



TAGLICHBROTHERS

The Standard of Excellence in the Microcap Market

Member: FINRA, SIPC

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

LTFD \$0.97 (OTC BB)

September 15, 2008

	<u>FY2005A</u>	<u>FY2006A</u>	<u>FY2007A</u>	<u>FY2008E</u>	<u>FY2009E</u>
Revenues (Thousands)*	\$11,331	\$13,401	\$13,428	\$11,522	\$12,636
Earnings (loss) per share*	\$0.10	\$0.07	\$0.03	\$(0.05)	\$0.01

52-Week Range	\$1.50 – 0.76	Fiscal Year Ends	December
Shares Outstanding	16.8 million	Revs/Share (TTM)	\$0.96
Approximate Float	5.7 million	Price/Sales(TTM)	1.0X
Market Capitalization	\$16 million	Price/Sales(2009)E	1.3X
Tangible Book Value/Share	\$0.66	Price/Earnings(TTM)	NMF
Price/Tangible book	1.5X	Price/Earnings(2009)E	97X

*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; however, we are reducing our 12-month price target to \$1.40 from \$1.60 per share. Our valuation model is based on a relative P/S analysis. The Company exhibits a solid balance sheet with \$7 million in cash and a tangible book value of \$11 million.

In April 2008, LTFD sold its custom catering business (Word Of Mouth) for \$0.650 million, resulting in a gain on sale of \$0.474 million in 2Q08.

On July 15, 2008, LTFD announced that an administrative law judge ordered the issuance of six bingo promoter licenses which were previously denied by the South Carolina Department of Revenue. On July 16, 2008, Littlefield Corporation announced that it completed the acquisition of six bingo halls in South Carolina.

On July 30, 2008, LTFD reported second quarter net revenues of \$2.9 million and a net loss of \$0.012 million or \$(0.00) per share. In the year ago period, LTFD reported revenues of \$3.7 million and net income of \$0.382 million or \$0.03 per share.

We are adjusting our estimates for fiscal 2008 and introducing 2009 estimates. Our revised projections for 2008 call for revenues of \$11.5 million and a net loss of \$0.806 million or \$(0.05) per share. Our prior projections for 2008 called for revenues of \$11.7 million and net income of \$0.2 million or \$0.01 per diluted share.

* Please view our disclaimer located on page 13.

405 Lexington Avenue, 51st Floor, New York, N.Y. 10174

(800) 383-8464 • Fax (631) 757-1333

www.taglichbrothers.com

Company Overview

Littlefield Corporation (OTC BB: LTFD), based in Austin, Texas and incorporated in Delaware in 1994, develops, owns, and operates charitable bingo halls, and owns and operates a party rental company, as well as a catering company. Through its Entertainment division, LTFD operates over 40 charitable bingo halls in Texas, Alabama, South Carolina, and Florida. Through its Hospitality division, it operates Premiere Events and Rental, a party rental company.

In 1999, Jeffrey Minch, an investor in the Company, took control of LTFD, first via his Directorship and later as CEO. Under Mr. Minch, the Company underwent a major reorganization, an overhaul of management, a change in industry focus, and downsizing of non-critical staff. In June 2000, to reflect this change in philosophy and leadership, the name of the Company was changed to Littlefield Corporation. Subsequently a strategic acquisition program was implemented, using Mr. Minch's philosophy of "Adventure-less Capital."

Entertainment Division

Through this division, 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

Hospitality Division

The Company's operations also consists of Premiere Tents and Events, which operates in and around central Texas and Austin, Texas, engage in the party rental business and installation of tents for events, parties, weddings, and festivals.

Recent Developments

On July 16, 2008, Littlefield Corporation announced that it completed the acquisition of six bingo halls in South Carolina. On July 15, 2008, LTFD announced that an administrative law judge ordered the issuance of six bingo promoter licenses which were previously denied by the South Carolina Department of Revenue.

Sale of Word of Mouth

In April 2008, LTFD sold its custom catering business (Word Of Mouth) for \$0.650 million (resulting in a gain on sale of \$0.474 million) consisting of \$0.250 million in cash and a three year \$0.400 million note receivable at 7%. During the first year, only interest is due and payable on a quarterly basis. Thereafter, payments are to be made monthly at \$4,644 with a final balloon payment of \$0.343 million. The principal amount of the note is subject to certain adjustments which are expected to be finalized in the third quarter of 2008. The note is secured by a security interest in the business and the personal guarantee of the purchaser.

Competitive Overview

Bingo

According to Gametech, a public company that designs, develops, and markets interactive electronic bingo player terminals and systems, bingo is a legal enterprise in 47 states (excluding Arkansas, Hawaii, and Utah) and the District of Columbia. According to research, \$10 billion are wagered annually on bingo in 50,000 bingo halls throughout North America. The game is primarily staged by churches or charity organizations. The legality and stakes of bingo varies by state regulation. In some states, bingo halls are rented out to sponsoring organizations, and these halls often run games almost every day. Games are usually played for modest stakes. Commercial bingo games in the U.S. are primarily offered by Nevada casinos and by Native American bingo halls (often played in Native American casinos). In Nevada, bingo is usually offered only by casinos that cater to local gamblers.

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 35 states it tracks amounted to \$7.170 billion in 2006, as compared to \$7.031 billion in 2005 (a 2% increase). 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 participants. 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. Below are the top ten states by gross receipts (according to NAFTM):

State	Gross Receipt (\$ millions)
Minnesota	1,228
Washington	787
Texas	662
Kentucky	527
Indiana	526
Michigan	413
New York	353
Alaska	349
Virginia	321
North Dakota	261

According to the Texas Comptroller of Public Accounts and Texas Lottery Commission Gross receipts in 2006 increased for the fourth straight year to \$658 million, an increase of 3.8% from 2005. The increase was attributed to sales of pull tabs. In 2008, gross receipts were \$662 million, suggesting growth of less than 1%. In South Carolina, total gross receipts in 2006 amounted to \$123 million.

Gaming Industry

Due to the gaming nature of bingo, the Company may also compete directly and indirectly with established casinos (commercial, native, and racetrack), as well as other forms of gaming such as electronic gaming and card games. According to the American Gaming Association, charitable bingo is a component of charitable gaming, which in turn is one of the types of legal gaming in the United States. The following chart depicts the size of the gaming sector.

# of locations and states	2007	2006
Commercial Casinos	467 & 12	460 & 11
Native American Casinos	424 & 29	372 & 28
Racetrack Casinos	41 & 11	36 & 11
Electronic Gaming Devices	11,656 & 6	11,567 & 6
Card Rooms	707 & 5	713 & 5

According to the American Gaming Association (AGA), total gross gaming revenues of commercial casinos continued the steady growth exhibited in past years and total over \$90 billion in 2007. Overall growth was attributed to the continued expansion of the industry in new and existing commercial gaming states, the ongoing revitalization of the industry on the Gulf Coast after Hurricanes Katrina and Rita, and renovations and enhancements at existing properties in several key gaming markets.

According to the Casino Journal (CJ), total consumer spending on all forms of gaming (exclusive of Internet gaming) in 2006 was \$90 billion, an increase of 7.7%, as compared the \$84.4 billion in 2005. However, CJ noted spending declines on pari-mutuel sports, Nevada horse books, charitable bingo, and charitable gaming. Charitable bingo and gaming saw single digit revenue declines. It is believed that charitable bingo is facing stiffer competition from commercial and Native American casinos. However, a pocket of strength in charitable gaming, according to the NAFTM, is Texas.

Of note, the Company’s bingo operations are conducted in niche markets with relatively complex regulatory constraints which insolate the operations from much direct competition from casino operations. Also, the Company’s charitable bingo facilities are ideally situated outside of a 3 hour drive from casino competitors.

Entertainment Sector

Through its bingo and hospitality offerings, LTFD operates in the event and entertainment markets. As such it is dependent on the overall health of consumers and their propensity to spend entertainment dollars at Company related events and facilities. As a result of the entertainment angle of the Company’s operations, it may compete for entertainment dollars, either directly or indirectly, with public and private companies that have entertainment operations or promote and market entertainment events.

Economic Outlook

Additionally, the Company’s operations will likely be impacted by the direction of GDP. In July 2008, the government announced that GDP advanced 1.9% in the second quarter after increasing 0.9% in the first quarter of 2008. GDP increased 2.2% in 2007, as compared with an increase of 2.9% in 2006.

In July 2008, the International Monetary Fund projected U.S. economic growth in 2008 of 1.8% and forecasted only 0.8% growth in 2009.

In August 2008, The Conference Board (CB), an independent membership organization that conducts research, convenes conferences, makes forecasts, assesses trends, publishes information and analysis, and brings executives together to learn from one another, announced that the July U.S. leading economic index (LEI) showed a decrease of 0.7%. According to the CB, the six-month rate of decline in the leading index was -0.9% (a -1.8% annual rate).

Recent Results

On July 30, 2008, LTFD reported results for its second quarter, ended June 30, 2008. The Company reported net revenues of \$2.9 million and a net loss of \$0.012 million or \$(0.00) per share. In the year ago period, LTFD reported revenues of \$3.7 million and net income of \$0.382 million or \$0.03 per share. 2Q08 results included a gain on sale of \$0.474 million from the April 2008 sale of LTFD's custom catering business (Word Of Mouth) for \$0.650 million. Excluding this gain, the Company would have lost \$0.486 million or \$(0.03) per share. Adjusting for the sale of the Word Of Mouth, pro-forma 2Q2008 sales for the hospitality division would have been \$0.716 million, as compared to \$0.806 million in the year ago period.

In comparison, Taglich Brothers' expectations called for revenues of \$3.0 million and net income of \$0.243 million or \$0.01 per share.

Revenues decreased at both the Entertainment and Hospitality divisions. The decrease in Hospitality division mainly reflected lower activity levels. The following tables depict some key components of revenues for the second quarter of 2007 and 2008:

Revenues (\$ 000's)	2Q2007A	2Q2008A
Entertainment	2,181	2,064
Hospitality	1,474	788

Entertainment revenues from its Texas operations were down (see chart below) primarily due to renovation and reopening of halls. In total, Management invested \$0.650 million on upgrades of halls.

Entertainment Revenues (\$ 000's)	2Q2007A	2Q2008A
Texas	1,372	1,274
South Carolina	479	368
Alabama/Florida	330	422

The Company also reported that as compared to the year ago period:

- Gross profit decreased to \$0.873 million (or 14% of revenues) from \$2.224 million (or 30% of revenues);
- Total operating expenses, on a dollar basis, increased to \$1.5 million from \$1.2 million. Operating expenses, as a percentage of revenues, increased to approximately 27% of revenues, as compared to 16%;
- Non-operating income amounted to approximately \$0.408 million (inclusive on the gain of sale of \$0.474 million), as compared to expenses of \$0.097 million;

- Income tax expense decreased to \$0.022 million from \$0.030 million; and
- Weighted average shares outstanding-fully diluted were 14.2 million as compared to 11.4 million.

Balance Sheet

At the end of second quarter of 2008, the Company had cash and cash equivalents of \$7.0 million, working capital of approximately \$6.3 million, total assets of \$22.1 million, total liabilities of \$5.1 million (including long term debt of \$3.6 million), and stockholders' equity of \$17.0 million.

Recent Equity Investment

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.

The funds from this offering are earmarked for general corporate purposes and to fund its growth plans in Texas, South Carolina, and Florida. This funding together with cash on hand, proceeds from anticipated dispositions, operating cash flow and an anticipated \$4 million acquisition line of credit will provide over \$12 million for the Company to fund its growth. Therefore, we believe, based on our current estimates, that the Company will have sufficient cash to fund operations and its growth plans through fiscal 2009.

Projections

We are adjusting our estimates for fiscal 2008 based on recent operating trends and Management's comments on the Company's second quarter conference call and 10Q filing.

Our revised projections for fiscal 2008 call for revenues of \$11.5 million and a net loss of \$0.806 million or \$(0.05) per share. Our prior projections for fiscal 2008 called for revenues of \$11.7 million and net income of \$0.2 million or \$0.01 per diluted share. Of note, 2008 results include a \$0.474 million gain from the sale of the catering business in the 2Q08.

We are also introducing fiscal 2009 estimates calling for revenues of \$12.6 million and net income of \$0.143 million or \$0.01 per share.

We have not factored in much improvement from the remaining hospitality business stemming from recent lackluster performance and the notion that these operations may not be part of the Company in the long run.

We are forecasting entertainment revenues to increase by 2% in 2008 and 19% in 2009. Our current estimates call for increased revenues based on historical trends, recent developments, demand for the Company's bingo offerings, and additional halls.

Modest gains are expected in Texas and Alabama, as well as incremental contribution from Florida. We believe growth in Texas may be achieved from gains at existing renovated halls, as well as new halls. In South Carolina, the addition of 6 new halls (a 60% increase in the state) could be a major boost to the Company, increasing its base of halls by 60% in South Carolina. At the Taglich Brothers' 5th Annual

Conference, Management highlighted other growth initiatives including a military service contract and expansion into other markets the Company is not currently operating, in addition to growth opportunities in existing markets.

The following table illustrates projected revenue mix items:

<i>Sales (\$ 000's)</i>	FY2008E Previous	FY2008E Revised	2009E Initial
Entertainment	8,929	8,675	10,285
Hospitality	2,709	2,761	2,261

Our cost structure estimates (see table below) for 2008 reflects recent expense trends and projected trends based on existing operations:

<i>% of Sales</i>	FY2008E Previous	FY2008E Revised	2009E Initial
Gross Margins	24.61%	14.95%	23.04%
Operating Margins	2.27%	-9.75%	0.97%
Pre-tax Margins	2.08%	-6.35%	1.76%
Net Margins	1.42%	-6.99%	1.13%

The average share count is expected to increase to 15.6 million and 17 million, respectively, in 2008 and 2009, from 11.5 million in 2007 stemming from the March 2008 offering of 5.19 million shares for \$7 million. Given the proceeds and \$4 million in available debt, it may be possible for the Company to aggressively grow its entertainment (bingo) operations. While we have not forecasted a very aggressive build out, we will monitor the ramp up in growth and adjust our models as events warrant.

Of note, The Company does not expect to incur material federal income tax charges until the depletion of its accumulated federal income tax loss carry-forwards, which totaled approximately \$6.7 million at December 31, 2007, that begin expiring in the year 2015.

Risks

Regulation

The Company's bingo operations are subject to varying regulations on a state by state basis (Texas, Alabama, and South Carolina). Each state in which it operates regulates bingo operations differently. A summary of some of the regulations follows:

- In Texas, the Texas Lottery Commission regulates bingo and its rules are uniform throughout the State. In general, a bingo hall can contain up to seven charities and can operate seven days per week and conduct as many as fourteen bingo sessions per week. The Commission's Web site is www.txbingo.org.
- In South Carolina, the South Carolina Department of Revenue is the principal regulator for bingo. Its rules are uniform throughout the State. In general, a bingo hall can contain a single charity and can only operate five sessions per week with a Class B license or everyday with a Class C license. In general, a Class C hall is permitted to play more often, but is required to pay out less money than a Class B hall. The Department's Web site is www.sctax.org.
- In Alabama, bingo can only be played in counties that have a "local bill" authorizing bingo that has been passed by the state legislature. The local county sheriff is the principal regulator of bingo and regulations vary from county to county. In general, a bingo hall can contain up to ten charities and can operate seven days per week and conduct up to twenty-one bingo sessions per week.

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-Bingo Market

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.

Competition - Event Market

The hospitality industry is a \$3.5 trillion dollar service sector within the global economy. The hospitality industry is very diverse and cyclical, business fluctuations occur with an economic growth. The party rental and tent installation is very fragmented, especially in the local Austin area. There are numerous catering and party rental companies in the Austin area.

Growth Management

As the Company becomes increasingly successful, it must meet the challenges associated with growth. If the Company is not successful in meeting these challenges, its business or financial results will be adversely impacted. Growth will require the Company to continue to implement and improve financial, accounting, and management information systems and to hire, train, motivate, and manage additional employees. A failure to manage growth effectively would have a material adverse effect on business, financial condition, and results of operations, and on its ability to execute its business strategy successfully.

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.

Corporate Governance/ Sarbanes-Oxley Act of 2002

Over the past few years, Wall Street has increased its focus on corporate governance and placed increased emphasis on the accountability of Management and Directors to shareholders. These events have brought about the passage of the Sarbanes-Oxley Act of 2002. Corporate governance and Sarbanes-Oxley issues may be facing the Company in light of new rules and regulations being issued by government regulatory agencies. This could mean that the Company will eventually be required to hire additional personnel in order to

diversify various operational, management, and compliance functions, as well as spend monies to comply with the various aspects of the Act.

Shareholder Control

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. The offering agreement called for:

- Littlefield Corporation to expand its Board of Directors from five members to six members; and
- Value Fund Advisors to nominate two of the directors annually through December 31, 2012.

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.

Customer and Seasonality Mix

The Company's hospitality unit has a few large customers. Spending trends of these customers may materially negatively/positively impact the Company's financial results in any given period. Additionally, the unit typically experiences a seasonal high in revenues in the fourth quarter.

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 2,800 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; however, we are reducing our 12-month price target to \$1.40 from \$1.60 per share.

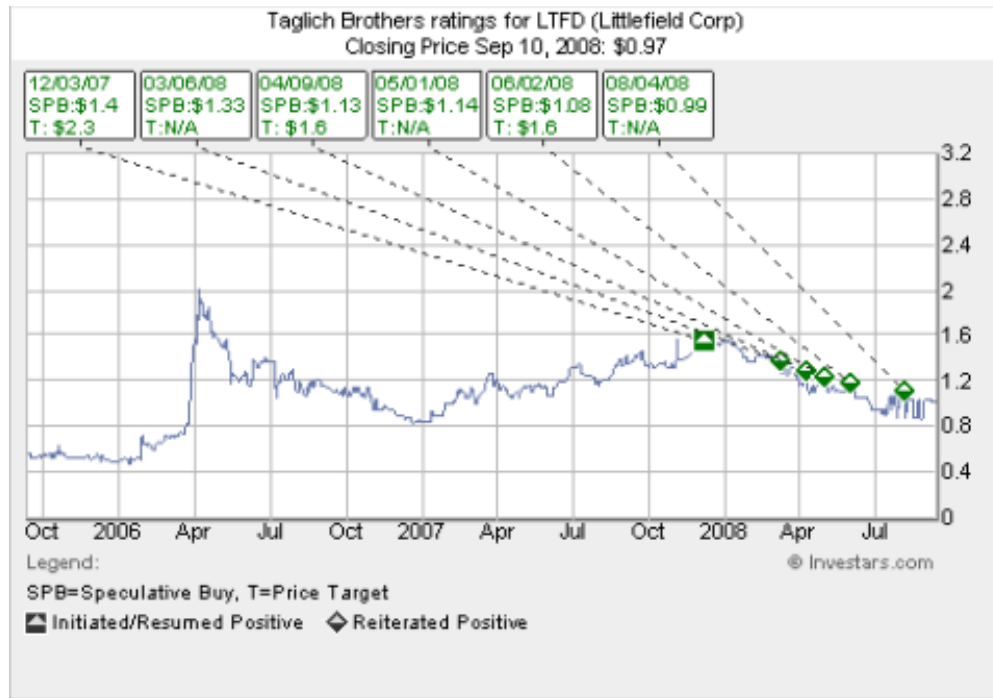
Our rating is based on:

- The Company's strategy for growth and recent track record;
- Attractive niche bingo markets;
- Solid balance sheet with \$7 million in cash and a tangible book value of \$11 million;
- Our estimates through 2009; and
- Attractive valuation versus growth potential.

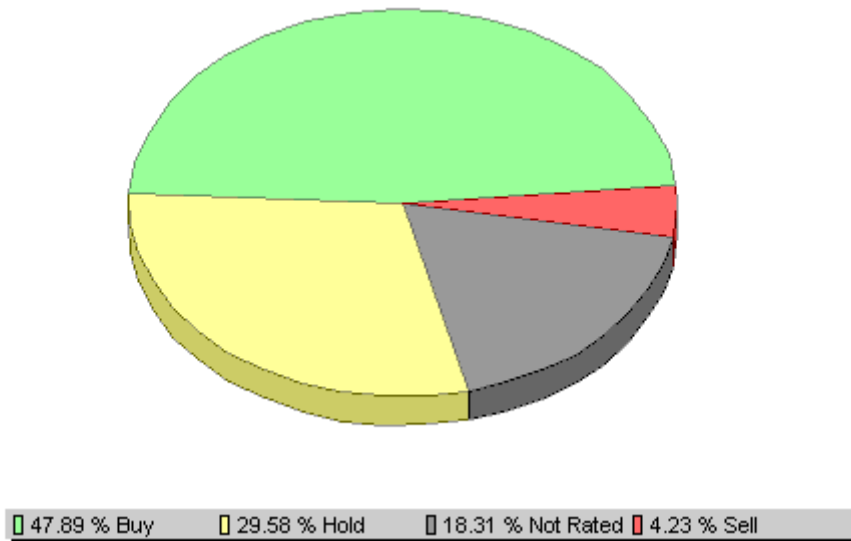
Our price target is based on applying a P/S multiple of 2.7X applied to our estimated 2009 sales per share of \$0.74 per share. Our P/S multiple was derived by taking the weighted average P/S of the catering services (2.1X) and gaming (2.9X) industries in line with the weighing of the Company's hospitality (18%) and entertainment (81%) divisions. We further discounted that multiple by 30% to incorporate micro cap and Company risks highlighted in the report.

Although we believe that shares LTFD are a compelling investment opportunity for 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;
- Seasonality of quarterly financial results;
- Corporate governance; and
- Microcap risk.



Taglich Brothers' Current Rating Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	0	0%
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.

* The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to change in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an analyst or member of the Research Department may sell such securities after obtaining expressed written permission from the Director of Research.

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 after the first year of publication will pay 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 December 31
(in thousands)

	<u>F12/2005A</u>	<u>F12/2006A</u>	<u>F12/2007A</u>	<u>F12/2008E</u>	<u>F12/2009E</u>
Total Revenues	\$ 11,331	\$ 13,401	13,428	\$ 11,522	\$ 12,636
Direct salaries & comp	2,600	3,006	3,147	2,554	2,600
Rent & utilities	2,302	2,514	2,605	2,634	2,600
Other direct operating costs	3,208	3,750	3,544	3,671	3,600
D&A	788	645	676	831	800
License expense	65	111	100	110	125
Total Direct Costs	<u>8,963</u>	<u>10,026</u>	<u>10,072</u>	<u>9,801</u>	<u>9,725</u>
Gross Profit	2,368	3,375	3,357	1,722	2,911
<i>Gross Margins</i>	<i>20.90%</i>	<i>25.18%</i>	<i>25.00%</i>	<i>14.95%</i>	<i>23.04%</i>
Salaries and other Comp	543	884	1,241	1,259	1,300
Legal & Accounting	1,051	310	540	707	600
D&A	94	111	116	124	128
Stock based comp	67	110	57	56	60
Other G&A	380	580	700	699	700
Total Operating Expenses	<u>2,135</u>	<u>1,995</u>	<u>2,654</u>	<u>2,845</u>	<u>2,788</u>
Operating Income	233	1,380	703	(1,123)	123
<i>Operating Margin</i>	<i>2.06%</i>	<i>10.30%</i>	<i>5.24%</i>	<i>-9.75%</i>	<i>0.97%</i>
Reserve for legal settlement	(462)	(358)			
Gain on Disposition of Assets	996	(3)	23	474	
Interest and invest income	40	114	104	96	100
interest exp	(254)	(289)	(446)	(179)	
Other	559	38	(4)	-	-
Pre-Tax Income	1,113	882	384	(732)	223
<i>Pre-Tax Margins</i>	<i>9.82%</i>	<i>6.58%</i>	<i>2.86%</i>	<i>-6.35%</i>	<i>1.76%</i>
Taxes (Benefit)	77	96	79	74	80
<i>Tax Rate</i>	<i>6.92%</i>	<i>10.88%</i>	<i>20.57%</i>	<i>-10.11%</i>	<i>35.92%</i>
Net Income	\$ 1,037	\$ 786	\$ 300	\$ (806)	\$ 143
EPS-fully diluted	\$ 0.10	\$ 0.07	\$ 0.03	\$ (0.05)	\$ 0.01
Avg Shares Out-fully diluted	<u>10,426</u>	<u>10,836</u>	<u>11,485</u>	<u>15,569</u>	<u>17,000</u>
<u>Percent of Revenue</u>					
SG&A	18.84%	14.89%	19.76%	24.69%	22.06%
Net Margin	9.15%	5.87%	2.23%	-6.99%	1.13%
<u>YEAR / YEAR GROWTH</u>					
Texas	-3%	26%	8%	0%	10%
South Carolina	19%	4%	14%	-4%	60%
Alabama	28%	-5%	-1%	3%	6%
Entertainment	7%	14%	8%	2%	19%
Hospitality	27%	25%	-10%	-43%	-18%
Revenues	14.14%	18.27%	0.20%	-14.19%	9.66%

Historical numbers are inclusive of Word of Mouth unit, which was sold in April 2008.

Littlefield Corporation
Quarterly Income Statement Model
For Year Ended December 31, 2008
(in thousands)

	<u>Q1(3/08)A</u>	<u>Q2(6/08)A</u>	<u>Q3(9/08)E</u>	<u>Q4(12/08)E</u>	<u>F2008E</u>
Total Revenues	\$ 3,124	\$ 2,880	\$ 2,700	\$ 2,819	\$ 11,522
Direct salaries & comp	749	605	600	600	2,554
Rent & utilities	656	658	660	660	2,634
Other direct operating costs	1,008	963	800	900	3,671
D&A	201	230	200	200	831
License expense	27	33	25	25	110
Total Direct Costs	<u>2,642</u>	<u>2,489</u>	<u>2,285</u>	<u>2,385</u>	<u>9,801</u>
Gross Profit	482	392	415	434	1,722
<i>Gross Margins</i>	<i>15.43%</i>	<i>13.61%</i>	<i>15.36%</i>	<i>15.38%</i>	<i>14.95%</i>
Salaries and other Comp	319	310	315	315	1,259
Legal & Accounting	169	238	150	150	707
D&A	32	32	30	30	124
Stock based comp	14	12	15	15	56
Other G&A	201	198	150	150	699
Total Operating Expenses	<u>735</u>	<u>790</u>	<u>660</u>	<u>660</u>	<u>2,845</u>
Operating Income	(253)	(398)	(245)	(226)	(1,123)
<i>Operating Margin</i>	<i>-8.10%</i>	<i>-13.82%</i>	<i>-9.09%</i>	<i>-8.03%</i>	<i>-9.75%</i>
Gain on Disposition of Assets		474			474
Interest and invest income	12	34	25	25	96
interest exp	(79)	(100)	-	-	(179)
Other	-	-	-	-	-
Pre-Tax Income	<u>(320)</u>	<u>10</u>	<u>(220)</u>	<u>(201)</u>	<u>(732)</u>
<i>Pre-Tax Margins</i>	<i>-10.24%</i>	<i>0.35%</i>	<i>-8.17%</i>	<i>-7.15%</i>	<i>-6.35%</i>
Taxes (Benefit)	<u>22</u>	<u>22</u>	<u>15</u>	<u>15</u>	<u>74</u>
<i>Tax Rate</i>	<i>-6.88%</i>	<i>220.00%</i>	<i>-6.80%</i>	<i>-7.45%</i>	<i>-10.11%</i>
Net Income	<u>\$ (341)</u>	<u>\$ (12)</u>	<u>\$ (235)</u>	<u>\$ (216)</u>	<u>\$ (806)</u>
EPS-fully diluted	<u>\$ (0.03)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>
Avg Shares Out-fully diluted	<u>11,739</u>	<u>16,738</u>	<u>16,900</u>	<u>16,900</u>	<u>15,569</u>
<u>Percent of Revenue</u>					
SG&A	23.53%	27.43%	24.45%	23.42%	24.69%
Net Margin	-10.92%	-0.42%	-8.72%	-7.68%	-6.99%
<u>YEAR / YEAR GROWTH</u>					
Texas	-9%	-7%	3%	15%	0%
South Carolina	2%	-23%	2%	5%	-4%
Alabama	5%	28%	19%	5%	3%
Entertainment	-4%	-5%	5%	13%	2%
Hospitality	-25%	-47%	-50%	-50%	-43%
Revenues	-10.46%	-21.48%	-10.40%	-13.49%	-14.2%

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

	<u>F2006A</u>	<u>2007A</u>	<u>1Q08A</u>	<u>2Q08A</u>
Assets				
Current Assets				
Cash & Equivalents	\$ 2,550	\$ 1,966	\$ 7,720	\$ 7,016
Net Receivables	1,089	520	614	463
Equity securities	3	-	-	-
Note receivable	7	5	5	-
Restricted cash	434	-	-	-
Other assets	184	549	307	308
Total Current Assets	<u>4,267</u>	<u>3,040</u>	<u>8,646</u>	<u>7,787</u>
Plant, Property, & Equipment-net	6,057	6,927	7,482	7,773
Goodwill-net	4,905	4,905	5,139	5,096
Intangibles -net	624	699	841	862
Other	201	218	205	588
Total Assets	<u>\$ 16,054</u>	<u>\$ 15,788</u>	<u>\$ 22,313</u>	<u>\$ 22,106</u>
Liabilities & Shareholders' Equity				
Current Liabilities				
LTD -current portion	\$ 225	\$ 196	\$ 197	\$ 222
LTD -current portion legal	310	231	231	245
Trade accounts payable	265	232	384	351
Accrued expenses	919	1,063	814	682
Other	386	-	-	-
Total Current Liabilities	<u>2,104</u>	<u>1,722</u>	<u>1,626</u>	<u>1,500</u>
LTD	\$ 4,038	\$ 3,443	\$ 3,396	\$ 3,318
LTD - legal	611	363	308	257
Other	24	48	54	60
Total Shareholders' Equity	<u>9,276</u>	<u>10,212</u>	<u>16,928</u>	<u>16,962</u>
Total Liabilities & Equity	<u>\$ 16,054</u>	<u>\$ 15,788</u>	<u>\$ 22,313</u>	<u>\$ 22,106</u>
SHARES OUT	10,818	11,444	16,715	16,754

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

	<u>F2006A</u>	<u>F2007A</u>	<u>6M2008A</u>
<i>Cash Flows from Operating Activities</i>			
Net Income	\$ 786	\$ 300	\$ (353)
Depreciation & Amortization	756	792	495
Other	210	57	26
Write-off aand disposals	17	(19)	(534)
	<u>1,769</u>	<u>1,130</u>	<u>(366)</u>
<i>Changes In:</i>			
Receivables	3	569	86
Inventories	-	-	-
Prepaid Expense	505	62	252
Accounts Payable	(161)	(32)	119
Accrued Expenses & Other	(320)	191	(317)
Net Changes in Working Capital	<u>27</u>	<u>790</u>	<u>140</u>
Net cash Provided by Operations	<u>1,796</u>	<u>1,920</u>	<u>(226)</u>
<i>Cash Flows from Investing Activities</i>			
Capital Expenditures	(454)	(1,648)	(1,408)
Goodwill purchase	-	(105)	(411)
Proceeds from Note receivable	1,177	2	2
Proceeds from sale	-	33	250
Net cash used in Investing	<u>723</u>	<u>(1,718)</u>	<u>(1,567)</u>
<i>Cash Flows from Financing Activities</i>			
Proceeds from stock	204	552	7,034
Proceeds from Borrowings	1,785	401	-
Payments of Long-term debt	(2,578)	(1,739)	(191)
Net cash provided by Financing	<u>(589)</u>	<u>(786)</u>	<u>6,843</u>
Net change in Cash	1,931	(584)	5,050
Cash Beginning of Period	<u>619</u>	<u>2,550</u>	<u>1,966</u>
Cash End of Period	<u>\$ 2,550</u>	<u>\$ 1,966</u>	<u>\$ 7,016</u>