.8% as compared to -1.0%. The increase was attributed to higher revenues and gross margin, as well as lower SG&A expenses due to cost reductions in prior quarters.

*Balance Sheet*

At the end of first quarter of 2009, the Company had cash and cash equivalents of \$4.1 million or \$0.24 per share, working capital of approximately \$2.7 million, total assets of \$19.4 million, total liabilities of \$6.0 million (including long term debt of \$3.1 million), and stockholders' equity of \$13.4 million. We believe that the Company's solid balance sheet will enable it to maintain its operations for the foreseeable future.

*Share Buyback*

On April 21, 2009, LTFD announced that its Board of Directors approved the reactivation of its prior share repurchase program and has authorized the purchase of up to \$0.5 million of its common stock over the next year.

***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**

For fiscal 2009, we estimate revenues of \$11.2 million and net income of \$1.4 million or \$0.08 per share. For comparative purposes, in 2008 the entertainment segment generated revenues of \$8.5 million. As of this writing, the Company has not provided an annual pro-forma income statement adjusting for the divestment of the hospitality assets. As such, we have no comparable 2008 net income/loss figure associated for the entertainment assets.

Given the trends observed over the past quarters, we are optimistic that the Company will continue to build revenue and profit momentum during the last nine months of 2009. Therefore, we are looking for entertainment revenues and profits to remain around the levels seen in the first quarter of 2009. As compared to the year ago period, 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 see further benefit from recent acquisitions in South Carolina and Florida.

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

<b>Entertainment Sales (\$ 000's)</b>	<b>FY2008A</b>	<b>FY2009E Previous</b>	<b>FY2009E Revised</b>
<b>Texas</b>	5,176	5,350	5,526
<b>South Carolina</b>	1,757	2,468	3,673
<b>Alabama/Florida</b>	1,726	1,800	1,906

Investors should be aware that the second quarter will be impacted by a yet to be determined gain or loss on the disposition of the hospitality assets sold in April 2009. With this disposition, the Company is now exclusively focused on its bingo operations.

**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 44.6% 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***

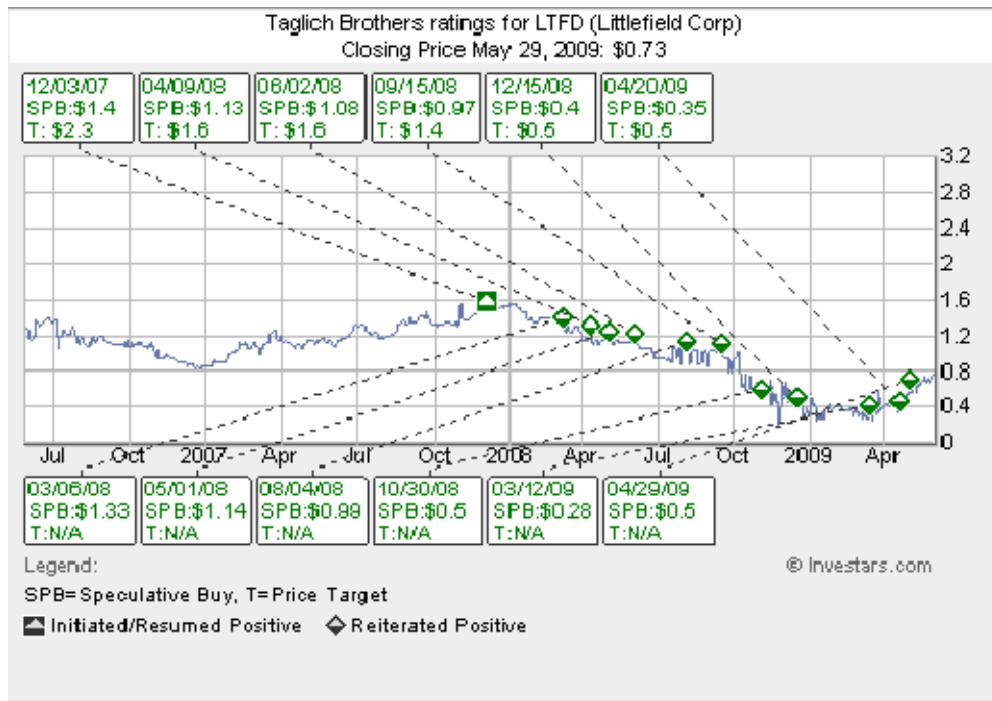
Over the recent past, the Company has sold off its non-core assets to focus on its bingo operations and reduced its cost structure in order to regain profitability. Additionally, it enjoys a solid balance sheet which it can use strategically to build out its operations and buyback shares. **Therefore, we are maintaining coverage of Littlefield Corporation (OTC BB: LTFD) with a Speculative Buy and increasing our 12-month price target to \$1.10 per share from \$0.50 per share.**

**Given the level of profits we are forecasting, our valuation model is now based on a relative P/E approach rather than a historic P/S multiples.** According to Yahoo Finance, the peer (gaming) average P/E multiples is 16.4X. Applying this multiple to our 2009 EPS estimate of \$0.08 per share and discounting the result by 20%, we arrive at our 12-month price target.

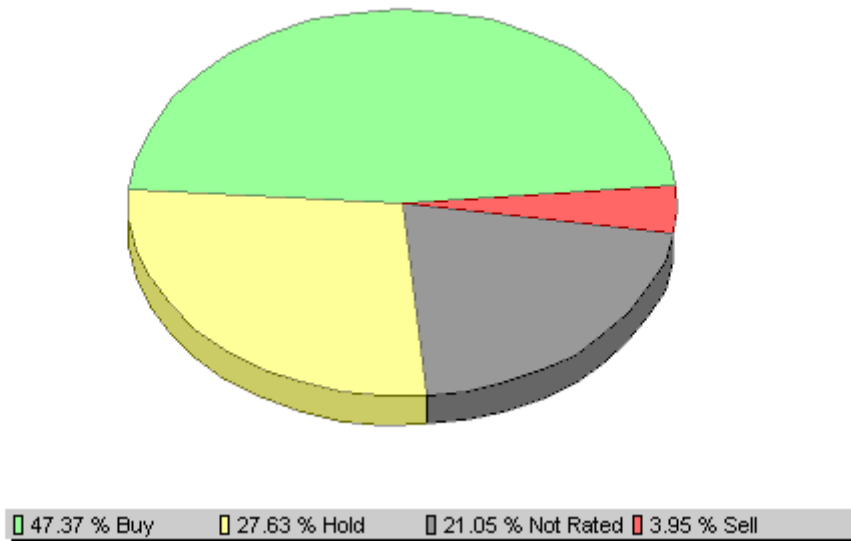
Although we believe that shares of LTFD may be a compelling investment opportunity for high risk tolerant investors seeking equity with exposure to a micro cap gaming equity, investors should be cognizant of such risks and concerns as:

- 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



<b>Investment Banking Services for Companies Covered in the Past 12 Months</b>			
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.**

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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  
Income Statement Model  
For Year Ended December 31, 2009  
(in thousands)

	<u>Q1(3/09)A</u>	<u>Q2(6/09)E</u>	<u>Q3(9/09)E</u>	<u>Q4(12/09)E</u>	<u>F2009E</u>
Entertainment	2,805	2,650	2,800	2,850	<b>11,105</b>
Other	20	25	25	25	<b>100</b>
<b>Total Revenues</b>	<b>\$ 2,825</b>	<b>\$ 2,675</b>	<b>\$ 2,825</b>	<b>\$ 2,875</b>	<b>\$ 11,205</b>
Direct salaries & comp	220	220	250	250	<b>940</b>
Rent & utilities	758	760	760	760	<b>3,038</b>
Other direct operating costs	483	500	500	500	<b>1,983</b>
D&A	178	180	180	180	<b>718</b>
License expense	14	15	15	15	<b>59</b>
<b>Total Direct Costs</b>	<b>1,653</b>	<b>1,675</b>	<b>1,705</b>	<b>1,705</b>	<b>6,738</b>
<b>Gross Profit</b>	<b>1,172</b>	<b>1,000</b>	<b>1,120</b>	<b>1,170</b>	<b>4,462</b>
<i>Gross Margins</i>	<i>41.49%</i>	<i>37.38%</i>	<i>39.65%</i>	<i>40.70%</i>	<i>39.82%</i>
Salaries and other Comp	332	335	350	335	<b>1,352</b>
Legal & Accounting	131	130	130	130	<b>521</b>
D&A	29	30	30	30	<b>119</b>
Stock based comp	31	35	35	35	<b>136</b>
Other G&A	173	175	200	200	<b>748</b>
<b>Total Operating Expenses</b>	<b>696</b>	<b>705</b>	<b>745</b>	<b>730</b>	<b>2,876</b>
<b>Operating Income</b>	<b>475</b>	<b>295</b>	<b>375</b>	<b>440</b>	<b>1,585</b>
<i>Operating Margin</i>	<i>16.81%</i>	<i>11.03%</i>	<i>13.27%</i>	<i>15.30%</i>	<i>14.15%</i>
Interest and invest income	12	15	15	15	<b>57</b>
interest exp	(59)				<b>(59)</b>
Other	(8)	-	-	-	<b>(8)</b>
<b>Pre-Tax Income</b>	<b>419</b>	<b>310</b>	<b>390</b>	<b>455</b>	<b>1,574</b>
<i>Pre-Tax Margins</i>	<i>14.83%</i>	<i>11.59%</i>	<i>13.81%</i>	<i>15.83%</i>	<i>14.05%</i>
Taxes (Benefit)	26	25	25	25	<b>101</b>
<i>Tax Rate</i>	<i>6.21%</i>	<i>8.06%</i>	<i>6.41%</i>	<i>5.49%</i>	<i>6.42%</i>
<i>Loss from discontinued</i>	<i>(110)</i>				<i>(110)</i>
<b>Net Income</b>	<b>\$ 283</b>	<b>\$ 285</b>	<b>\$ 365</b>	<b>\$ 430</b>	<b>\$ 1,363</b>
<b>EPS-fully diluted</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>	<b>\$ 0.02</b>	<b>\$ 0.08</b>
Avg Shares Out-fully diluted	<b>17,965</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>
<u>Percent of Revenue</u>					
SG&A	24.64%	26.36%	26.37%	25.39%	25.67%
Net Margin	10.02%	10.65%	12.92%	14.96%	12.16%

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

	<u>2008A</u>	<u>1Q09(3/09)A</u>
<b>Assets</b>		
Current Assets		
Cash & Equivalents	\$ 4,426	\$ 4,142
Net Receivables	688	708
Note receivable	2	1
Other assets	<u>649</u>	<u>667</u>
<b>Total Current Assets</b>	5,764	5,518
Plant, Property, & Equipment-net	7,557	7,456
Goodwill-net	5,056	5,216
Intangibles -net	902	943
Other	<u>247</u>	<u>265</u>
<b>Total Assets</b>	<u>\$ 19,526</u>	<u>\$ 19,398</u>
<b>Liabilities &amp; Shareholders' Equity</b>		
Current Liabilities		
LTD -current portion	\$ 750	\$ 261
LTD -current portion legal	263	272
Trade accounts payable	316	139
Accrued expenses	<u>1,748</u>	<u>2,102</u>
<b>Total Current Liabilities</b>	3,077	2,774
LTD	\$ 3,167	\$ 3,092
LTD - legal	121	49
Other	72	78
<b>Total Shareholders' Equity</b>	<u>13,090</u>	<u>13,404</u>
<b>Total Liabilities &amp; Equity</b>	<u>\$ 19,526</u>	<u>\$ 19,398</u>
SHARES OUT	16,755	16,755

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

	<u>F2008A</u>	<u>3M2009A</u>
<i>Cash Flows from Operating Activities</i>		
Net Income	\$ (4,252)	\$ 282
Depreciation & Amortization	1,032	260
Other	385	46
Write-off and disposals	<u>1,900</u>	<u>(2)</u>
	(935)	586
<i>Changes In:</i>		
Receivables	(181)	(19)
Inventories		-
Prepaid Expense	288	(56)
Accounts Payable	84	(176)
Accrued Expenses & Other	<u>(252)</u>	<u>369</u>
Net Changes in Working Capital	<u>(61)</u>	<u>118</u>
<b>Net cash Provided by Operations</b>	<u>(997)</u>	<u>706</u>
<i>Cash Flows from Investing Activities</i>		
Capital Expenditures	(2,405)	(153)
Goodwill purchase	(1,375)	(210)
Proceeds from Note receivable	3	1
Proceeds from sale	<u>632</u>	<u>7</u>
<b>Net cash used in Investing</b>	<u>(3,144)</u>	<u>(355)</u>
<i>Cash Flows from Financing Activities</i>		
Proceeds from stock	7,034	
Proceeds from Borrowings	-	
Payments of Long-term debt	<u>(432)</u>	<u>(635)</u>
<b>Net cash provided by Financing</b>	<u>6,601</u>	<u>(635)</u>
Net change in Cash	2,460	(284)
Cash Beginning of Period	<u>1,966</u>	<u>4,426</u>
Cash End of Period	<u>\$ 4,426</u>	<u>\$ 4,142</u>