

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

LITTLEFIELD CORP  
Form 10KSB/A  
August 31, 2006

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-KSB/A  
Amendment No. 1

Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Fiscal Year Ended December 31, 2005

Commission file No. 0-24805

Littlefield Corporation  
-----

(Exact name of small business issuer as specified in its charter)

Delaware  
-----

74-2723809  
-----

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

2501 North Lamar Blvd. Austin, Texas 78705  
-----

(Address of principal executive offices)

(512) 476-5141  
-----

(Issuer's telephone number)

Securities registered under Section 12(b) of the Exchange Act: None  
-----

Securities registered under Sections 12(g) of the Exchange Act: Common Stock  
-----

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S- contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB/A or any amendment to this Form 10-KSB/A.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

Issuer's revenues for its most recent fiscal year:	\$ 11,331,268
Aggregate market value of the issuer's common stock held by non-affiliates based on the average bid and asked price as of March 1, 2006	\$ 7,215,058
Number of shares of the issuer's common stock outstanding as of March 1, 2006	8,689,355

Documents Incorporated By Reference

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

The issuer's Proxy Statement for its annual meeting of stockholders held on May 17, 2006, is incorporated by reference in this Form 10-KSB/A in Part III Item 9, Item 10, Item 11 and Item 12.

This report contains statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements appear in a number of places in this Report and include all statements regarding the intent, belief or current expectations of the Company, its directors or its officers, with respect to, among other things: (i) the Company's financing plans; (ii) trends affecting the Company's financial condition or results of operations; (iii) the Company's growth strategy and operating strategy; and (iv) the declaration and payment of dividends. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors discussed herein and those factors discussed in detail in the Company's filings with the Securities and Exchange Commission.

### PART I

#### EXPLANATORY NOTE

This Amendment No. 1 to our Annual Report on Form 10-KSB ("Form 10-KSB/A-1") for the year ended December 31, 2005, initially filed with the Securities and Exchange Commission ("SEC") on March 31, 2006 (the "Original Filing") reflects, among other things, a restatement of the Financial Statements of Littlefield Corporation, as discussed in Note 2 to the Financial Statements.

This Form 10-KSB/A-1 amends and restates Items 5, 6, 7, and 8A of the Original Filing and we have revised language in certain of these Items from the Original Filing to reflect the restatement of our Financial Statements. As explained in Note 2 of our restated financial statements for the year ended December 31, 2005, we have restated our financial statements to correct an accounting error in the recording of stock options costs and additional paid in capital. This change was required to reflect modifications made to extend the termination dates of stock option agreements for four non-executive employees and to record a stock subscription receivable in 2005. Item 5 was amended to reflect the modification to certain stock option agreements in 2005. Item 6 was amended to reflect the affect of the modification on general and administrative expenses and net income. Item 7 reflects our restated financial statements. Item 8A discusses our disclosure controls and procedures, weaknesses identified and steps taken to improve our internal control over financial reporting.

#### ITEM I: DESCRIPTION OF BUSINESS

-----  
Littlefield Corporation develops, owns and operates charitable bingo halls, and owns and operates party rental and catering companies. We operate 31 charitable bingo halls in Texas, Alabama, and South Carolina. We also own and operate Littlefield Hospitality in Austin, Texas. The Hospitality division consists of Premiere Events and Rental, a party and tent rental company, and Word of Mouth Catering, a custom catering company.

We were incorporated in Delaware in 1994 as American Bingo and Gaming Corp. From inception through 1999 we suffered through a chaotic leadership structure. There have been five (5) separate Presidents or Chief Executive Officers during our brief history as well as a continuously changing Board of Directors. In mid-1999, Daniel W. Deloney was named a director, and immediately after the

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

resignation of the Board of Directors and management, became interim Chief Executive Officer and Chairman of the Board. In July 1999, Jeffrey L. Minch was appointed a director and in October 1999, was named President. Current independent board members are Carlton Williams, Alfred Stanley and Michael Wilfley. Alfred Stanley and Michael Wilfley were reelected at the May 2004 annual meeting. Carlton Williams was named Chairman of the Board. The Board of Directors owns a substantial amount of stock.

### CURRENT YEAR EVENTS:

January 2005 - Pondella Hall for Hire, Inc., d/b/a Eight Hundred v. American Bingo and Gaming, Case No.: 97-2750, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida. This case was heard and judgment found against the Company in the amount of \$1,280,000 plus attorney fees. The company is appealing this decision. The reserve for this case was booked in 2004 in the amount of \$1,500,000.

In March 2005, the Company through it's wholly owned subsidiary Conway Bingo Inc., leased a facility in Conway, SC and opened a "C" hall doing business as Mill Pond Bingo.

2

In April 2005, the Company through it's wholly owned subsidiary Aiken Bingo Inc., leased a facility in Aiken, SC and opened a "C" hall doing business as Tally Ho! Bingo.

In September 2005, Columbia One Inc., a wholly owned subsidiary of the Company sold a shopping center located in Columbia, SC which originally was the Company Headquarters. The Company had two bingo halls located in the shopping center, American Bingo I and II, one a "B" bingo hall and one a "C" bingo hall, both of which were closed. In addition the Company signed a non-compete agreement pulling the Company out of the Columbia market.

In conjunction with the sale of the bingo hall in Columbia, SC, the Company assumed the lease on Galley Hall bingo in Charleston, SC which was operated by the purchaser of the shopping center. Galley Hall operates as a "C" bingo hall.

In October 2005, the Company completed the purchase of the Strike It Rich Bingo hall in San Angelo, Texas, which is operating under the wholly owned subsidiary San Angelo Charitable Bingo Inc.

All of these events are discussed more thoroughly in Item 6 - "Management's Discussion and Analysis of Financial Condition and Results of Operations".

### PRINCIPLE BUSINESS AND MARKETS

We currently have two distinct and separate business segments.

1. "Littlefield Entertainment" owns and operates 31 charitable bingo halls. Of these 31 bingo halls, seventeen (17) are in Texas (Austin-1, Abilene-2, Amarillo-3, McAllen-3, Lubbock-3, Odessa-2, Midland-1, San Angelo-1 and San Antonio-1), three (3) are in Alabama (Montgomery-2 and Mobile-1) and eleven (11) are in South Carolina (Charleston-6, Georgetown-1, Goose Creek-1, Walterboro-1, Conway-1, and Aiken-1). The total segment comprised approximately 61% of our total revenues in 2005.
2. "Littlefield Hospitality" consists of Austin Tents and Events which was acquired in November 2000, Premiere Party Rental which was acquired in

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

July of 2001, and Word of Mouth Custom Catering which was acquired in August of 2001. Austin Tents and Events and Premiere Party Rental were subsequently combined and are now called Premiere Tents and Events. Revenues in our Hospitality division comprised 38% of total gross revenues in 2005.

LITTLEFIELD ENTERTAINMENT. Our main business is the management of charitable bingo halls. We might be called a "charitable bingo lessor" or "bingo conductor" or "bingo promoter" depending upon the jurisdiction in which we are operating.

A new charity bingo hall is created when we contract with a real estate landlord, through a long-term real estate lease, to rent premises suitable for a bingo hall. We engage in precise market, demographic and location research in order to ensure the suitability of a specific site for the development of a new bingo hall. We then develop the physical plant for a bingo hall based upon our expertise; and, attract the requisite number of charities for the use of the premises and the services provided to support the Charities' conduct of bingo operations.

In the due diligence of investing in a new start up bingo hall, the company anticipates recovering our entire investment (usually \$100,000 to \$400,000) 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). In 2004 we opened Coveralls Bingo in Walterboro, SC, which reached a stable and predictable environment in 2005 and should return our entire investment within the 2 year window. We had two new start up halls in South Carolina, neither of which has reached a stable and predictable operating environment to date. These halls are Mill Pond Bingo in Conway, SC and Tally Ho! Bingo in Aiken, SC.

In addition to starting up new charitable bingo halls, we may acquire other companies that also engage in the management of charitable bingo halls. We anticipate an immediate going in return of 25-35% on our entire investment and the ability to sustain that level of performance for a ten (10) year period, absent only regulatory environmental changes beyond our ability to predict or control. In the past three years we have purchased El Bingo Grande Bingo Hall,

3

Bingo Idea and Bingo Barn. Of these Bingo Idea and Bingo Barn were purchased with the knowledge that we would not attain these goals, as these were strategic purchases that allowed us to take advantage of our market presence. The El Bingo Grande purchase has produced a 58% return since 2002. In 2002, the first year we operated the hall, we had 12% return, in 2003 a 16% return, in 2004 a 16% return and in 2005 a 20% return. In October 2005, we obtained the bingo operations of Strike It Rich Bingo in San Angelo, TX. This was an ongoing bingo hall, but one that was not operating at it's potential and in the 3 months that we have operated the hall, it has already generated a 5% return.

In 2005, our charitable bingo halls raised approximately \$3,818,000 in charitable funding for those charities that operate in our bingo halls. We helped raise \$667,000 for charities in South Carolina, \$651,000 for charities in Alabama, and \$2,500,000 for charities in Texas. Since 2001 our company has helped raise well over \$16 million for charity.

Competition: The charitable bingo market is a fragmented business, often with operators who are individuals or partnerships, with no one dominant competitor. Competition also includes charitable organizations. From region to region there may be a dominant player in their immediate markets, but we are the only publicly traded bingo promoter with more than just a regional presence.

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Our unit of competition is an individual bingo hall. Competition is further subdivided by the time of day or night that a bingo hall operates. A bingo hall could generally be a daytime hall, a nighttime hall or a late night hall. In certain jurisdictions, we would like to operate at all three times. An individual bingo hall competes within a trade area of approximately fifteen (15) 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. In general, we believe that approximately one to one and a half percent (1-1.5%) of the population in a city of more than 100,000 are meaningful and consistent bingo players.

The principle methods of competition used, once an ideal location is obtained, include providing clean, safe and attractive facilities, creating customer loyalty through various marketing efforts, and other promotional programs to stimulate interest in not only playing the game of bingo, but in frequenting our bingo locations specifically. Our combined industry knowledge also gives us a competitive advantage when negotiating with the various charities to use our facilities for their operations. Direct advertising is not permitted under the local bingo regulations by the promoter's organizations in some jurisdiction and is permitted in others.

Regulation. We operate in Texas, Alabama and South Carolina, and each state regulates bingo operations differently.

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 (7) charities and can operate seven (7) days per week and conduct as many as fourteen (14) bingo sessions per week.

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 (5) 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.

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 (10) charities and can operate seven (7) days per week and conduct up to twenty-one (21) bingo sessions per week.

### LITTLEFIELD HOSPITALITY:

In the last quarter of 2000, we began a diversification of our businesses with the acquisition of Austin Tents and Events, and with the purchase of Premiere Party Rental and Word of Mouth Custom Catering in the summer of 2001. These combined businesses had average revenue of approximately \$4,500,000 per year and operated in the central Texas area in and around Austin, Texas. The companies engaged in the party rental business, catering, and installation of tents for events, parties, weddings, festivals, etc. as well as a small amount of event planning (music, flowers, catering, etc.).

Competition: The catering, party rental, tent installation, and event coordination market is very fragmented, especially in the local Austin area. There are numerous catering and party rental companies in the Austin area. While

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

some companies do offer catering services and party rentals, they do not offer "one-stop shopping", that our combined companies can provide. The keys to success in the hospitality industry are to maintain quality-trained labor and to strive for consistency and excellence in customer service. The hospitality industry has a tradition of being fragmented and our combined acquisitions of Austin Tents and Events, Premiere Party Rental, and Word of Mouth Custom Catering give us a competitive edge in the Austin marketplace.

Regulation: There is no special regulation for this type of business, other than normal business taxes (sales & use, Texas Alcohol and Beverage Commission, franchise, property, etc.) and employment issues. Permits are often needed for certain site locations. We comply with all regulatory issues.

### EMPLOYEES:

As of the report date, we had approximately two hundred forty five (245) employees and four (4) directors, of which one is a full time employee. Of the current employment level, nine (9) are at our headquarters in Austin, Texas, thirteen (13) are engaged in bingo operations, and two hundred twenty three (223) are with Littlefield Hospitality. Littlefield Hospitality consists of fifty six (56) full time employees and one hundred sixty seven (167) part time employees.

### ITEM 2 - DESCRIPTION OF PROPERTY

-----

Our principal executive offices, which we own, are located at 2501 North Lamar Boulevard, Austin, Texas 78705. We lease space for the majority of our bingo operations in Texas, Alabama, and South Carolina and in turn sublease the bingo centers to various charities. We are responsible for real estate taxes, insurance, common area maintenance and repair expenses on some of our leases. We own two bingo centers. We believe the condition of our leased and owned properties is good. No single property, leased or owned, amounts to 10% or more of our total assets.

State	City	Location Purpose	Location Name
-----	-----	-----	-----
Alabama	Mobile	Bingo Hall	Bingo Haven
	Montgomery	Bingo Hall	Winners
	Montgomery	Bingo Hall	Good Times
South Carolina	Charleston	(2) Bingo Halls (B&C)	Beacon
	Charleston	(2) Bingo Halls (B&C)	Lucky I
	Charleston	(2) Bingo Halls (B&C)	Shipwatch
	Georgetown	Bingo Hall	By George! Bingo
	Walterboro	Bingo Hall	Coverall Bingo
	Conway	Bingo Hall	Mill Pond Bingo
	Aiken	Bingo Hall	Tally Ho! Bingo
Texas	Goose Creek	Bingo Hall	Galley Hall
	Abilene	Bingo Hall	Ambler Bingo
	Abilene	Bingo Hall	Super Bingo
	Amarillo	Bingo Hall	Hi-Plains Bingo
	Amarillo	Bingo Hall	Goldstar II Bingo
	Amarillo	Bingo Hall	Grandview Bingo
	Austin	Corporate Headquarters	Corporate Hdqtrs
	Austin	Bingo Hall	American Paradise
	Lubbock	Bingo Hall	Lucky Bingo
	Lubbock	Bingo Hall	Goldstar I Bingo
	Lubbock	Bingo Hall	Parkway Bingo
McAllen	Bingo Hall	Americana I	

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

McAllen/San Juan	Bingo Hall	Triple City Bingo
McAllen	Bingo Hall	El Bingo Grande
Midland	Bingo Hall	Bingo Barn
Odessa	Bingo Hall	Strike It Rich
Odessa	Bingo Hall	Let It Ride
Austin	Warehouse	Premiere Party Rental
Austin	Kitchen & Offices	Word of Mouth
San Antonio	Bingo Hall	Blanco Bingo
San Angelo	Bingo Hall	Strike It Rich

5

### ITEM 3 - LEGAL PROCEEDINGS

-----

Generally speaking, the Securities and Exchange Commission guidelines require a company to report any pending legal and/or regulatory proceedings that involves a claim for damages in excess of ten percent (10%) of its current assets. The litigation and proceedings discussed below do not necessarily meet this threshold, but are included in the interest of full disclosure. In general, the Company will vigorously defend itself against all claims to the fullest extent possible:

Pondella Hall for Hire, Inc., d/b/a Eight Hundred v. American Bingo and Gaming, Case No.: 97-2750, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

800438 Ontario Ltd v. American Bingo and Gaming Corporation, Case No.: 99-1161, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

These two related cases arise from a transaction carried out by a predecessor, American Bingo & Gaming Corporation ("American Bingo"), in July 1995, when American Bingo bought three Florida bingo centers from two corporations owed and controlled by Phillip Furtney. More specifically, American Bingo purchased the assets of Pondella Hall for Hire and Fountains Bingo from Pondella Hall for Hire, Inc., and the stock of Bingo Trail from 800438 Ontario Ltd. American Bingo paid the Furtney controlled entities over \$450,000 at the time of purchase and agreed to pay additional compensation of \$450,000 over a period of twenty-four months and transfer stock in American Bingo having a value of an additional \$450,000. Several months after the acquisition of the three halls, the Florida Attorney General's office obtained an indictment and brought a civil proceeding related to two of the three halls for alleged gambling related offenses. This investigation had been ongoing at, and for some time prior to, the acquisition of the halls, but had not been disclosed to American Bingo by the sellers. As a result of these legal proceedings, and the very real threat of additional legal proceedings against the American Bingo and its officers, the halls were closed and sold to third parties. Additionally, American Bingo settled the litigation brought by the Florida Attorney General by pleading to misdemeanor sales tax violations, paying substantial fines, and agreeing to terms which precluded American Bingo from business in the state of Florida. (This prohibition has since been lifted as a result of further negotiations with the State of Florida.)

American Bingo did not pay the remaining amounts under the acquisition contracts since they believed the sellers breached the contracts and committed fraud by failing to disclose the ongoing investigation by the Florida Attorney General's office. Pondella filed a two count Complaint against American Bingo in the Circuit Court for Manatee County, alleging breach of contract and common law

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

conversion. At the same time, 800438 Ontario also filed a similar Complaint against American Bingo for breach of contract. American Bingo answered both Complaints by denying the essential allegations. Additionally, American Bingo brought Counterclaims against Pondella and 800438 for fraud, negligent misrepresentation, breach of warranties, contractual indemnity, breach of guaranty, deceptive and unfair trade practices, and violation of Chapter 517 of the Florida Statutes. American Bingo also brought claims against Furtney for his role. However, Furtney, a Canadian citizen and resident of Canada and Mexico, would not accept service of American Bingo's Complaints and American Bingo was unable to obtain service of its Complaints on Furtney. The Complaints against Furtney were dismissed before trial due to lack of service.

A jury trial on all claims, except American Bingo's claims against Furtney, was conducted in January 2005. The Jury found for Pondella and 800438 Ontario on all their claims and against American Bingo on their claims against Pondella and 800438 Ontario. Following trial, the Judge granted American Bingo's motion for a directed verdict on Pondella's claim for conversion. The principal amount of Pondella's judgment is \$410,000 and with interest and attorney's fees totals \$802,039. The principal amount of 800438 Ontario's judgment is \$450,000 and with interest and attorney's fees totals \$808,996. The Company has appealed these judgments to the Florida Second District Court of Appeal and intends to vigorously pursue its rights on appeal. Additionally, the Company has bonded off both judgments, which precludes any efforts to collect on the judgments during the appeal. The range of potential loss on these two cases is between zero and the amount of the judgments, plus accrued interest. The company accrued a total of \$1,610,000 on its financial statements related to these matters, \$1,500,000 on the 2004 financial statements and \$110,000 on its 2005 financial statements.

6

Littlefield Corporation f/k/a/ American Bingo and Gaming v. Philip Furtney, Case No.: 2001 CA 4000, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

As set forth in the previous section, the Company also brought claims against Philip Furtney related to his failure to disclose the existence of the investigation of the Florida Attorney General regarding the bingo halls acquired by American Bingo from the Furtney controlled entities. These claims were dismissed from the original litigation based upon the Company's inability to serve the Complaints on Furtney, a foreign resident, when he refused to voluntarily accept service of the Complaints. This dismissal did not decide or relate to the merits of the claims against Furtney. The Company refiled the Complaints against Furtney in separate litigation and was finally successful in serving Furtney when he appeared in Florida for trial of the Pondella/800438 Ontario cases in January 2005. The Company intends to vigorously pursue its claims against Furtney. The case against Furtney is in discovery and the Company is awaiting a trial date.

Lenrich Associates LLC v. Littlefield Corporation, et al; Civil Action No. 00-CP-10-4742, South Carolina Court of Common Pleas, County of Charleston.

Lenrich Associates brought this action against the Company based on a commercial lease guaranty that was signed by the Company. The tenant on the lease was Concessions Corp., a subsidiary of the Company and had been used as the location of the "Lucky II" facility, which was closed in early 2000. The lease expired in February 2003. Because rental payments under the lease were in arrears, Lenrich Associates sought to enforce the guaranty against the Company. The Company's liability under the guaranty was capped at the lesser of two years of fixed and additional rent or the amount of fixed and additional rent corresponding to the time period mandated by South Carolina law. A settlement agreement had been



## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

reached for \$147,500, which has been accrued for by the Company in June 2002. However, the plaintiff withdrew their support of the settlement agreement shortly thereafter. The Company has petitioned the court to enforce the settlement agreement and is currently awaiting this decision. Effective January 1, 2006 a settlement was reached between the two parties in which Littlefield will pay a sum of \$500,000. The Company accrued for the remaining balance of approximately \$353,000 in the 2005 financial statements. The terms call for payments to be made in one lump sum payment of \$250,000 due January 3, 2006 and then \$10,000 a month for 25 months. The \$250,000 payment and subsequent monthly payments have been made as scheduled.

Littlefield Corp. v. Dye, Civil Action No. 2002-cp-08-478. The Company filed an action on March 6, 2002, in Berkeley County, South Carolina for collection on a note signed by Danny C. Dye. The note, which was executed on December 10, 1998, was in the amount of \$80,000. The Company alleges that Dye still owes \$58,481 toward the principle balance, plus \$19,257 in accrued interest through December 31, 2002. On January 14, 2003, Mr. Dye amended his answer to assert counterclaims against the Company for fraudulent breach of contract and violation of the South Carolina Payment of Wages Act based on allegations that the Company failed to pay Dye amounts due under an employment contract. Mr. Dye has alleged that the Company owes him \$375,000 in unpaid salary and is seeking treble damages under the Payment of Wages Act for a total amount of \$1,250,000 in damages. The Company believes that the counterclaims are without merit and the Company plans to contest them vigorously.

Collins Entertainment Corp. v. Coats and Coats Rental Amusement, d/b/a Ponderosa Bingo and Shipwatch Bingo, Wayne Coats, individually, and American Bingo and Gaming Corp.; American Bingo and Gaming Corp. v. Coats and Coats Rental Amusement, d/b/a Ponderosa Bingo and Shipwatch Bingo, Wayne Coats, individually, Civil Action No. 97-CP-10-4685, South Carolina Court of Common Pleas, Charleston County.

On October 9, 1997, Collins Entertainment, Inc., filed a lawsuit alleging the Defendants had engaged in civil conspiracy and tortiously interfered with the Plaintiff's contract, violating the South Carolina Unfair Trade Practices Act. The Plaintiff sought actual damages in excess of \$350,000 and an unspecified amount of punitive damages. The Company believed this lawsuit was completely without merit; however, a judgment was issued on February 12, 2001 in favor of the plaintiff. Damages of \$157,000 were awarded in addition to punitive damages of \$1,570,000. The Company appealed this decision with the South Carolina appellate court, and the judgment was affirmed. The Company applied for a re-hearing with the appellate court, which threw out their original opinion. However, their new opinion also reaffirmed the judgment. The Company filed an appeal with the South Carolina Supreme Court. The appeal has been heard and the Company is awaiting judgment from the South Carolina Supreme Court. The potential outcomes in this matter fall within a range of \$0 in the event of a full and final reversal of the judgment to the full judgment amount plus accrued simple interest of 12% from the date of judgment plus court costs. The company has accrued \$1,570,000 on its financial statements related to this matter. The actual damages of \$157,000 were paid in 2001.

George M. Harrison, et al. v. Littlefield Corporation Civil Action No. 4:04-1038-25 This action is currently pending in the United States District Court for the District of South Carolina, Florence Division. Plaintiffs were the owners of a parcel of real property in Darlington, South Carolina that was

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

leased to Darlington Music Company, a former subsidiary of Littlefield Corporation. In 1990, Plaintiffs, who were also the owners of Darlington Music Company at that time, caused Darlington Music Company to enter into a 15-year lease of the real property they owned. Darlington Music Company was later acquired from Plaintiffs by Littlefield Corporation's predecessor, American Bingo & Gaming. This business continued to operate as a wholly-owned subsidiary until such time as changes in South Carolina law regarding video gaming required that the business be wound down. In May 2001, Plaintiffs later received a judgment in the amount of \$199,148 against Darlington Music Company for nonpayment of rent. Through this action, Plaintiffs are now attempting to enforce that judgment against Littlefield Corporation on the basis of various legal theories. Littlefield intends to vigorously defend this action and will also ask, if possible, to have the underlying judgment against its former subsidiary reexamined. This case was settled in June 2005 with Littlefield agreeing to pay \$95,000 to the Plaintiffs.

### ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

-----

There were no matters submitted to a vote of the stockholders during the fourth quarter of 2005.

## PART II

### ITEM 5 - MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

-----

#### Market Information

Our common stock is traded on the OTC Bulletin Board under the symbol "LTFD". The following table shows the range of reported high and low closing bid prices for our common stock for the periods indicated as reported on a daily basis by the OTC Bulletin Board.

2005:	High	Low	2004:	High	Low
-----	-----	---	-----	-----	---
First Quarter	\$0.75	\$0.57	First Quarter	\$1.22	\$0.65
Second Quarter	\$0.75	\$0.56	Second Quarter	\$0.94	\$0.59
Third Quarter	\$0.72	\$0.60	Third Quarter	\$0.64	\$0.45
Fourth Quarter	\$0.73	\$0.57	Fourth Quarter	\$0.75	\$0.50

#### Security Holders

As of March 1, 2006, our common stock was held by approximately 1,182 beneficial shareholders.

#### Dividends

We have never paid, and currently have no intention to pay, any cash dividends on our common stock.

#### Securities Authorized For Issuance Under Equity Compensation Plans

Number of securities to be	Weighted average exercise
----------------------------	---------------------------

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Plan Category	issued upon exercise of outstanding options, warrants and rights (a)	price of outstanding options, warrants and rights (b)	Number remaini f
Equity compensation plans approved by security holders	1,101,555	1.13	
Equity compensation plans not approved by security holders	NA	NA	
Total	1,101,555	1.13	

Recent Sales of Unregistered Securities

There were no sales of unregistered securities in 2005.

ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The year 2005 brought continued growth in our bingo division and significantly lower losses in our hospitality division.

In March 2005, the Company through it's wholly owned subsidiary Conway Bingo Inc., leased a facility in Conway, SC and opened a "C" hall doing business as Mill Pond Bingo.

In April 2005, the Company through it's wholly owned subsidiary Aiken Bingo Inc., leased a facility in Aiken, SC and opened a "C" hall doing business as Tally Ho! Bingo.

In September 2005, Columbia One Inc., a wholly owned subsidiary of the Company sold a shopping center located in Columbia, SC which originally was the Company Headquarters. The Company had two bingo halls located in the shopping center, American Bingo I and II, one a "B" bingo hall and one a "C" bingo hall, both of which were closed. In addition the Company signed a non-compete agreement pulling the Company out of the Columbia market.

In conjunction with the sale of the bingo hall in Columbia, SC, the Company assumed the lease on Galley Hall bingo in Charleston, SC which was operated by the purchaser of the shopping center. Galley Hall operates as a "C" bingo hall.

In October 2005, the Company completed the purchase of the Strike It Rich Bingo hall in San Angelo, Texas, which is operating under the wholly owned subsidiary San Angelo Charitable Bingo Inc. This is the only bingo hall in a city of approximately 100,000 persons.

In Alabama, bingo operations continued to be faced with competition from Native American Casinos and a race track in the area. These casinos and the race track, which are mini-gaming centers, operate under different rules with different pay-out structures than our charitable bingo halls in the same market. Despite these pressures our operations continue to improve. This is an improvement that began in the 4th quarter of 2004.

In South Carolina, we continue to grow the South Carolina operations. In 2005 we opened Millpond Bingo in Conway, Tally Ho! Bingo in Aiken and assumed a lease on Galley Hall Bingo into which we moved a charity from Columbia.

# Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Our Hospitality division showed an improvement in 2005. Despite the increase in revenues, net income remained negative, though we lost 300% less for the year than in 2004. Direct and indirect expenses were up from 2004, largely due to increased costs associated with the increase in activity. These costs would include personnel costs, supplies, food, etc. The Company took strategic steps in mid and late 2005 to increase the margin in the both areas of the hospitality divisions that will come into full use in early 2006 reversing the trend of higher revenues and lower net income.

General & Administrative cost are down due to a large legal accrual in 2004. With the legal accruals removed G&A expenses were up in 2005 due to legal expenses. There was substantial activity within the current cases. With the change in legal and stock based compensation expenses removed General & Administrative were lower by \$18,000. Other income increased due to the settlement of a note receivable and the sale of the shopping center in South Carolina.

## Results of Operations

-----

The breakdown in revenues, net profit, and assets by segment is as follows:

	Entertainment	Hospitality	Other (Restated)	Total Company (Restated)
Gross revenues	6,908,000	4,327,000	96,000	11,331,000
Net income (loss)	3,207,000	(250,000)	(1,920,000)	1,037,000
Total assets	24,913,000	1,604,000	(10,289,000)	16,228,000

The "Other" column consists of corporate overhead, other income and expenses, income taxes, inter-company eliminations.

## Comparison of 2005 to 2004

Note: All figures discussed below have been rounded off to the nearest thousand and are approximate.

## Net Income

-----

	2005 (Restated)	2004	Change
Total Net Income	\$ 1,037,000	\$ (1,097,000)	\$ 2,134,000
Entertainment	3,207,000	2,312,000	895,000
Hospitality	(250,000)	(489,000)	239,000

We had a net income in 2005 totaling \$1,037,000 compared to net loss in 2004 of \$1,097,000. The large net income is a result of two non-recurring transactions the sum of which totals approximately \$1,757,000. The first of those being the settlement of a Note Receivable and the second the sale of a shopping center in South Carolina. Net income was negatively affected by approximate legal fees of \$1,403,000.

Broken down by segments, net income from bingo operations (Littlefield Entertainment) less the gain on the sale of the shopping center in South Carolina was \$2,400,000 in 2005 compared to \$2,312,000 in 2004, an increase of \$88,000. The hospitality division had a net loss from operations of \$250,000 in

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

2005, compared to a net loss of \$489,000 in 2004, an improvement of 49%. The increase was a result of increased revenues and reduced interest expense. This trend began in late Q3 2004 and carried through to the end of 2005. Revenues were up 27% over the same period in 2004.

### Revenues

	2005	2004	Change	% Change
Total Revenues	\$ 11,331,000	\$ 9,928,000	\$ 1,403,000	14%
Entertainment	6,908,000	6,484,000	424,000	7%
Texas	3,939,000	4,075,000	(136,000)	(3%)
South Carolina	1,439,000	1,209,000	230,000	19%
Alabama	1,530,000	1,200,000	330,000	28%
Hospitality	4,327,000	3,409,000	918,000	27%

10

Revenues were up from the prior year, held back slightly by the Texas operations in the Entertainment Division. Texas revenues are down slightly as a result of an adjustment to rent contracts in markets where we are in heavy competition and it is a strategic move to improve our long term position. This move coupled with other strategic planning is expected to increase revenues in 2006 for the Texas division. While the Alabama operations were hurt by increased competition in the form of casinos on the Indian Reservations and electronic gaming machines at a horse race track in the adjoining counties revenues improved in 2005. The Alabama operations began their rebound in the latter part of 2004 and we anticipate this trend to continue in the coming year. Alabama revenues were up 28% from the prior year. South Carolina revenues are up 19%, as a result of targeted marketing and the additional income from the hall that that was opened in 2004 that became stable in 2005. Hospitality's revenues were up 27% from the prior year, a trend that begin late in 2004 and continued throughout the year. We anticipate 2006 to continue to show improvement in the economy and continued revenue growth in the Hospitality division.

### Gross Margins

	2005	2004	Change	% Change
Total Gross Margins	\$ 2,368,000	\$ 2,109,000	\$ 259,000	12%
Entertainment	2,509,000	2,506,000	3,000	.1%
Hospitality	(221,000)	(427,000)	206,000	48%

Gross Margin in 2005 was \$2,368,000 or 21% of revenue, compared to gross margin in 2004 of \$2,109,000. This represents an increase in gross margin of \$259,000. This represents an increase in gross margin of 12%.

Broken down by segments, the Entertainment (bingo) division had gross margin in 2005 of \$2,509,000 or 36% of total entertainment revenue compared to gross margin in 2004 of \$2,506,000 or 39% of revenue. This represents an increase in gross margin of \$3,000 or .1%. The Hospitality division had negative gross margin in 2005 of \$221,000 compared to negative gross margin in 2004 of \$427,000.

Gross margin as discussed above includes all direct and indirect expenses, depreciation, and goodwill impairment.

### General & Administrative Expenses

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Corporate overhead, also called general and administrative expense, was \$2,596,000 in 2005 compared to \$2,920,000 in 2004, a decrease in overhead expense of \$324,000. The decrease is a result of a large legal settlement accrual in 2004.

### Other Income and Expenses

-----

Interest and investment income was up 300% to \$40,000 in 2005 from \$10,000 in 2004. The increase is a result of the sale of some investments in a security deposit account and largely from interest earned on the note receivable related to the sale of the shopping center in South Carolina. Interest expense was down 11% in 2005 to \$253,000 from \$285,000 in 2004. We had accrued \$1,200,000 for legal settlements and \$300,000 in post judgment interest on a separate case in 2004, in 2005 we accrued approximately \$463,000 related to ongoing cases. We had a gain on the sale of fixed assets in 2005 of \$996,000 compared to a gain on the sale of fixed assets of \$3,000 in 2004. The gain on the sale of fixed assets in 2005 was the result of the sale of the shopping center in South Carolina.

Our income tax expense for 2005 was approximately \$77,000 compared to \$60,000 in 2004, all of which is related to state income taxes. The Company currently has a net operating loss available for carryover on its federal income taxes of approximately \$6,200,000.

### Liquidity and Capital Resources

-----

Cash flow from operations of \$310,208 and cash provided by investing was sufficient to fund all financing activities in 2005. At year end, net cash and cash equivalents increased by approximately \$92,000 compared to last year. 2004 included a \$1,500,000 accrual for legal settlements. The Company has notes payable coming due in the next twenty four months amounting to \$483,000 in 2006 and \$186,000 in 2007. Of these notes payable, there is only one balloon payment of \$106,000 to a related party, allowing for manageable debt repayments on a monthly and quarterly basis. The related party debt, is fully expected to be restructured.

11

Debt/Lease Schedule	12 months 2006	24 Months 2007	36 Months 2008	48 Months 2009	60 Months 2010	Therea
Related Parties	\$ 105,650					
Notes Payable	\$ 377,557	\$ 185,755	\$ 194,651	\$ 206,286	\$ 213,028	\$ 1,651
Capital Leases	\$ 65,668					
Operating Leases	\$ 1,553,843	\$ 1,217,463	\$ 952,968	\$ 567,751	\$ 412,021	\$ 1,023
Total Obligations	\$ 2,102,718	\$ 1,403,218	\$ 1,147,619	\$ 774,037	\$ 625,049	\$ 2,674

We have reserved approximately \$3,700,000 for punitive damages related to legal judgments that were rendered against the Company, of this amount \$3,237,000 was

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

for judgments rendered or accrued for prior to 2005. Of the \$3,237,000, \$1,500,000 was accrued for in 2004 on a January 2005 judgment. In 2005 we accrued approximately \$463,000 of legal expense, approximately \$353,000 related to a settlement in January 2006 and approximately \$110,000 related to an ongoing case. All cases are on appeal or recently settled, if we lose our appeals we plan to set up a payout arrangement with the plaintiff to pay off the amounts due in installments.

Current assets totaled approximately \$4,122,000 at December 31, 2005, leaving the Company with negative working capital of approximately \$1,504,000 and a current ratio of .73 to 1. This is a decrease of the deficit from 2004 of \$2,262,000 which had current assets of \$1,374,000, negative working capital of approximately \$3,766,000 and a current ratio of .27 to 1. However, a legal reserve of \$3,700,000 is included in the 2005 current liabilities. In 2004 the legal reserve was \$3,237,000. The legal cases are currently on appeal or awaiting judgment in South Carolina and Florida. The reduction was largely a result of cash received from the settlement of a note receivable and the addition of a new note receivable from the sale of a capital asset. Net cash flow from operations that approximated \$310,000 in 2005 was sufficient to cover all operating activities, which included approximately \$950,000 in paid legal expenses. In 2006, we plan to continue to use our cash generated from operations to make leasehold improvements and renovations in our bingo operations. We also plan to use advantageous combinations of bank financing, seller financing, treasury stock, and cash on new bingo hall acquisitions when favorable terms can be obtained. The Company is confident in its ability to structure a payout arrangement in the legal cases should it exhaust all of its appeals. In Florida, the Company has already secured a bond in the event it is unsuccessful on its appeal(s).

### Critical Accounting Policies

Statement of Financial Accounting Standards No. 149, Derivative Instruments and Hedging Activities - amends SFAS 133 effective after June 30, 2003 for "Financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity - establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. Effective for financial instruments entered into or modified after May 31, 2003 and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

12

Statement of Financial Accounting Standards No. 151, Inventory Costs - an amendment to ARB No. 43, Ch 4, clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage), requires items those items to be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" and that allocation of fixed production overheads to the costs of conversions be based on the normal capacity of the production facilities effective November 2004. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 152, Accounting for Real Estate

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Time-Sharing Transaction - an amendment to FASB No. 66 & 67 amends No. 66, Accounting for Sales of Real Estate, to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, Accounting for Real Estate Time-Sharing Transactions. It also amends FASB No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. This is effective the fiscal year beginning after June 15, 2005. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 153, Exchanges of Nonmonetary Assets - an amendment to APB No. 29 amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections - this statement replaces APB Opinion No. 20 Accounting Changes and FASB Statement No. 3 Reporting Accounting Changes in Interim Financial Statements and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific provisions, those provisions should be followed. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 155, Accounting for Certain Hybrid Financial Instruments - this Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. It clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133. It establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. It also clarifies that concentrations of credit risk in the form of a subordination are not embedded derivatives and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 123 (R), Share Based Payments - an amendment to SFAS 123 amends SFAS 123 to establish standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services. It also address transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in



## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Statement 123 as originally issued and EITF Issue No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services. This statement is effective for public entities that file as small business issuers as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. The financial impact of adopting SFAS 123(R) can not be completely predicted; however, it will likely have a material impact on the Company's financial statements.

13

### Supplementary Financial Information (Unaudited)

The following quarterly results have been derived from unaudited financial statements that, in the opinion of management, reflect all adjustments necessary for a fair presentation of such quarterly information. As noted in Note 2 to the Consolidated Financial Statements, the Company restated its results for the year ending December 31, 2005. The results of these restatements on previously reported amounts in each of the four quarters for the year ended December 31, 2005 are reflected below:

#### FOR THE THREE MONTHS ENDED MARCH 31, 2005

Consolidated Statement of Operations	Restated	Adjustment	Previously Reported
Revenues	\$ 2,489,717	\$ 0	\$ 2,489,717
Gross Margin	640,164	0	640,164
Compensation Expense	19,750	19,750	0
Total General and Administrative	479,845	19,750	460,095
Operating Income	160,319	(19,750)	180,069
Net Income Before Taxes	122,837	(19,750)	142,587
Net Income	107,837	(19,750)	127,587
Net Comprehensive Income	\$ 108,482	\$ (19,750)	\$ 128,232
Basic Earnings Per Share	\$ 0.013	\$ (.002)	\$ 0.015
Diluted Earnings Per Share	\$ 0.013	\$ (.002)	\$ 0.015
Consolidated Balance Sheet			
Additional Paid in Capital	\$ 23,627,545	\$ 19,750	\$ 23,607,795
Accumulated Deficit	(14,379,178)	(19,750)	(14,359,428)
Total Stockholder's Equity	\$ 7,134,011	\$ 0	\$ 7,134,011

#### FOR THE THREE MONTHS ENDED JUNE 30, 2005

Consolidated Statement of Operations	Restated	Adjustment	Previously Reported
Revenues	\$ 2,997,519	\$ 0	\$ 2,997,519
Gross Margin	560,216	0	560,216
Compensation Expense	47,000	47,000	0
Total General and Administrative	727,270	47,000	680,270
Operating Income (Loss)	(167,054)	(47,000)	(120,054)
Net Income Before Taxes	434,299	(47,000)	481,299
Net Income	427,459	(47,000)	474,459
Net Comprehensive Income	\$ 427,425	\$ (47,000)	\$ 474,425
Basic Earnings Per Share	\$ 0.050	\$ (.005)	\$ 0.055

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Diluted Earnings Per Share	\$	0.049	\$	(.005)	\$	0.054
Consolidated Balance Sheet						
Additional Paid in Capital	\$	23,612,770	\$	66,750	\$	23,546,020
Accumulated Deficit		(13,952,000)		(66,750)		(13,885,250)
Total Stockholder's Equity	\$	7,651,280	\$	0	\$	7,651,280

14

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005

Consolidated Statement of Operations	Restated	Adjustment	Previously Reported
Revenues	\$ 2,573,619	\$ 0	\$ 2,573,619
Gross Margin	447,023	0	447,023
Operating Income	27,656	0	27,656
Net Income Before Taxes	1,037,439	0	1,037,439
Net Income	1,022,439	0	1,022,439
Net Comprehensive Income	\$ 1,024,850	\$ 0	\$ 1,024,850
Basic Earnings Per Share	\$ 0.012	\$ 0	\$ 0.012
Diluted Earnings Per Share	\$ 0.012	\$ 0	\$ 0.012
Weighted average shares outstanding - basic	8,625,225	35,870	8,589,355
Weighted average shares outstanding - diluted	8,689,856	120,556	8,569,300
Consolidated Balance Sheet			
Common Stock Outstanding Shares	8,689,355	100,000	8,589,355
Treasury Stock Shares	1,487,535	(100,000)	1,587,535
Additional Paid in Capital	\$ 23,531,770	\$ (14,250)	\$ 23,546,020
Treasury Stock	(1,892,707)	127,000	(2,019,707)
Stock Subscription Receivable	(46,000)	(46,000)	0
Accumulated Deficit	(12,929,551)	(66,750)	(12,862,801)
Total Stockholder's Equity	\$ 8,676,140	\$ 0	\$ 8,676,140

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005

Consolidated Statement of Operations	Restated	Adjustment	Originally Recorded
Revenues	\$ 3,270,411	\$ 0	\$ 3,270,411
Gross Margin	613,398	0	613,398
Operating Income	747,142	0	747,142
Net Income (Loss) Before Taxes	(481,075)	0	(481,075)
Net Income (Loss)	(520,764)	0	(520,764)
Net Comprehensive Income (Loss)	\$ (525,315)	\$ 0	\$ (525,315)
Basic Earnings Per Share	\$ (0.060)	\$ 0.001	\$ (0.061)
Diluted Earnings Per Share	\$ (0.060)	\$ 0.001	\$ (0.061)
Weighted average shares outstanding - basic	8,689,355	100,000	8,589,355
Weighted average shares outstanding - diluted	8,689,355	100,000	8,589,355
Consolidated Balance Sheet			
Common Stock Outstanding Shares	8,689,355	100,000	8,589,355
Treasury Stock Shares	1,487,535	(100,000)	1,587,535

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Additional Paid in Capital	\$ 23,531,770	\$ (14,250)	\$ 23,546,020
Treasury Stock	(1,892,707)	127,000	(2,019,707)
Stock Subscription Receivable	(46,000)	(46,000)	0
Accumulated Deficit	(13,450,316)	(66,750)	(13,383,566)
<b>Total Stockholder's Equity</b>	<b>\$ 8,150,824</b>	<b>\$ 0</b>	<b>\$ 8,150,824</b>

15

### Item 7 - Financial Statements

-----

The independent auditors' report, consolidated financial statements and notes thereto included on the following pages are incorporated herein by reference.

Report of Sprouse & Anderson, L.L.P.	F-2
Consolidated Balance Sheet	F-3
Consolidated Statements of Operations	F-4-F-5
Consolidated Statements of Stockholders' Equity	F-6
Consolidated Statements of Cash Flows	F-7-F-8
Notes to Consolidated Financial Statements	F-9-F-27

### Item 8 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

-----

None

### Item 8A - Controls and Procedures

-----

#### Evaluation of Disclosure Controls

The Company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures are designed with the objective of ensuring that (i) information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) the information is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

After the close of the second fiscal quarter 2006, the Company's management and board of directors determined that it was necessary to restate the financial results for the first quarter of 2006 and for the year 2005 because of errors in accounting for share based compensation in the first quarter 2006, which occurred in connection with the Company's accounting for stock option expense under Statement of Financial Accounting Standards No. 123R, "Share Based Compensation," which the Company adopted in the first quarter of 2006, and to correct errors in our reported 2005 10K for stock option expenses related to a modification to certain stock option agreements and to record a stock subscription receivable in 2005. Because of the required amendment to our financial statements made after the close of the second fiscal quarter 2006, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2005, our disclosure controls and procedures were not effective due

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

to the fact that we had failed to correctly account for share based compensation expense.

There are no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2005, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have taken steps to improve our internal control over financial reporting during and after the second fiscal quarter of 2006, including hiring of an outside consultant to advise management on the proper accounting for stock options, strengthening the formal process of documenting changes to options issued, and requiring two officers to verify the documentation of the changes or exercising of stock options.

### Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls or our internal controls over financial reporting ("Internal Controls") will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of a control system are met. Further, any control system reflects limitations on resources, and the benefits of a control system must be considered relative to its costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Littlefield

16

Corporation have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of a control. A design of a control system is also based upon certain assumptions about potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

### Conclusions

-----

Our management, including the Chief Executive Officer and Chief Financial Officer, believe that, with the changes described in the "Evaluation of Disclosure Control" above, our disclosure controls and procedures are effective, as of the date of filing this report on Form 10-KSB/A, to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

## PART III

### Item 9 - Directors and Executive Officers; Compliance With Section 16(a) of the Exchange Act

-----

In response to this item, the information included in our proxy statement for the annual meeting of stockholders held on May 17, 2006, which proxy statement was filed with the Securities and Exchange Commission April 26, 2006, and is incorporated herein by reference.

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

### Item 10 - Executive Compensation

---

In response to this item, the information included in our proxy statement for the annual meeting of stockholders held on May 17, 2006, which proxy statement was filed with the Securities and Exchange Commission April 26, 2006, and is incorporated herein by reference.

### Item 11 - Security Ownership of Certain Beneficial Owners and Management

---

In response to this item, the information included in our proxy statement for the annual meeting of stockholders held on May 17, 2006, which proxy statement was filed with the Securities and Exchange Commission April 26, 2006, and is incorporated herein by reference.

### Item 12 - Certain Relationships and Related Transactions

---

In response to this item, the information included in our proxy statement for the annual meeting of stockholders held on May 17, 2006, which proxy statement was filed with the Securities and Exchange Commission April 26, 2006, and is incorporated herein by reference.

17

### Item 13 - Exhibits, Lists and Reports on Form 8-K

---

Exhibit	Description
3.1	Certificate of Incorporation of the Company dated September 8, 1994, as amended October 17, 1994, and further amended July 31, 1997 and August 13, 1998, and September 22, 1999 (incorporated by reference to Exhibit 3.1 of the Quarterly Report on Form 10-QSB filed by the Company on November 15, 1999, for the quarter ended September 30, 1999).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Quarterly Report on Form 10-QSB filed by the Company on November 15, 1999, for the quarter ended September 30, 1999).
10.1*	Amended and Restated 1994 Stock Option Plan (incorporated by reference to Exhibit 10.1 of the Annual Report on Form 10-KSB filed by the Company on March 18, 1999, for the year ended December 31, 1998).
10.2*	Amended and Restated 1995 Employee Stock Option Plan (incorporated by reference to Exhibit 10.2 of the Annual Report on Form 10-KSB filed by the Company on March 18, 1999, for the year ended December 31, 1998).
10.3*	1995 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.12 of the Annual Report on Form 10-KSB filed by the Company for the year ended December 31, 1994).
10.4*	Amended and Restated 1996 Employee Stock Option Plan (incorporated by reference to Exhibit 10.4 of the Annual Report on Form 10-KSB

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

filed by the Company on March 18, 1999, for the year ended December 31, 1998).

- 10.5\* Amended and Restated 1997 Stock Option Plan (incorporated by reference to Exhibit 10.5 of the Quarterly Report on Form 10-QSB filed by the Company on August 14, 1998 for the quarter ended June 30, 1998).
- 10.6\* American Bingo 7 Gaming Corp. Stock Option Plan (incorporated by reference to Exhibit 10.1 of the Quarterly Report on Form 10-QSB filed by the Company on August 16, 1999, for the quarter ended June 30, 1999).
- 10.7 Master Coin Machine Agreement dated November 9, 1998, by and among the Company, Gold Strike, Inc., Mims & Dye Enterprises, LLC, Michael W. Mims and Danny C. Dye (incorporated by reference to Exhibit 10.20 of the Annual Report on Form 10-KSB filed by the Company on March 18, 1999, for the year ended December 31, 1998).
- 10.8 Settlement Agreement dated January 27, 1997 with the State of Florida (incorporated by reference to Exhibit 10.21 of the Quarterly Report on Form 10-QSB filed by the Company on August 14, 1998 for the quarter ended June 30, 1998).
- 10.9\* Employment Agreement effective as of April 1, 2002, with Jeffrey L. Minch.
- 21.1 Subsidiaries of the Company
- 31.1 Certification Pursuant to Rules 13a-14(a)
- 32.1 Certification Pursuant to 18 U.S.C. 1350

\* Denotes a management contract or compensatory plan or arrangement.

18

In response to this item, the information included in our proxy statement for the annual meeting of stockholders held on May 17, 2006, which proxy statement was filed with the Securities and Exchange Commission April 26, 2006, is incorporated herein by reference.

### Item 14 Principal Accountant Fees and Services

-----

#### Audit Fees

The aggregate fees billed to the Company by Sprouse & Anderson, L.L.P. for the audit of Littlefield Corporation and Subsidiaries' annual financial statements included in the 10KSB and for the review of the financial statements included in its quarterly reports on Form 10-Q for the fiscal years ended December 31, 2005 and 2004 totaled \$34,400 and \$62,925, respectively.

#### Tax Fees

The aggregate fees billed to the Company by Sprouse & Anderson, L.L.P. for services rendered to the Company during the fiscal years ended December 31, 2005 and 2004 for tax compliance, tax advice or tax planning was \$19,050 and \$15,000, respectively.

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

It is the audit committee's policy to pre-approve all services provided by Sprouse & Anderson, L.L.P. All services provided by Sprouse & Anderson, L.L.P. during the years ended December 31, 2005 and 2004 were pre-approved by the audit committee.

Reports on Form 8-K

January 11, 2005 - Outcome of Florida Lawsuit  
January 28, 2005 - Q4 2004 Earnings Press Release  
April 15, 2005 - Q1 2005 Earnings Press Release  
November 14, 2005 - Q3 2005 Earnings Press Release  
November 15, 2005 - Q3 2005 Earnings Press Release

19

### SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 31 2006,

LITTLEFIELD CORPORATION  
(Registrant)

By: /s/ Jeffrey L. Minch

-----  
Jeffrey L. Minch  
President and CEO

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date -----
/s/Jeffrey L. Minch ----- Jeffrey L. Minch	President and Chief Executive Officer, Director	August 31, 2006
/s/Carlton Williams ----- Carlton Williams	Chairman of the Board	August 31, 2006
/s/Alfred Stanley ----- Alfred Stanley	Director	August 31, 2006
/s/Michael Wilfley ----- Michael Wilfley	Director	August 31, 2006

LITTLEFIELD CORPORATION & SUBSIDIARIES

DECEMBER 31, 2005

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT	F-2
FINANCIAL STATEMENTS:	
Consolidated Balance Sheet as of December 31, 2005	F-3
Consolidated Statements of Operations for the Years Ended December 31, 2005 and 2004	F-4-F-5
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2005 and 2004	F-6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2005 and 2004	F-7-F-8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	F-9-F-27

INDEPENDENT AUDITORS' REPORT

-----  
Board of Directors  
Littlefield Corporation

We have audited the accompanying consolidated balance sheet of Littlefield Corporation and Subsidiaries ("Company") as of December 31, 2005, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 2005 and 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Littlefield Corporation and Subsidiaries as of December 31, 2005, and the results of their operations and their cash flows for the years ended December 31, 2005 and 2004,



Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the consolidated financial statements have been restated.

SPROUSE & ANDERSON, L.L.P.

Austin, Texas

March 2, 2006, except Note 2, as to which the date is August 14, 2006

F-2

Littlefield Corporation and Subsidiaries  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2005  
(Restated)

ASSETS  
-----

Current Assets:

Cash and cash equivalents  
Accounts receivable, net of allowance for doubtful accounts of \$79,455  
Equity securities, available for sale  
Other current assets  
Note Receivable  
Restricted Cash

Total Current Assets

Property and Equipment - at cost, net of accumulated depreciation and amortization

Other Assets:

Goodwill  
Intangible assets, net  
Other non-current assets

Total Other Assets

TOTAL ASSETS

LIABILITIES AND STOCKHOLDERS' EQUITY  
-----

Current Liabilities:

Obligations under capital lease  
Long term debt, current portion  
Long term debt-related party, current portion  
Trade accounts payable  
Reserve for settlements  
Accrued expenses  
Other current liabilities-related party

Total Current Liabilities

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Long-term Liabilities:

Long term debt, net of current portion

Total Long-term Liabilities

Total Liabilities

Stockholders' Equity:

Common stock, \$.001 par value, (authorized 20,000,000 shares, issued 10,176,890 shares, outstanding 8,689,355 shares)

Additional paid-in-capital

Treasury stock - 1,487,535 shares, at cost

Accumulated other comprehensive income

Stock Subscription Receivable

Accumulated deficit

Total Stockholders' Equity

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

See notes to consolidated financial statements

F-3

Littlefield Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF OPERATIONS

	2005 (Restated)	2004
	-----	-----
REVENUES:		
Entertainment	\$ 6,908,360	\$ 6,484,397
Hospitality	4,326,891	3,409,328
Other	96,017	33,972
	-----	-----
TOTAL REVENUES	11,331,268	9,927,697
	-----	-----
DIRECT COSTS AND EXPENSES:		
Direct salaries and other compensation	2,600,475	2,390,147
Rent and utilities	2,301,728	2,163,388
Other direct operating costs	3,207,902	2,388,390
Depreciation and amortization	787,685	821,077
License expense	65,075	55,318
	-----	-----
TOTAL COSTS AND EXPENSES	8,962,865	7,818,320
	-----	-----
GROSS MARGIN	2,368,403	2,109,377
GENERAL AND ADMINISTRATIVE EXPENSES		

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Salaries and other compensation	542,890	533,144
Legal and accounting fees	1,050,549	376,667
Reserve for legal settlements	462,500	1,500,000
Depreciation and amortization	93,505	106,806
Compensation Expense	66,750	0
Other general and administrative	379,645	403,333
	-----	-----
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	2,595,839	2,919,950
GAIN ON DISPOSITION OF FIXED ASSETS	995,838	3,154
	-----	-----
OPERATING INCOME (LOSS)	768,402	(807,419)
OTHER INCOME AND EXPENSES:		
Interest and investment income	39,560	9,713
Interest expense	(253,360)	(284,571)
Gain/(Loss) on sale of investment assets	14,184	45,057
Other Income	544,429	---
	-----	-----
TOTAL OTHER INCOME AND EXPENSES	344,813	(229,801)
INCOME (LOSS) BEFORE INCOME TAXES	1,113,215	(1,037,220)
PROVISION FOR INCOME TAXES	76,529	60,000
	-----	-----
NET INCOME (LOSS)	1,036,686	(1,097,220)
Unrealized Gain (Loss) on Marketable Securities	(1,381)	(37,148)
	-----	-----
OTHER COMPREHENSIVE INCOME (LOSS), Net of Tax of \$0 and \$0	(1,381)	(37,148)
	-----	-----
NET COMPREHENSIVE INCOME (LOSS)	\$ 1,035,305	\$ (1,134,368)
	=====	=====

See notes to consolidated financial statements

F-4

Littlefield Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

	Years Ended December 31, 2005 (Restated)	2004
	-----	-----
EARNINGS (LOSS) PER SHARE (NET INCOME):		
Basic earnings (loss) per share	\$ .12	\$ (.13)
	=====	=====
Diluted earnings (loss) per share	\$ .12	\$ (.13)
	=====	=====
Weighted average shares outstanding - basic	8,569,953	8,378,954

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Weighted average shares outstanding - diluted 8,645,628 8,474,785

See notes to consolidated financial statements

F-5

Littlefield Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Description	-Common Shares	Stock- Value	Additional Paid-in Capital	Treasury Stock	Subscriptions Receivable	Accumulate Deficit
Balance at December 31, 2003	8,307,373	\$10,177	\$23,743,847	\$(2,384,945)	\$(6,631)	\$(13,389,7
Issuance of treasury stock under deferred compensation plan	25,000		(14,750)	32,000		
Issuance of treasury stock pursuant to employee stock purchase plan and employee 401K deferrals	46,581		(14,071)	59,455	6,631	
Comprehensive income for the year ended 12/31/04						
Net income for the year ended 12/31/04						(1,097,2
Balance at December 31, 2004	8,378,954	\$10,177	\$23,715,026	\$(2,293,490)	\$0	\$(14,487,0
Issuance of treasury stock under deferred compensation plan	40,000		(26,300)	51,550		
Compensation expense related to stock option modifications			66,750			
Issuance of treasury stock pursuant to employee stock purchase plan and employee 401K deferrals	45,401		(40,225)	60,002		
Options Exercised by employees	225,000		(183,481)	289,231	(46,000)	

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Comprehensive income for  
the year ended 12/31/05

Net income for the year  
ended 12/31/05

1,036,6

Balance at December 31, 2005	8,689,355	\$10,177	\$23,531,770	(\$ 1,892,707)	\$(46,000)	(\$ 13,450,3
---------------------------------	-----------	----------	--------------	----------------	------------	--------------

Restated

See notes to consolidated financial statements

F-6

Littlefield Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 2005	2004
	(Restated)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 1,036,686	\$(1,036,686)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, amortization, and goodwill impairment	881,189	981,189
Bad debt allowance and write-offs	79,455	79,455
Stock based compensation expense	66,750	66,750
(Gain)/loss on sales of investment assets	(9,312)	(9,312)
(Gain) on disposal of property and equipment	(995,838)	(995,838)
Increase (decrease) in cash flows as a result of changes in asset and liability account balances:		
Accounts receivable	(640,743)	(640,743)
Prepaid expenses and other assets	(757,256)	(757,256)
Trade accounts payable	133,758	133,758
Accrued expenses and other liabilities	515,519	1,415,519
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>310,208</b>	<b>1,215,208</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of securities	43,946	53,946
Purchase of property and equipment	(288,573)	(388,573)
Purchase of goodwill/intangibles	(296,083)	(296,083)
Proceeds from sale of property and equipment	631,528	631,528
Proceeds from repayment of note receivable	860,786	860,786
<b>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES</b>	<b>951,604</b>	<b>1,062,604</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on notes payable and capital leases	(1,229,693)	(1,229,693)
Proceeds from options exercised	59,750	59,750
Collections of subscribed receivables	--	--

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Purchase of Treasury Stock	--	---
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES	(1,169,943)	(1,0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,869	2
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	527,103	2
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 618,972	\$ 5

See notes to consolidated financial statements

F-7

Littlefield Corporation and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	2004
	2005	2004
	-----	-----
	(Restated)	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments:		
Interest	\$ 243,360	\$288,553
Income taxes	\$ 64,878	\$ 56,685
Non-cash transactions:		
Acquisition of property and equipment in exchange for notes payable	\$ -0-	\$ 94,155
Acquisition of intangibles in exchange for notes payable	\$ 350,000	\$224,062
Acquisition of equipment under notes payable	\$ 17,850	\$ -0-
Issuance of treasury stock under deferred compensation plan	\$ 25,250	\$ 32,000
Issuance of treasury stock under employee stock purchase plan	\$ 19,777	\$ -0-
Issuance of treasury stock for stock subscription receivable	\$ 46,000	\$ -0-

See notes to consolidated financial statements

Littlefield Corporation - Notes to Consolidated Financial Statements  
December 31, 2005

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Littlefield Corporation actively participates in the U.S. charitable bingo market, and the event planning/hospitality business. The Company's corporate headquarters is located in Austin, Texas, and the Company operates primarily through wholly owned subsidiaries in Texas, South Carolina and Alabama. The Company generates its revenues from bingo centers in all three states and the event planning/hospitality market in Texas.

Principles of Consolidation:  
-----

The accompanying consolidated financial statements include the accounts of Littlefield Corporation and its subsidiaries (herein collectively referred to as the "Company"). All significant intercompany accounts and transactions have been eliminated in the consolidation.

Reclassifications:  
-----

Certain items in the financial statements have been reclassified to maintain consistency and comparability for all periods presented herein. In 2004, the Company classified reserve for legal settlements and gain or loss on the sale of fixed assets as other income (expense). For 2005, reserve for legal settlement has been reclassified and shown as part of general and administrative expenses, and the gain or loss on sale of fixed assets was reclassified and shown as part of operating income (loss).

Management Estimates:  
-----

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents:  
-----

Cash equivalents consist of funds invested in money market accounts and in investments with a maturity of ninety days or less when purchased.

Accounts Receivable:  
-----

Accounts receivable consist of amounts due from charitable organizations that conduct bingo events at the Company's various bingo centers, and are generally payable within one month of the event. Receivables also include rent due from operators of concessions located within bingo centers. Hospitality receivables

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

are due from businesses, individuals and non-profit organizations and are generally due immediately after the event. Accounts receivable are not secured. Management provides an allowance for doubtful accounts, which reflects its estimate of the uncollectible receivables. In the event of non-performance, the maximum exposure to the Company is the recorded amount of receivables, net of allowance for doubtful accounts, at the balance sheet date.

### Notes Receivable:

-----

In May 2001, the Company entered into a note receivable with David and Harriet Heep Shaffer. The principal amount of the note was \$845,000 paying 16% interest with a maturity date of May 1, 2004. The Company holds a first lien deed of trust on approximately 1,154 acres located in Travis and Hayes counties in Texas.

F-9

In 2002, Heep Shaffer filed for bankruptcy protection. At that time, the Company had accrued for \$222,603 of interest. In accordance with GAAP, at the time of the bankruptcy the Company discontinued accruing interest, though interest is still due to the Company. Since May 1, 2004, interest has continued to accrue on the unpaid principal and interest at an 18% interest rate. The Company believed there were no potential uncertainties related to the collection due to the filing of the bankruptcy because of our position as a secured creditor and the value of the underlying collateral. The bankruptcy court recognized the Company's position and acknowledged the Company's first lien. In the bankruptcy filings the land held as collateral was valued in excess of \$10,000,000. In 2005, the Heep Note Receivable was collected in full, to include principal, accrued and un-accrued interest income and legal fees.

This note receivable was pledged as collateral on a \$540,000 note with Plains Capital Bank. The pledge of this receivable to Plains Capital Bank was paid in full during 2005.

In September 2005, the Company entered into an agreement to sell the South Carolina shopping center, and accepted a Note Receivable from the purchaser in the amount of \$1,400,000. This was a 5 year note receivable with a 10 year amortization, at 7.5% interest payable in monthly installments with a one time \$100,000 principal payment due on the first anniversary of the note. This note was settled in full with a discount of \$200,000 in February 2006, and as such is shown on the consolidated balance sheet at its net realizable value at December 31, 2005.

### Property and Equipment:

-----

The cost of equipment, furniture and fixtures is depreciated over the estimated useful lives of the assets ranging from two to seven years, using the straight-line method. Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful lives. The buildings are amortized over forty years, which approximates their estimated useful lives. Building improvements are amortized over their estimated useful lives ranging from seven to forty years. Upon sale, retirement or abandonment of assets, the related cost and accumulated depreciation are eliminated from the accounts and gains or losses are reflected in income. Repairs and maintenance expenses, which do not extend asset lives, are expensed as incurred.

### Investments:

-----



## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

The Company accounts for its investments under Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company's securities are considered available for sale and are valued at fair value for financial statement purposes. Fair value is based on quoted market prices. The Company uses the average cost method for determining the cost basis on realized gains and losses of investments. The unrealized holding gain or loss represents the net change in the fair value of those securities and is shown in other comprehensive income.

### Advertising:

-----

Advertising costs are expensed when incurred or the first time the advertising takes place. During 2005, the Company had advertising expenses of approximately \$92,000 compared to approximately \$126,000 in 2004. At December 31, 2005, the Company had prepaid advertising costs of approximately \$2,800.

### Goodwill and Intangible Assets:

-----

Intangible assets, which primarily consist of goodwill, bingo licenses and non-compete covenants resulting from the acquisition of bingo entities or hospitality companies, are periodically reviewed by management to evaluate the future economic benefits or potential impairments, which may affect their recorded values. Goodwill, which represents the excess of the cost of assets acquired over the fair market value of those tangible assets on the date of their acquisition. Under Statement on Financial Accounting Standard 142, "Goodwill and Other Intangible Assets", goodwill acquired in a business combination for which the acquisition date is after June 30, 2001, shall not be amortized, but shall be reviewed for impairment in value.

F-10

Since 2002, goodwill and intangible assets with indefinite lives are no longer amortized. These indefinite live assets only pertain to the State of Texas. The Company has one class of asset that is classified as indefinite and not subject to periodic amortization. This class of asset is known as a "Grandfathered License." In discussing these "Grandfathered Licenses", a distinction should be made as to the types of bingo licenses the Company owns. There are two classes of commercial lessor licenses in Texas, a "Grandfathered" and a "Tier." The "Grandfathered" license refers to any license that was in existence prior to 1989 in which a non renewal has not occurred. A "Grandfathered" license allows the operator to have up to six (6) charities in a hall and charge up to \$600 per session in rent. These licenses are regulated by the Texas Lottery Commission and must be renewed each year. There is an annual fee associated with the renewal of these licenses, which is expensed throughout the year. There is a limited number of these licenses available and they are traded between individuals and organizations. They are a traded commodity, in that they have a cash value which is determined by the market place. These licenses can only be revoked or canceled by failing to renew them by the renewal date or for illegal activity.

A Tier license is deemed by the company to have no value as an asset and are not carried as an asset on the Company's books. A "Tier" commercial lessor license is any license issued after 1989 or any license issued prior to 1989 in which a non renewal occurred. A "Tier" license allows the operator to have one (1) charity in a hall and charge up to \$600 per session in rent. These licenses are issued, renewed, and applied for through the Texas Lottery Commission. The only

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

cost associated with obtaining and keeping this type of license is an annual renewal fee, which is expensed throughout the year. These licenses are not sold on a negotiated basis, at this time. There is currently a moratorium on this license for new operators through December 2005.

In South Carolina there are promoter and solicitor licenses with set fees that are renewed each year and expensed during the year. In Alabama there is a business license which is based upon the gross amount of rents, these too are renewed annually and expensed during the year. These licenses are not recorded as assets and therefore have no related depreciation.

Non-compete covenants are amortized over the periods of the stated benefits, ranging from one to five years, and are monitored for contractual compliance. If the projected undiscounted future cash flows related to the intangible assets are less than the recorded value, the intangible asset is written down to fair value.

### Revenue Recognition:

-----

The Company generates revenues from the following sources:

#### (i) Bingo:

Bingo rents, paper sales and head tax payments are received from charitable organizations through various sub-lease agreements of the Company's bingo centers. Revenues are determined by customer attendance, spending and prize payouts, profit splits, as well as state regulations, which may dictate the number of bingo sessions a charity can conduct and rent limits that can be paid to a commercial lessor, such as the Company. Revenues are accrued and accounted for in the month that they are due. Revenues that are generated in undefined amounts, such as customer attendance, are recognized in the month they are earned.

#### (ii) Catering and Party Rental:

Revenue is also earned from the Hospitality division which charges fees for catering, staffing, bar service, event coordination, and party event and tent rentals. Revenues are accrued and accounted for in the month in which the services are performed.

#### (iii) Other:

Other revenues are earned concessions, vending machines, bingo supplies, and other sources. Other revenues are recognized in the month they are earned.

F-11

### Income Taxes:

-----

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the tax basis and financial reporting carrying amounts of assets and liabilities. The Company periodically evaluates its deferred tax assets and adjusts any related valuation

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

allowance based on the estimate of the amount of such deferred tax assets which the Company does not believe will meet the "more-likely-than-not" recognition criteria.

### Per Share Data:

-----

Basic earnings (loss) per share of common stock is calculated by dividing income (loss) from continuing operations by the weighted average number of common shares actually outstanding during each period. Diluted earnings (loss) per share of common stock is calculated by dividing net income (loss) by the fully diluted weighted average number of common shares outstanding during each period, which includes dilutive stock options and convertible shares.

### Stock Based Compensation:

-----

The Company measures compensation cost for its stock based compensation plans under the provisions of Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees". The difference, if any, between the fair value of the stock on the date of grant over the exercise price for the stock is accrued over the related vesting period. SFAS No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123") requires companies that continue to use APB 25 to account for its stock-based compensation plan to make proforma disclosures of net income (loss) and earnings (loss) per share as if SFAS No. 123 had been applied. Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123" provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

The options granted have exercise prices which approximate fair value and accordingly, no compensation cost has been recognized for the compensatory stock options in the consolidated financial statements. Had compensation cost for the Company's stock options been determined consistent with FASB Statement No. 123, "Accounting for Stock Based Compensation", the Company's net income (loss) and net income (loss) per share would have been decreased (increased) to the pro-forma amounts indicated below:

		2005	
		----	
		(Restated)	
		-----	
Net income (loss)	As reported	\$ 1,036,686	\$ (1,036,686)
	Proforma	\$ 840,719	\$ (1,140,719)
Basic earnings (loss) per share	As reported	\$.12	
	Proforma	\$.10	
Diluted earnings (loss) per share	As reported	\$.12	
	Proforma	\$.10	

The fair value of each option grant is estimated on the date of grant using the

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Black-Scholes option-pricing model.

The following assumptions were for grants in 2005; dividend yield of 0%, expected volatility of 120%, risk free interest rates of 4.5% and an expected life of approximately 10 years. The following assumptions were for grants in 2004; dividend yield of 0%, expected volatility of 120%, risk free interest rates of 5.5%, and an expected life of approximately 10 years.

F-12

### Comprehensive Income:

-----

The Company has other comprehensive income related to unrealized gains and losses on available for sale securities.

### Critical Accounting Policies

-----

Statement of Financial Accounting Standards No. 149, Derivative Instruments and Hedging Activities - amends SFAS 133 effective after June 30, 2003 for "Financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity - establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. Effective for financial instruments entered into or modified after May 31, 2003 and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 151, Inventory Costs - an amendment to ARB No. 43, Ch 4, clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage), requires items those items to be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" and that allocation of fixed production overheads to the costs of conversions be based on the normal capacity of the production facilities effective November 2004. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 152, Accounting for Real Estate Time-Sharing Transaction - an amendment to FASB No. 66 & 67 amends No. 66, Accounting for Sales of Real Estate, to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, Accounting for Real Estate Time-Sharing Transactions. It also amends FASB No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. This is effective the fiscal year beginning after June 15, 2005. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 153, Exchanges of Nonmonetary Assets - an amendment to APB No. 29 amends Opinion 29 to eliminate the exception

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections - this statement replaces APB Opinion No. 20 Accounting Changes and FASB Statement No. 3 Reporting Accounting Changes in Interim Financial Statements and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific provisions, those provisions should be followed. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

Statement of Financial Accounting Standards No. 155, Accounting for Certain Hybrid Financial Instruments - this Statement amends FASB Statements No. 133, Accounting for Derivative Instruments and Hedging Activities, and No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. This Statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. It clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133. It establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. It also clarifies that concentrations of credit risk in the form of a subordination are not embedded derivatives and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. The Company does not believe that the adoption of this pronouncement will have a material effect on its financial statements.

F-13

Statement of Financial Accounting Standards No. 123 (R), Share Based Payments - an amendment to SFAS 123 amends SFAS 123 to establish standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services. It also address transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in Statement 123 as originally issued and EITF Issue No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services. This statement is effective for public entities that file as small business issuers as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. The financial impact of adopting SFAS 123(R) can not be completely predicted; however, it will likely have a material impact on the Company's financial statements.

### NOTE 2 - RESTATEMENT

In July 2006, we identified certain errors that had resulted in misstatements of

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

previously reported stock option expenses. In July 2006 management and the Audit Committee of the Board of Directors concluded that we would amend our previously filed Form 10-Q for the quarter ended March 31, 2006 to correct our reported stock option expenses. In August 2006 management and the Audit Committee of the Board of Directors concluded that we would also amend our previously filed 2005 Form 10-KSB and Forms 10-QSB for quarters ending March 31, 2005, June 30, 2005 and September 30, 2005 to correct our reported stock options expenses. This change was required to reflect modifications made to extend the termination dates of stock option agreements for four non-executive employees and to record a stock subscription receivable in 2005. Accordingly, our financial statements for 2005 and the first quarter of 2006 in our original filings should no longer be relied upon.

Management and the Chairman of the Audit Committee also discussed these matters with our independent registered public accountants.

The following table sets forth the effects of restatements made to correct the error in our reported 2005 10KSB.

Consolidated Statement of Operations	FOR THE YEAR ENDED 2005	DECEMBER 31, 2005
	Restated	Previously Reported
	-----	-----
Compensation Expense	\$ 66,750	\$ 0
Total General and Administrative	2,595,839	2,529,089
Operating Income	768,402	835,152
Net Income Before Taxes	1,113,215	1,179,965
Net Income	1,036,686	1,103,436
Net Comprehensive Income	\$1,035,305	\$1,102,055
Basic Earnings Per Share	\$ 0.12	\$ 0.13
Diluted Earnings Per Share	\$ 0.12	\$ 0.13
Weighted Average Shares Outstanding - Basic	8,569,953	8,535,706
Weighted Average Shares Outstanding - Diluted	8,645,628	8,587,634

F-14

Consolidated Balance Sheet	FOR THE YEAR ENDED 2005	DECEMBER 31, 2005
	Restated	Previously Reported
	-----	-----
Common Stock Outstanding Shares	8,689,355	8,589,355
Treasury Stock Shares	1,487,535	1,587,535
Additional Paid in Capital	\$23,531,770	\$ 23,546,020
Treasury Stock	(1,892,707)	(2,019,707)
Stock Subscription Receivable	(46,000)	0
Accumulated Deficit	(13,450,316)	(13,383,566)
Total Stockholder's Equity	\$8,150,824	\$ 8,150,824

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

The restatement also resulted in changes to the Consolidated Statements of Stockholders' Equity and Cash Flows in addition to Notes 10, 11, 12, 13 and 16.

### NOTE 3 - MATERIAL ACQUISITIONS, OPENINGS, CLOSINGS AND REORGANIZATIONS

2005

In March 2005, the Company through a wholly owned subsidiary Conway Bingo, Inc leased a facility in Conway, SC and opened a "C" hall doing business as Mill Pond Bingo.

In April 2005, the Company through it's wholly owned subsidiary Aiken Bingo Inc., leased a facility in Aiken, SC and opened a "C" hall doing business as Tally Ho! Bingo.

In September 2005, Columbia One, Inc. a wholly owned subsidiary of the Company sold a shopping center located in Columbia, SC which originally was the Company Headquarters. The Company had two bingo halls located in this shopping Center, American Bingo I and II, one a "B" bingo hall and the other a "C" bingo hall, both of which were closed. In addition the Company signed a non-compete agreement pulling the Company out of the Columbia, SC market.

In conjunction with the sale of the bingo hall in Columbia, SC the Company assumed the lease on Galley Hall Bingo in Charleston, SC which was operated by the purchaser of the shopping center. Galley Hall Bingo operates as a "C" bingo hall.

In October 2005, the company through a wholly owned subsidiary San Angelo Charitable Bingo Inc. purchased the Strike It Rich Bingo Hall in San Angelo, Texas. The company also through a wholly owned subsidiary SA Charitable Bingo RE, Inc. leased a facility in San Angelo, Texas.

2004

In April, the Company acquired Bingo Barn in Midland for \$400,000. This included a sale of real estate in the amount of \$150,000, which was executed with a down payment of \$30,000 cash and a note in the amount of \$120,000 and a bingo license, all equipment, inventory and supplies associated with the bingo hall for \$70,000 cash and a note in the amount of \$180,000. The Bingo Barn purchase allowed the company to reorganize and optimize our operations in the Midland/Odessa market. The purchase gave us the only night time bingo hall in the city, allowed us to market three halls together, one in Midland and two in Odessa, and kept the competition from entering the market place.

In South Carolina, the Company opened Coveralls Bingo in Walterboro and a temporary hall in Charleston called Meeting Place. Meeting Place closed in December 2004. The Company began the process in 2004 to open "C" bingo halls in Conway and Aiken. The Conway and Aiken locations will open in early 2005.

As part of the acquisition of Word of Mouth Catering and Premiere Party Rental, which took place in 2001, the Company entered into three employment agreements with the principles of those businesses. In 2003, one of those employment agreements was amicably terminated under terms agreeable to both parties. That employee is now an independent contractor who acts as a consultant to the Company on an "as needed" basis. In 2004, the employment agreement with the remaining two employees ended as per the original agreements, one of those employees has left the company, and the other continues his employment with the Company on an at-will basis. As of December 31, 2004, the remaining salary expense associated with the remaining two employment agreements is approximately \$0.

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

F-15

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2005 consists of the following:

Land	\$ 764,053
Buildings	3,207,889
Building and leasehold improvements	3,858,898
Bingo, and rental equipment	1,757,302
Equipment, furniture and fixtures	2,324,917
Automobiles	356,659
	-----
	12,269,718
Less: Accumulated depreciation and amortization	(5,922,871)
	-----
Property and equipment, net	\$ 6,346,847
	=====

Depreciation and amortization expense charged to operations for the years ended December 31, 2005 and 2004 was \$881,190 and \$927,883 respectively.

NOTE 5 - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill at December 31, 2005 is as follows:

	Gross Carrying Amount	Accumulated Amortization
	-----	-----
Goodwill	\$6,704,375	\$ (1,799,264)
	=====	=====
	Entertainment	Hospitality
	-----	-----
Balance at December 31, 2004	\$ 4,032,723	\$ 371,384
Goodwill acquired during the year	535,000	-0-
Impairment losses	-0-	-0-
Goodwill disposed during the year	(33,996)	-0-
	-----	-----
Balance at December 31, 2005	\$ 4,533,727	\$ 371,384
	=====	=====

Intangible assets at December 31, 2005 consists of the following:

	Gross Carrying Amount	Accumulated Amortization
	-----	-----
Intangible Assets with Indefinite Lives:		
Bingo licenses	\$589,719	\$ (51,974)



Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Intangible Assets with Finite Lives:  
 Covenants not to compete \$297,500 \$ (182,583)

Intangible Assets, Net of Accumulated Amortization

F-16

During the year ended December 31, 2005, the Company acquired goodwill in the amount of \$535,000 associated with the acquisition of the Strike It Rich Bingo Hall in San Angelo, Texas. In addition the Company also acquired bingo licenses with indefinite lives for \$50,000 and a covenant not to compete in the amount of \$60,000. During the year the Company also disposed of goodwill and a covenant not to compete associated with the sale of the South Carolina shopping center.

Future amortization on intangible assets with finite lives is as follows:

2006	\$27,500
2007	27,500
2008	27,500
2009	15,417
2010	10,000
Thereafter	7,000
	-----
Total	\$114,917
	=====

NOTE 6 - WRITE-OFFS AND CHARGES

In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), the Company recognizes impairment losses when facts and circumstances indicate that the carrying amount of an asset may not be recoverable. In such cases, an impairment loss is recognized and measured as the amount by which the carrying value of the asset exceeds the fair value of the asset.

For the years ended December 31, 2005 and 2004, the Company evaluated the carrying value of goodwill for each reporting unit of the company and determined that no impairment of goodwill was necessary.

NOTE 7 - LONG-TERM DEBT

Long-term debt at December 31, 2005 consist of the following:

Mortgage note payable to a bank, due in quarterly installments of approximately \$27,244 including interest at prime plus 1%, maturing October 2019, secured by real estate

Mortgage note payable to a third party, due in monthly installments of \$8,563, including interest at 9% maturing August 2006, secured by a deed of trust on the real estate

Mortgage note payable to a bank, due in monthly installments of \$4,394, including interest at the prime rate, maturing August 2012, secured by a deed of trust on the real estate

Mortgage note payable to a third party, due in monthly installments of \$5,578, including interest at 8% maturing July 2010, secured by a second lien on the real estate

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Installment note payable to a third party, due in monthly installments of \$13,170, including interest at 7%, maturing August 2006, secured by bingo hall business

Installment note payable to a third party, due in monthly installments of \$2,279, including interest at 5%, maturing March 2012, secured by real estate

Installment note payable to a third party, due in monthly installments of \$4,600, including interest at 6%, maturing September 2011, secured by stock

Installment note payable to a third party, due in monthly installments of \$452, including interest at 9.9%, maturing January 2009, secured by vehicle.

F-17

Installment note payable to a third party, due in monthly installments of \$1,519, including interest at 5%, maturing March 2012, secured by bingo hall business

Installment note payable to a third party, due in monthly installments of \$490, including interest at 13.75%, maturing April 2007.

Installment note payable to a third party, due in monthly installments of \$222, including interest at 9.9%, maturing April 2006.

Installment note payable to a third party, due in monthly installments of \$527, including interest at 5.9%, maturing March 2007, secured by an automobile

Installment note payable to a third party, due in monthly installments of \$4,047, including interest at 8% maturing December 2006, unsecured

Less current maturities

Long-term debt, net of current portion

Long-term debt related party at December 31, 2005 consists of the following:

Installment note payable to a related party, due in monthly interest only installments of \$594 at 6.75%, with a balloon payment on July 2006

Less current maturities

Long-term debt, related party, net of current portion

Principal payments on notes payable and long-term debt for each of the next five fiscal years and thereafter are as follows:

Years Ending December 31,  
-----

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

2006	\$ 483,207
2007	185,755
2008	194,651
2009	206,286
2010	213,028
Thereafter	1,651,211
	-----
	\$2,934,138
	=====

Interest expense for the years ended December 31, 2005 and 2004 were approximately \$253,000 and \$285,000 respectively.

F-18

NOTE 8 - OBLIGATIONS UNDER CAPITAL LEASES

The Company did not enter into any new capital leases in 2005

Future minimum payments due under capital lease obligations are as follows:

Years Ending December 31, 2005

-----

Total future minimum lease payments	\$ 73,322
Less amount representing interest	(7,654)
	-----
Present value of minimum lease payments	65,668
Less current installments	(65,668)
	-----
Obligations under capital leases, net of current portion	\$ 0
	=====

Principal payments on capital leases for each of the next five fiscal years are as follows:

Future Maturities	
2006	\$ 65,668
	=====

Gross amounts of assets on balance sheet recorded under capital leases were \$230,787 and \$230,787 for 2005 and 2004, net of accumulated amortization of \$129,106 and \$89,215.

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosure About Fair Value of Financial Instruments", requires disclosure about the fair value of all financial assets and liabilities for which it is practical to estimate. Cash, accounts receivable, accounts payable,

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

accrued liabilities and other liabilities are carried at amounts that reasonably approximate their fair values.

The carrying amount and fair value of notes receivable, capital leases payable and notes payable at December 31, 2005 are as follows:

	Carrying Amount	Fair Value
	-----	-----
Notes receivable	\$1,184,214	\$1,184,214
Capital leases payable	65,668	65,668
Notes payable	2,934,138	2,934,138

The fair values of the Company's fixed rate notes receivable, capital leases payable and notes payable have been estimated based upon relative changes in the Company's borrowing rates since origination of the fixed rate debt.

NOTE 10 - INCOME TAXES

A reconciliation of the expected federal income tax expense (benefit) based on the U.S. Corporate income tax rate of 34% to actual for 2005 and 2004 is as follows:

	2005	2004
	-----	-----
	(Restated)	
Expected income tax (benefit)	\$ 378,493	\$ 352,655
Amounts not deductible for federal income tax purposes	23,715	1,020
State income taxes, net of federal income tax	76,529	60,000
Change in valuation allowance	(402,208)	(353,675)
	-----	-----
	\$ 76,529	\$ 60,000
	=====	=====

The provision for income taxes consists of the following:

	2005	2004
	-----	-----
Current year income taxes:		
Federal	\$ 10,000	\$ -0-
State	76,529	60,000
Deferred income taxes:		
Federal	(10,000)	-0-
State	-0-	-0-
	-----	-----
	\$76,529	\$60,000
	=====	=====

F-19

Deferred tax assets and liabilities as of December 31, 2005 are as follows:

Current deferred tax asset	\$	--	\$	--
Current deferred tax liability		--		--
Valuation allowance for current deferred tax asset		--		--
		-----		-----
Net current deferred tax asset	\$	--	\$	--
		=====		=====
Non-current deferred tax asset	\$4,843,280		\$5,576,328	
Non-current deferred tax		--		--

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

liability

Valuation allowance for non-current

deferred tax asset

(4,833,280) (5,576,328)

Net non-current deferred tax asset

\$ 10,000 \$ -0-

The non-current deferred tax asset results from differences in depreciation of fixed assets and legal reserves for financial and federal income tax reporting purposes and the deferred tax benefit of net operating losses. Due to continuing operating losses, the deferred tax asset has been allowed for as it does not meet the "more likely than not" recognition criteria.

At December 31, 2005, the Company has net operating loss carry forwards for federal income tax purposes of approximately \$6.2 million that begin expiring in the year 2015.

NOTE 11 - STOCKHOLDERS' EQUITY

The Company has acquired, prior to 2002, 2,159,100 shares of its common shares for \$2,337,385 under the current stock buyback program (See Note 15). The average price to repurchase these shares was \$1.27 and at December 31, 2005. The Company holds 1,487,535 treasury shares.

In 2005 the Company issued 40,000 shares of treasury stock as deferred compensation at a cost of \$25,250. The Company issued 45,401 shares of treasury stock under the Employee Stock Purchase Plan and 401K Plan at a cost of \$19,777. The Company issued 125,000 shares of treasury stock under options exercised by employees for cash of \$59,750. The Company issued 100,000 shares of treasury stock under stock options exercised for a subscription receivable in the amount of \$46,000. In addition, the Company recognized additional compensation expense of \$66,750 related to modification of stock option awards.

In 2004 the Company issued 46,581 shares of treasury stock under the Employee Stock Purchase Plan and 401K plan at a cost of \$52,015. The Company issued 25,000 shares of treasury stock at a cost of \$17,250 for deferred compensation.

F-20

NOTE 12 - EARNINGS PER SHARE

A reconciliation of basic to diluted earnings (loss) per share is as follows:

	2005		2004	
	Basic	Diluted	Basic	Diluted
Numerator:				
Net income (loss)	\$ 1,036,686	\$ 1,036,686	\$(1,097,220)	\$(1,097,220)
Net income (loss) available to common stockholders	\$ 1,036,686	\$ 1,036,686	\$(1,097,220)	\$(1,097,220)

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Denominator:

Weighted average shares outstanding	8,569,953	8,569,953	8,378,954	8,378,954
Effect of dilutive securities:				
Preferred stock	--	--	--	--
Stock options and warrants	--	75,675	--	95,675
Weighted average shares outstanding	8,569,953	8,645,628	8,378,954	8,474,629
Earnings (loss) per share	\$ .12	\$ .12	\$ (.13)	\$ (.13)

NOTE 13 - ACCOUNTING FOR STOCK BASED COMPENSATION

The Company applies APB Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") in accounting for its stock options. At December 31, 2005, the Company has implemented five shareholder approved stock option plans. These plans are intended to comply with Section 422 of the Internal Revenue Code of 1986, as amended. The plans collectively provide for the total issuance of 3,000,000 common shares over ten years from the date of each plan's approval. At December 31, 2005, a total of 1,101,555 options were outstanding under these plans.

	Employee Stock Plans		Other Compensatory		Combined Total
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options
Outstanding at 12/31/02	687,000	\$ 1.60	100,000	\$ 3.88	787,000
Granted	20,055	0.53	--	--	20,055
Exercised	(50,000)	(.53)	--	--	(50,000)
Forfeited	(3,000)	-0-	--	--	(3,000)
Outstanding at 12/31/03	654,055	\$ 1.70	100,000	\$ 3.88	754,055
Granted	530,000	0.53	--	--	530,000
Exercised	(25,000)	(.53)	--	--	(25,000)
Forfeited	(125,000)	-0-	(100,000)	--	(225,000)
Outstanding at 12/31/04	1,034,055	\$ 1.25	--	--	1,034,055
Granted	425,000	0.61	--	--	425,000
Exercised	(225,000)	(.47)	--	--	(225,000)
Forfeited	(132,500)	(1.53)	--	--	(132,500)
Outstanding at 12/31/05	1,101,555	\$ 1.13	--	--	1,101,555

The fair value of options issued during 2005 and 2004 were approximately \$271,000 and \$300,000, respectively.

F-21

The following table summarizes information about options outstanding at December 31, 2005 and 2004 under the Employee Stock Plan:

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

	Range of Exercise Prices	Options Outstanding			Options
		Number Outstanding	Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price	Number Exercisable
2005:	\$3.39---\$5.07	150,000	.3 years	\$3.75	150,000
	\$2.26---\$3.38	50,000	2.1 years	\$3.29	50,000
	\$1.51---\$2.25	---	--- years	---	---
	\$0.00---\$1.50	901,555	8.4 years	\$ .58	505,305
		1,101,555	7.1 years	\$1.13	705,305
2004:	\$3.39---\$5.07	150,000	1.3 years	\$3.75	150,000
	\$2.26---\$3.38	100,000	1.8 years	\$3.04	100,000
	\$1.51---\$2.25	---	--- years	---	---
	\$0.00---\$1.50	784,055	8.2 years	\$ .55	409,680
		1,034,055	6.6 years	\$1.25	659,680

NOTE 14 - RELATED PARTY TRANSACTIONS

In July 2001, the Company acquired Premiere Party Rentals. In conjunction with this purchase, the Company issued two promissory notes payable in the amount of \$500,000 each to the seller (a related party), as partial consideration for this purchase, and entered into a three-year employment agreement with the seller. The first note payable at an annual rate of 8.0% with a maturity date of July 2005 was paid in full in 2005. The second note originally due and payable in full, along with accrued interest at 8% annual rate, in July 2004, was paid in full in August 2004. For the years ended December 31, 2005 and 2004, the Company recognized \$17,700, related to the first note and \$34,644 of interest expense related to both of these obligations.

In August 2001, the Company acquired Word of Mouth Custom Catering. In conjunction with this purchase, the Company issued two promissory notes payable in the amount of \$200,000 each to the two sellers (related parties), as partial consideration for this purchase, and entered into three-year employment agreements with the sellers. In November 2003, the relationship with one of the sellers changed from that of an employee to an independent contractor on a consulting basis, in August of 2004 the agreement terminated with the remaining employee as per the original agreement. The terms of the notes did not change. These notes payable at an annual rate of 8.0% and a maturity date of August 2005. These obligations were paid in full in August 2005. For the years ended December 31, 2005 and 2004, the Company recognized \$3,000 and \$8,441 of interest expense related to these obligations.

The President and CEO of the Company had personally guaranteed \$300,000 to a note payable to a third party lender, in the original total amount of \$540,000. The note was paid in full in May 2005 .

The Company accrued a total of \$61,275 in loan guaranty fees to him in 2002. This amount has been added to the President's bonus amount accrued in 2002 in the amount of \$300,000, plus accrued interest and is presented on the balance sheet as a current accrued liability - related party. The Company accrued \$24,376 in interest in 2005 and \$24,376 in 2004.

The Company purchased the President's office furniture and antiques for a total price of \$105,650 in July 2002. This amount was set up on a note payable with

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

interest only payments for 4 years at 6.75% with the principal amount due in July 2006 as a balloon payment. The President was paid interest in the amount of \$7,131 in 2005 and \$7,131 in 2004.

F-22

NOTE 15 - COMMITMENTS AND CONTINGENCIES

(a) Operating Leases:

The Company is obligated under various operating leases. Generally, the leases provide for minimum annual rentals as well as a proportionate share of the real estate taxes and certain common area charges. Minimum annual rentals under these leases are as follows:

Year Ending December 31, -----	Minimum Rentals -----
2006	\$1,553,843
2007	1,217,463
2008	952,968
2009	567,751
2010	412,021
Thereafter	1,023,014
	-----
Total minimum annual rentals	\$5,727,060 =====

Rent expense for the years ended December 31, 2005 and 2004 amounted to approximately \$1.6 million and \$1.5 million, respectively.

In 2003, the Company leased out Grandview Bingo in Amarillo. The arrangement is that of a standard monthly sublease and not a per-session lease. The tenant has put down a \$7,800 security deposit. The minimum annual future receipts under this sublease are as follows:

Year Ending December 31, -----	Minimum Rent -----
2006	\$ 93,600
2007	93,600
2008	93,600
2009	93,600
2010	93,600
Thereafter	405,600
	-----
Total minimum annual rentals	\$873,600 =====

(b) Legal:

Generally speaking, the Securities and Exchange Commission guidelines require a company to report any pending legal and/or regulatory proceedings that involves a claim for damages in excess of ten percent (10%) of its current assets. The litigation and proceedings discussed below do not necessarily meet this threshold, but are included in the interest of full disclosure. In general, the Company will vigorously defend itself against all claims to the fullest extent possible:



## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

Pondella Hall for Hire, Inc., d/b/a Eight Hundred v. American Bingo and Gaming, Case No.: 97-2750, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

800438 Ontario Ltd v. American Bingo and Gaming Corporation, Case No.: 99-1161, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

These two related cases arise from a transaction carried out by a predecessor, American Bingo & Gaming Corporation ("American Bingo"), in July 1995, when American Bingo bought three Florida bingo centers from two corporations owned and controlled by Phillip Furtney. More specifically, American Bingo purchased the assets of Pondella Hall for Hire and Fountains Bingo from Pondella Hall for Hire, Inc., and the stock of Bingo Trail from 800438 Ontario Ltd. American Bingo paid the Furtney controlled entities over \$450,000 at the time of purchase and agreed to pay additional compensation of \$450,000 over a period of twenty-four months and transfer stock in American Bingo having a value of an additional \$450,000. Several months after the acquisition of the three halls, the Florida Attorney General's office obtained an indictment and brought a civil proceeding related to two of the three halls for alleged gambling related offenses. This investigation had been ongoing at, and for some time prior to, the acquisition of the halls, but had not been disclosed to American Bingo by the sellers. As a result of these legal proceedings, and the very real threat of additional legal proceedings against the American Bingo and its officers, the halls were closed and sold to third parties. Additionally, American Bingo settled the litigation brought by the Florida Attorney General by pleading to misdemeanor sales tax violations, paying substantial fines, and agreeing to terms which precluded American Bingo from business in the state of Florida. (This prohibition has since been lifted as a result of further negotiations with the State of Florida.)

F-23

American Bingo did not pay the remaining amounts under the acquisition contracts since they believed the sellers breached the contracts and committed fraud by failing to disclose the ongoing investigation by the Florida Attorney General's office. Pondella filed a two count Complaint against American Bingo in the Circuit Court for Manatee County, alleging breach of contract and common law conversion. At the same time, 800438 Ontario also filed a similar Complaint against American Bingo for breach of contract. American Bingo answered both Complaints by denying the essential allegations. Additionally, American Bingo brought Counterclaims against Pondella and 800438 for fraud, negligent misrepresentation, breach of warranties, contractual indemnity, breach of guaranty, deceptive and unfair trade practices, and violation of Chapter 517 of the Florida Statutes. American Bingo also brought claims against Furtney for his role. However, Furtney, a Canadian citizen and resident of Canada and Mexico, would not accept service of American Bingo's Complaints and American Bingo was unable to obtain service of its Complaints on Furtney. The Complaints against Furtney were dismissed before trial due to lack of service.

A jury trial on all claims, except American Bingo's claims against Furtney, was conducted in January 2005. The Jury found for Pondella and 800438 Ontario on all their claims and against American Bingo on their claims against Pondella and 800438 Ontario. Following trial, the Judge granted American Bingo's motion for a directed verdict on Pondella's claim for conversion. The principal amount of Pondella's judgment is \$410,000 and with interest and attorney's fees totals \$802,039. The principal amount of 800438 Ontario's judgment is \$450,000 and with interest and attorney's fees totals \$808,996. The Company has appealed these judgments to the Florida Second District Court of Appeal and intends to

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

vigorously pursue its rights on appeal. Additionally, the Company has bonded off both judgments, which precludes any efforts to collect on the judgments during the appeal. The range of potential loss on these two cases is between zero and the amount of the judgments, plus accrued interest. The company accrued a total of \$1,610,000 on its financial statements related to these matters, \$1,500,000 on the 2004 financial statements and \$110,000 on its 2005 financial statements.

Littlefield Corporation f/k/a/ American Bingo and Gaming v. Philip Furtney, Case No.: 2001 CA 4000, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

As set forth in the previous section, the Company also brought claims against Philip Furtney related to his failure to disclose the existence of the investigation of the Florida Attorney General regarding the bingo halls acquired by American Bingo from the Furtney controlled entities. These claims were dismissed from the original litigation based upon the Company's inability to serve the Complaints on Furtney, a foreign resident, when he refused to voluntarily accept service of the Complaints. This dismissal did not decide or relate to the merits of the claims against Furtney. The Company refiled the Complaints against Furtney in separate litigation and was finally successful in serving Furtney when he appeared in Florida for trial of the Pondella/800438 Ontario cases in January 2005. The Company intends to vigorously pursue its claims against Furtney. The case against Furtney is in discovery and the Company is awaiting a trial date.

Lenrich Associates LLC v. Littlefield Corporation, et al; Civil Action No. 00-CP-10-4742, South Carolina Court of Common Pleas, County of Charleston.

Lenrich Associates brought this action against the Company based on a commercial lease guaranty that was signed by the Company. The tenant on the lease was Concessions Corp., a subsidiary of the Company and had been used as the location of the "Lucky II" facility, which was closed in early 2000. The lease expired in February 2003. Because rental payments under the lease were in arrears, Lenrich Associates sought to enforce the guaranty against the Company. The Company's liability under the guaranty was capped at the lesser of two years of fixed and additional rent or the amount of fixed and additional rent corresponding to the time period mandated by South Carolina law. A settlement agreement had been reached for \$147,500, which has been accrued for by the Company in June 2002. However, the plaintiff withdrew their support of the settlement agreement shortly thereafter. The Company has petitioned the court to enforce the settlement agreement and is currently awaiting this decision. Effective January 1, 2006 a settlement was reached between the two parties in which Littlefield will pay a sum of \$500,000. The Company accrued for the remaining balance of approximately \$353,000 in the 2005 financial statements. The payments will be made in one lump sum payment of \$250,000 due January 3, 2006 and then \$10,000 a month for 25 months.

F-24

Littlefield Corp. v. Dye, Civil Action No. 2002-cp-08-478. The Company filed an action on March 6, 2002, in Berkeley County, South Carolina for collection on a note signed by Danny C. Dye. The note, which was executed on December 10, 1998, was in the amount of \$80,000. The Company alleges that Dye still owes \$58,481 toward the principle balance, plus \$19,257 in accrued interest through December 31, 2002. On January 14, 2003, Mr. Dye amended his answer to assert counterclaims against the Company for fraudulent breach of contract and violation of the South Carolina Payment of Wages Act based on allegations that the Company failed to pay Dye amounts due under an employment contract. Mr. Dye has alleged that the Company owes him \$375,000 in unpaid salary and is seeking treble damages under the Payment of Wages Act for a total amount of \$1,250,000 in damages. The Company believes that the counterclaims are without merit and

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

the Company plans to contest them vigorously.

Collins Entertainment Corp. v. Coats and Coats Rental Amusement, d/b/a Ponderosa Bingo and Shipwatch Bingo, Wayne Coats, individually, and American Bingo and Gaming Corp.; American Bingo and Gaming Corp. v. Coats and Coats Rental Amusement, d/b/a Ponderosa Bingo and Shipwatch Bingo, Wayne Coats, individually, Civil Action No. 97-CP-10-4685, South Carolina Court of Common Pleas, Charleston County.

On October 9, 1997, Collins Entertainment, Inc., filed a lawsuit alleging the Defendants had engaged in civil conspiracy and tortiously interfered with the Plaintiff's contract, violating the South Carolina Unfair Trade Practices Act. The Plaintiff sought actual damages in excess of \$350,000 and an unspecified amount of punitive damages. The Company believed this lawsuit was completely without merit; however, a judgment was issued on February 12, 2001 in favor of the plaintiff. Damages of \$157,000 were awarded in addition to punitive damages of \$1,570,000. The Company appealed this decision with the South Carolina appellate court, and the judgment was affirmed. The Company applied for a re-hearing with the appellate court, which threw out their original opinion. However, their new opinion also reaffirmed the judgment. The Company filed an appeal with the South Carolina Supreme Court. The appeal has been heard and the Company is awaiting judgment from the South Carolina Supreme Court. The potential outcomes in this matter fall within a range of \$0 in the event of a full and final reversal of the judgment to the full judgment amount plus accrued simple interest of 12% from the date of judgment plus court costs. The company has accrued \$1,570,000 on its financial statements related to this matter. The actual damages of \$157,000 were paid in 2001.

George M. Harrison, et al. v. Littlefield Corporation Civil Action No. 4:04-1038-25 This action is currently pending in the United States District Court for the District of South Carolina, Florence Division. Plaintiffs were the owners of a parcel of real property in Darlington, South Carolina that was leased to Darlington Music Company, a former subsidiary of Littlefield Corporation. In 1990, Plaintiffs, who were also the owners of Darlington Music Company at that time, caused Darlington Music Company to enter into a 15-year lease of the real property they owned. Darlington Music Company was later acquired from Plaintiffs by Littlefield Corporation's predecessor, American Bingo & Gaming. This business continued to operate as a wholly-owned subsidiary until such time as changes in South Carolina law regarding video gaming required that the business be wound down. In May 2001, Plaintiffs later received a judgment in the amount of \$199,148 against Darlington Music Company for nonpayment of rent. Through this action, Plaintiffs are now attempting to enforce that judgment against Littlefield Corporation on the basis of various legal theories. Littlefield intends to vigorously defend this action and will also ask, if possible, to have the underlying judgment against its former subsidiary reexamined. This case was settled in June 2005 when Littlefield agreed to pay \$95,000 to the Plaintiffs.

### (c) Stock Repurchase Plan:

During the second quarter of 1998, the Company authorized a stock repurchase program to purchase up to 1,000,000 shares of its common stock. On February 8, 2000 the Company amended the stock repurchase program to permit purchase of up to 2,000,000 shares of its common stock at such time and prices the Company deems advantageous. The amount was subsequently increased to 3,000,000 shares. There is no commitment or obligation on the part of the Company to purchase any particular number of shares, and the program may be suspended at any time at the Company's discretion. Any shares so repurchased will be held as treasury shares and be available for general corporate purposes. No shares were repurchased in 2005 or 2004.

(d) Concentration of Credit Risk:

The Company maintains its cash in banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2005, cash in banks exceeded FDIC coverage by approximately \$557,000.

(e) 401(K) and Employee Stock Ownership Plan

The Company has a 401(K) and Employee Stock Ownership Plan that was instituted in 2001. In 2005 employees were allowed to defer up to 90% of their wages to a maximum of \$14,000, tax deferred, for retirement purposes. The Company has no obligation to match any of the employee deferrals and contributions to the plan are at the discretion of management. At December 31, 2005 and 2004, the Company contributed \$0 and \$0 respectively, into the Plan.

(f) Employee Stock Purchase Plan

During 2002, the Company implemented the 2002 Employee Stock Purchase Plan to allow employees of Littlefield Corporation and any subsidiaries to acquire stock ownership in the Company. The Company has reserved 250,000 shares under this plan. Offering of shares under this plan will commence 1) on the first day of each fiscal year and will end on the last day of the fiscal year or 2) at the sole discretion of the administrators. Any offerings that remain unsold during the offering period shall expire and shall be made available for grant in future offering periods. Eligible employees shall elect to make contributions between 1% and 10% of gross compensation. The exercise price of any shares purchased by a participant shall be at eighty-five percent (85%) of the lower of the fair market value of the common stock on the date of the grant or date of exercise. Through December 31, 2005, 80,495 shares have been purchased through this program. Of the shares purchased 17,621 shares were purchased in 2005 and 31,541 in 2004.

(g) The Company had entered into three-year employment agreements with two individuals. Should the Company terminate the employment agreements without cause, the Company would be liable for salary compensation and the cash value of the Company paid portion of any insurance coverage owed for the remaining term of employment. As of December 31, 2005, these employee agreements had expired, the employees left on their own accord and the remaining salary expense associated with these employment agreements was \$0 in 2005 and \$0 in 2004.

NOTE 16 - SEGMENTS

The Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131) in the fiscal year ended December 31, 1999. SFAS 131 establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. SFAS No. 131 also establishes standards for related disclosures about products and services and geographic areas.

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance.

The Company's Chief Operating Decision Maker ("CODM"), the President and CEO, evaluates performance and allocates resources based on a measure of segment profit or loss from operations. The accounting policies of the reportable

## Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

segments are the same as those described in the summary of significant accounting policies except that depreciation and amortization are allocated to each segment from functional department totals based on certain assumptions which include, among other things, revenues. Also, the Company's CODM does not view segment results below operating profit (loss), therefore, net interest income, other income, and the provision for income taxes are not broken out by segment below.

The entertainment segment encompasses charitable bingo hall operations in Texas, Alabama, and South Carolina. The hospitality segment includes income from party and tent rentals, catering services and event planning fees. These segments were identified based on the different nature of the services and legislative monitoring and, in general, the type of customers for those services.

F-26

A summary of the segment financial information reported to the CODM is as follows:

	Year Ended December 31, 2005			
	(Restated)			
	Entertainment	Hospitality	Adjustment	Consolidated
Revenue	\$6,908,000	\$4,327,000	\$96,000	\$11,331,000
Depreciation and amortization	472,000	316,000	93,000	881,000
Segment profit (loss)	3,207,000	(250,000)	(1,920,000)	1,037,000
Segment Assets	\$24,913,000	\$1,604,000	(10,289,000)	16,228,000
	Year Ended December 31, 2004			
	Entertainment	Hospitality	Adjustment	Consolidated
Revenue	\$6,484,000	\$3,409,000	\$35,000	\$9,928,000
Depreciation and amortization	497,000	324,000	107,000	928,000
Segment profit (loss)	2,312,000	(489,000)	(2,920,000)	(1,097,000)
Segment Assets	\$22,061,000	\$1,513,000	(8,296,000)	15,278,000

The adjustments represent other income, depreciation and amortization related to corporate assets, corporate losses, and corporate capital expenditures to reconcile segment balances to consolidated balances.

### NOTE 17 - INVESTMENTS

The Company accounts for its investments under Statement of Financial Accounting Standards No. 115, "Accounting for Investments in Debt and Equity Securities". The Company's investments consist of the following:

2005

Edgar Filing: LITTLEFIELD CORP - Form 10KSB/A

	Basis	Fair Value	Unrealized Gain (Loss)
	-----	-----	-----
Mutual Funds	\$5,230	\$3,130	\$(2,100)
	-----	-----	-----
Total	\$5,230	\$3,130	\$(2,100)
	=====	=====	=====

These securities are considered available-for-sale, as defined by SFAS No. 115, and accordingly, the unrealized holding loss is shown in other comprehensive income as follows:

Unrealized holding Gain (loss) recognized at year end	\$(1,381)
Gain(Loss) recognized in prior year earnings	(719)
	-----
Unrealized holding gain (loss) on investments held for sale.	\$(2,100)
	=====

NOTE 18 - SUBSEQUENT EVENTS

January 2006 - The company reached a settlement in the Lenrich Associates LLC legal proceedings with the Company agreeing to pay \$500,000 in total to Lenrich Associates LLC. The agreement was for a lump sum payment of \$250,000 due January 3, 2006 and then installment payments in the amount of \$10,000 for 25 months. The Company accounted for the entire \$500,000 balance in the financial statements ending December 31, 2005.