LITTLEFIELD CORP
Form 10QSB
November 15, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark one)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal quarter ended September 30, 2007

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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 TX 78705
(Address of principal executive offices)

(512) 476-5141
(Issuer's telephone number)

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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES [X] NO [ ]

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

As of September 30, 2007, the Issuer had 11,328,404 shares of its Common Stock, par value $0.001 per share outstanding.

Transitional Small Business Disclosure Format: YES [ ] NO [X]

Littlefield Corporation

FORM 10-QSB

For the quarter ended September 30, 2007

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Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Three Months Ended September 30,

REVENUES:
Entertainment
Hospitality
Other

TOTAL REVENUES

DIRECT COSTS AND EXPENSES:
Direct salaries and other compensation
Rent and utilities
Other direct operating costs
Depreciation and amortization
License expense
Provision for doubtful accounts

TOTAL COSTS AND EXPENSES

GROSS MARGIN

GENERAL AND ADMINISTRATIVE EXPENSES:
Salaries and other compensation
Legal and accounting fees
Depreciation and amortization
Share-based compensation expense
Other general and administrative

TOTAL GENERAL AND ADMINISTRATIVE EXPENSES

GAIN ON DISPOSITION OF FIXED ASSETS

OPERATING INCOME (LOSS)

OTHER INCOME AND EXPENSES:
Interest and investment income
Interest expense ($1,688 and $7,877 respectively to related parties)
Other income and (expense)

TOTAL OTHER INCOME AND EXPENSES

NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES

PROVISION FOR INCOME TAXES

NET INCOME (LOSS)

OTHER COMPREHENSIVE INCOME

NET COMPREHENSIVE INCOME (LOSS)

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Three Months Ended September 30,

Basic earnings per share

Diluted earnings per share

Weighted average shares outstanding - basic

Weighted average shares outstanding - diluted

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Nine months Ended September 30,

REVENUES:
Entertainment $
Hospitality
Other

TOTAL REVENUES

DIRECT COSTS AND EXPENSES:
Direct salaries and other compensation
Rent and utilities
Other direct operating costs
Depreciation and amortization
License expense
Provision for doubtful accounts

TOTAL COSTS AND EXPENSES

GROSS MARGIN

GENERAL AND ADMINISTRATIVE EXPENSES:
Salaries and other compensation
Legal and accounting fees
Depreciation and amortization
Share-based compensation expense
Other general and administrative

TOTAL GENERAL AND ADMINISTRATIVE EXPENSES

GAIN ON DISPOSTION OF FIXED ASSETS

OPERATING INCOME

OTHER INCOME AND EXPENSES:
    Interest and investment income
    Interest expense ($11,813 and $23,630 respectively to related parties)
    Other income and (expense)

TOTAL OTHER INCOME AND EXPENSES

NET INCOME BEFORE PROVISION FOR INCOME TAXES

PROVISION FOR INCOME TAXES

NET INCOME

OTHER COMPREHENSIVE INCOME

NET COMPREHENSIVE INCOME

See notes to consolidated financial statements.

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Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Nine months Ended September 30,

EARNINGS PER SHARE:
    Basic earnings per share

    Diluted earnings per share

Weighted average shares outstanding - basic

Weighted average shares outstanding - diluted

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Littlefield Corporation
CONSOLIDATED BALANCE SHEET (Unaudited)

ASSETS

Current Assets:
Cash and cash equivalents
Accounts receivable, net of allowance for doubtful accounts of $148,734
Other prepaid expenses and current assets
Note receivable

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:
Long term debt, current portion
Long term debt, legal settlements, current portion
Trade accounts payable
Accrued expenses

Total Current Liabilities

Long-term Liabilities:
Long term debt, net of current portion
Long term debt, legal settlements, net of current portion
Long term debt-related party

Total Long-term Liabilities

Total Liabilities

Stockholders' Equity:
Common stock, $0.001 par value, (authorized 20,000,000 shares, issued 12,344,139 shares, outstanding 11,328,404 shares)
Additional paid-in-capital
Treasury stock - 1,015,735 shares, at cost
Accumulated deficit

Total Stockholders' Equity

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

See notes to consolidated financial statements.

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Littlefield Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Nine months Ended September 30,	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	
Stock based compensation expense	
Gain on disposition of fixed assets	
Allowance for bad debt and write-offs	
Increase (decrease) in cash flows as a result of changes in asset and liability account balances:	
Accounts receivable	
Other assets and licenses	
Trade accounts payable	
Accrued expenses and other current liabilities	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Property and equipment expenditures	(
Proceeds from the sale of property and equipment	
Proceeds from the sale of investments	
Proceeds from collection of note receivable	
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on notes payable, legal settlements and capital leases	(
Proceeds from issued shares	
Proceeds from note payable	
Collection of subscription receivable	
Proceeds from options exercised	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	
NET INCREASE IN CASH	
CASH AT BEGINNING OF PERIOD	
CASH AT END OF PERIOD	$

See notes to consolidated financial statements.

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Littlefield Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Nine months Ended September 30,

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash payments:

Interest

Income taxes

Non-cash transactions:

Issuance of treasury stock for deferred compensation and 401K plan

See notes to consolidated financial statements.

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
September 30, 2007

NOTE 1 - PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION.

The unaudited consolidated financial statements include the accounts of Littlefield Corporation and its wholly owned subsidiaries (the "Company"). The financial statements contained herein are unaudited and, in the opinion of management, contain all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the periods presented. The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenue and expenses during the reported period. Actual results could differ from these estimates. Where appropriate, items within the consolidated financial statements have been reclassified to maintain consistency and comparability for all periods presented.

The operating results for the nine month period ended September 30, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2007. Except for historical information contained herein, certain matters set forth in this report are forward looking statements that are subject to substantial risks and uncertainties, including the impact of government regulation and taxation, customer attendance and spending, competition, and general economic conditions, among others. This Quarterly Report on Form 10-QSB contains "forward-looking" statements as such term is defined in the Private Securities Litigation Reform Act of 1995 and information relating to the Company and its subsidiaries that are based on the beliefs of the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect," and "intend" and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitations, competitive factors, general economic conditions, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein and in other filings made by the company with the Securities and Exchange Commission, based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

NOTE 2 - PROPERTY AND EQUIPMENT.

Property and equipment at September 30, 2007 consists of the following:

Land	$740,467
Buildings	3,344,168
Leasehold improvements	4,630,137
Rental inventory and bingo equipment	1,982,190
Equipment, furniture and fixtures	2,399,009
Automobiles	451,433
	13,547,404
Less: Accumulated depreciation and amortization	(6,820,989)
Property and equipment, net	$6,726,415

Total depreciation expense, for owned and leased assets, charged to operations for the nine months ended September 30, 2007 and 2006 was approximately $546,700 and $542,200 respectively.

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Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
September 30, 2007

NOTE 3 - GOODWILL & OTHER INTANGIBLE ASSETS.

Goodwill at September 30, 2007 is as follows:

	Gross Carrying Amount	Accumulated Amortization	Total

Goodwill	$6,704,375	$(1,799,264)	$4,905,111

	Entertainment	Hospitality	Total
Balance at December 31, 2006	$4,533,727	$371,384	$4,905,111
Goodwill acquired during the year	---	---	---
Impairment losses	---	---	---
Goodwill disposed during the year	---	---	---
Balance at September 30, 2007	$4,533,727	$ 371,384	$4,905,111

Intangible assets at September 30, 2007 consists of the following:

	Gross Carrying Amount	Accumulated Amortization	Total
Intangible Assets with Indefinite Lives:			
Bingo licenses	$694,720	(51,974)	$642,746
Intangible Assets with Finite Lives:			
Covenants not to compete	$297,500	(233,675)	$ 63,825
Intangible Assets, Net of Accumulated Amortization			$706,571

Amortization expense charged to operations for the nine months ended September 30, 2007 and 2006 was approximately $22,125 and $21,600 respectively.

NOTE 4 - SHAREHOLDERS' EQUITY.

At September 30, 2007 the Company holds 1,015,735 treasury shares at an average purchase cost of $1.27.

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Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
September 30, 2007

NOTE 5 - SHARE BASED PAYMENTS.

Effective January 1, 2006, the Company adopted FASB Statement of Financial Accounting Standards No. 123R (Revised 2004), Share-Based Payment, which requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on the provisions of SFAS 123 issued in 1995. We have adopted this statement using the modified prospective method of implementation, whereby the prospective method records the compensation expense from the implementation date forward, but leaves prior periods unchanged.

The Company recorded approximately $42,900 in compensation expense in the nine month period ended September 30, 2007 related to options issued under its stock-based incentive compensation plans. This includes expense related to both options issued in the current year and options issued in prior years for which the requisite service period for those options includes the current year. The fair value of these options was calculated using the Black-Scholes options pricing model. For options issued in 2006, the following assumptions were used: dividend yield of 10%, expected volatility of 68%, risk-free interest rate of 5.0% and an expected life of 7 years. There were no options issued in the nine month period ended September 30, 2007.

NOTE 6 - EARNINGS PER SHARE.

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

Nine months ended September 30,	2007 Basic	2007 Diluted	2006 Basic	2006 Diluted
Numerator:				
Net income (loss)	$598,912	$598,912	$820,596	$820,596
Denominator:				
Weighted average shares outstanding	11,187,178	11,187,178	10,696,316	10,696,316
Effect of dilutive securities:				
Preferred stock	---	---	---	---
Stock options and warrants	---	158,380	---	144,852
Weighted average shares outstanding	11,187,178	11,345,558	10,696,316	10,841,168
Earnings (loss) per share	$0.054	$0.053	$0.077	$0.076

Stock options to acquire 76,500 and 67,500 shares for the nine months ended September 30, 2007 and 2006, respectively were excluded in the computations of diluted EPS because the effect of including the stock options would have been anti-dilutive.

NOTE 7 - COMPREHENSIVE INCOME.

The Company has adopted Financial Accounting Standards Board Statement No. 130, Reporting Comprehensive Income. Statement No. 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of this Statement has no impact on net income or shareholders' equity. Statement No. 130 requires unrealized gains or losses to be included in other comprehensive income.

The components of comprehensive income for the nine months ended September 30, 2007 and 2006 are as follows:

	2007	2006
Net income	$ 598,912	$820,596
Other comprehensive income		
Reclassification adjustment for loss on sale of investments included in net income	4,713	--
	4,713	--
Total comprehensive income	$603,625	$820,596

NOTE 8 - INCOME TAXES.

The Company recorded approximately $54,000 and $64,000 of state income tax expense, respectively, for the nine months ended September 30, 2007 and 2006. The Company does not expect to incur material federal income tax charges until the depletion of its accumulated federal income tax loss carry-forwards, which totaled approximately $6,800,000 at December 31, 2006 that begin expiring in the year 2015.

NOTE 9 - RELATED PARTY TRANSACTIONS.

In 2002, the President was awarded a $300,000 bonus. In August 2007, the Board of Directors approved and payment was made to the President and CEO for the accrued bonus and accrued interest thereon. The Company accrued $11,813 in interest in 2007 and $18,282 in 2006 on this liability.

During 2006, the Company renewed the employment agreement with its President and CEO; in accordance with this agreement, the Company accrued $18,000 and $0 of deferred compensation in the nine months ended September 30, 2007 and 2006, respectively.

The President and CEO of the Company had personally guaranteed $300,000 of 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 $61,125 in loan guaranty fees to him in 2002. During the fourth quarter of 2006, the Board unanimously approved repayment of the loan guarantee fee and interest thereon and these amounts were paid in December 2006.

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 interest only payments for 4 years at 6.75% with the principal amount due in July 2006 as a balloon payment. During the fourth quarter of 2006, the Board unanimously approved repayment of the office furniture note. During the nine months ended September 30, 2006 the President was paid interest in the amount of $5,348. The note was paid in full in December 2006.

NOTE 10 - COMMITMENTS AND CONTINGENCIES.

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.

The Company is obligated to make payments over approximately the next three years in settlement of litigation that was concluded in prior periods. At September 30, 2007, the carrying value of these obligations was $677,197. The Company is current in all its settlement payment obligations.

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.

In this case, Littlefield seeks recovery from Philip Furtney for fraud, negligent misrepresentations, and breach of guaranty. This litigation arises from the 1995 acquisition of three Florida bingo centers by a predecessor, American Bingo & Gaming Corporation, from two corporations controlled by Phillip Furtney - Pondella Hall for Hire, Inc., and 800438 Ontario. Several months after the acquisition of the three centers, the Florida Attorney General's office obtained an indictment against two American Bingo subsidiaries and brought a civil proceeding related to two of the three centers for alleged gambling related offenses. The indictment and civil litigation were the result of an investigation that had been ongoing for over one year prior to the acquisition of the centers. Furtney was aware of the investigation and its serious nature, but did not disclose the investigation to American Bingo. In fact, the agreements related to the sale specifically and falsely stated that there were not any ongoing governmental investigations. American Bingo settled the litigation brought by the Florida Attorney General and sold its Florida centers as a condition of the settlement. The resolution of this long pending matter was substantially delayed when Furtney, a citizen of Canada and part time resident of Mexico would not permit his United States attorney to accept service of the Complaint. Littlefield was successfully in finally serving Furtney when he was in the United States in 2005 to attend related litigation.

Furtney recently passed away, several months before the scheduled trial date. In the event a defendant dies following the commencement of litigation, the Florida Rules of Civil Procedure provides that a plaintiff may substitute the defendant's estate as the defendant and continue to pursue the claim to judgment. The company is in the process of substituting Furtney's estate as the defendant and intends to vigorously pursue the claim for all damages related to the purchase of the Florida centers, including all sums paid in the acquisition, all costs incurred by American Bingo in the litigation with the state of Florida, and judgments Littlefield was required to pay to Pondella and 800438 Ontario as a result of related litigation.

South Carolina Department of Revenue v. Littlefield Corporation, Midlands Promotions, Inc., Low Country Promotions, Inc. ,and Gamecock Promotions, Inc., 05- ALJ-17-0413-CC

The South Carolina Department of Revenue issued an administrative bingo violation against the above referenced parties alleging that the Company has an unlawful number of bingo promoter licenses. The Department of Revenue seeks to revoke all but 5 bingo promoter licenses held by the Company's South Carolina subsidiaries and seeks a $5,000 penalty. The Department of Revenue has moved to pierce the corporate veil of the Company to thereby attribute the promoter licenses to the Company. The Department of Revenue's theory is that the three South Carolina subsidiaries are invalid corporations and that as a matter of law the Company is the holder of the 12 promoter licenses at issue. South Carolina law provides that a promoter may only have 5 licenses. The Company moved for summary judgment and it was denied. However, certain originally named charities were dismissed from the lawsuit. The case has been stayed until co-counsel returns from active military duty, which is expected to occur around August of 2008. The Company is vigorously defending itself and asserts that it is not the holder of the promoter licenses but rather that its lawfully formed subsidiaries are separate corporations that each holds a lawful number of the promoter licenses.

NOTE 10 - COMMITMENTS AND CONTINGENCIES.

Amy Ramon, et al v. Clark C. Lilly, et al; Cause No. 2006-535,397 in the 237th District Court of Lubbock County, Texas.

This case has been resolved by the payment by Littlefield of a total of $25,000 which was divided among the six plaintiffs. The plaintiffs have executed comprehensive releases and the litigation against Littlefield and its subsidiaries has been dismissed with prejudice. Neither Littlefield nor its subsidiaries admitted any liability or fault in connection with the settlement. Settlement was reached during the week before scheduled October 15, 2007 trial after the Court had denied two motions filed by Littlefield and its subsidiaries for summary judgment. Littlefield had maintained a vigorous defense in this case because neither the plaintiffs nor the bingo manager were employees of Littlefield or its subsidiaries or subject to their control. However, both management of Littlefield and litigation counsel concluded that the cost of settling this case upon these terms would be less than trying the case to a completely favorable verdict. Littlefield intends to attempt to recover its attorneys fees and the amount paid in settlement from the charities which were the employers of the plaintiffs. These efforts are in a very early stage. The charities named as defendants settled with the plaintiffs prior to Littlefield's settlement.

By way of background, this proceeding is the result of the consolidation of four separate lawsuits. Littlefield Corporation, Meeks Management Company (sued as Meeks Management Corporation), and Littlefield Charitable Bingo Management Consulting, Inc., (and other non-related parties including the charities) were defendants in this case. The Plaintiffs are six former employees of various charities which conducted bingo games in a bingo hall leased to the charities by Meeks Management Company. The plaintiffs claimed that the charities' bingo hall manager sexually harassed them and fired them in retaliation for filing a complaint with the Equal Employment Opportunity Commission. Littlefield and its subsidiaries were sued upon the theory that they were employers of the plaintiffs and the manager and that they exercised control over the plaintiffs employment.

Hamby Volunteer Fire Department, Trustee of the Ambler Charities Unit Trust v. Littlefield Corporation, d/b/a Ambler Bingo, Inc.; Cause No.24140-B, 104 Judicial District Court of Taylor County, Texas.

Plaintiff filed suit against the Corporation alleging breach of contract and violation of the Bingo Enabling Act. The Corporation has filed an answer denying all of the Plaintiff's claims. The Company is vigorously defending itself and has also filed a motion to dismiss the lawsuit on the ground that Plaintiff filed suit against the wrong entity. At this time, the district court has not ruled on the Corporation's motion.

Texas Lottery Commission Notice of Opportunity to Show Compliance.

Texas Charities, Inc., a subsidiary of the Corporation licensed by the Texas Lottery Commission ("Commission") as a commercial lessor pursuant to the Bingo Enabling Act ("Act"), received a Notice of Opportunity to Show Compliance ("Notice") from the Commission's Charitable Bingo Division ("Division") dated July 27, 2007. The Notice indicated that the Division had reason to believe that Texas Charities, Inc. had violated the Act by improperly extending credit. Texas Charities, Inc. disputes the Division's interpretation and intends to exercise its opportunity to show compliance. However, if the matter cannot be settled with the Division, it may be referred to the State Office of Administrative hearings for a hearing on the matter.

NOTE 11 - SEGMENTS.

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 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 gross profit (loss), therefore, general and administrative expenses, 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.

A summary of the segment financial information reported to the CODM for the nine months ended September 30, 2007 and 2006 is as follows:

September 30, 2007

	Entertainment	Hospitality	
Revenue	$ 6,646,000	$3,486,000	$
Depreciation and Amortization	305,000	178,000	
Segment profit (loss)	3,118,000	(314,000)	(
Segment Assets	27,552,000	1,487,000	(1

September 30, 2006

	Entertainment	Hospitality	
Revenue	$ 5,991,000	$3,323,000	$
Depreciation and Amortization	302,000	181,000	
Segment profit (loss)	2,601,000	(268,000)	(
Segment Assets	24,600,000	1,342,000	(1

The Adjustments generally represent other corporate expenses and revenue, other income, depreciation and amortization related to corporate assets, corporate gains and losses on disposition of assets, inter-company eliminations and corporate capital expenditures to reconcile segment balances to consolidated balances.

A summary of items included in the "Adjustment" follows:

Gross profit - other revenue	$
General and administrative expense	(
Gain on disposition of fixed assets	
Other income and expenses	
Provision for income taxes	
Total "Adjustment"	$(

NOTE 12 - SUBSEQUENT EVENTS.

None

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

During the first nine months of 2007, we continued to improve revenue and gross profit in our Entertainment and Hospitality segments. These improvements were partially offset by certain increases in General and Administrative expenses and interest expense. Earnings in the first nine months of 2007 included approximately $372,000 of notable items: $254,000 for legal expenses related to legal cases and regulatory matters, $75,000 related to business development expenses associated with opening a new market, and $43,000 of non-cash expenses related to stock-based compensation. Earnings in the first nine months of 2006 included approximately $354,000 of notable items: legal settlement expense, $183,000; legal expenses, $51,000; restatement expenses, $62,000 and $96,000 of non-cash expenses related to stock-based compensation offset by $38,000 from insurance proceeds and fixed asset sales.

Revenues

The following table sets forth the Company's revenues by segment for the nine months ended September 30, 2007 and 2006:

	2007	2006
Total Revenues	$10,171,000	$9,392,
Entertainment	6,646,000	5,991,
Texas	4,111,000	3,707,
South Carolina	1,415,000	1,183,
Alabama	1,120,000	1,101,
Hospitality	3,486,000	$3,323,
Other	39,000	78,

During the first nine months of 2007, total revenues for the Company increased 8% over 2006 with both Entertainment and Hospitality segments contributing to the increase in revenue. Entertainment revenue rose 11% with Texas being the most significant contributor. South Carolina's improvement reflected changes in management agreements and bingo tax rates. The Entertainment segment accounted for 65% of total revenues compared with 64% of total revenues in 2006. By state, Entertainment revenues for Texas, South Carolina and Alabama were 62%, 21%, and 17% of total Entertainment revenue respectively compared to 62%, 20% and 18% in 2006. Hospitality revenue increased 5% over the prior year reflecting the contribution of larger customers and events. Hospitality accounted for 34% of total revenues in 2007, compared to 35% of total revenues in 2006. Other revenue includes other ancillary services and miscellaneous revenue not reported as segment revenue.

Costs and Expenses

Cost of services increased 5% over the comparable nine-month prior year period. This, in conjunction with the higher revenue growth of 8%, resulted in an improvement of gross profit percent (gross profit as a percent of sales) to 27.9% from 25.5% in 2006. Overall, total gross profit increased 18% or $442,000 over the prior year. The table below summarizes gross profit by segment for the nine months ended September 30, 2007 and 2006:

	2007	2006
Total Gross Profit	$2,841,000	$2,399,00
Entertainment	3,118,000	2,601,00
Hospitality	(314,000)	(268,00
Other	$ 37,000	$ 66,00

The increase in gross profit was mainly attributed to higher revenues and management's concentration on cost containment throughout the organization. The Entertainment gross profit as a percent to sales increased to 46.9% versus 43.4% respectively for 2007 and 2006. The 2007 Hospitality gross margin loss widened largely as a result of costs associated with self-promotion events.

Direct salaries and other compensation were up 8% over the prior year representing staff additions corresponding to the higher revenues especially in the Hospitality segment. Rent and utilities in 2007 were up approximately 2% over 2006. In 2007 and 2006, we did not recognize lease costs on a straight-line basis as provided in SFAS 13, paragraph 15 and FTB 85-3 for leases entered into prior to October 2007. Instead, lease costs were recognized based on payments made or accrued during each month. If the Company had recognized lease expense on a straight-line basis in 2007 and 2006, total lease costs would not have materially changed the Company's financial results. In general, the Company enters into long term leases underlying its operations. At the same time, the Company generally enters into agreements which are renewed annually with its customers. This permits the Company to adjust its customer agreements in response to general price increases and limits the effect of lease escalation clauses. Generally, the Company's leases are triple net.

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Other direct operating costs in 2007 were up 10% over the prior year, mainly due to higher food and supplies costs associated with the increased revenue and sub-rental expenses than incurred in 2006 and costs associated with renovating certain bingo halls. License expense was down $11,000 as a result of the timing of the payment of licenses. The provision for doubtful accounts was reduced to 0% versus 1.0% of sales last year.

Depreciation and amortization expense totaled approximately $569,000 ($483,000 Cost of Services plus $86,000 G&A) in 2007 versus $564,000 in the prior year.

General and administrative expenses, excluding related depreciation expense and the noted business development and legal fees totaled approximately $1,460,000 in 2007, compared to approximately $1,002,000 in 2006, an increase of about $458,000. The increase mainly related to staff additions, compensation adjustments, sundry expenses and the timing of accrued incentive expenses.

Other income and expense was an expense of approximately $293,000 for 2007, compared to approximately $50,000 in 2006. The difference mainly stems from higher interest expense and the noted 2006 insurance proceeds. The higher 2007 interest expense mainly reflects the financing of legal settlements during 2006.

Our income tax expense for 2007 was approximately $54,000 compared to $64,000 in 2006, all of which is related to the expected effective tax rate for state income taxes. As of December 31, 2006, the Company had a net operating loss available for carryover on its federal income taxes of approximately $6,800,000.

Net Income

During the first nine months of 2007, we realized net income of approximately $599,000; $0.05 per basic and $0.05 per fully diluted share. Net income for 2006 was $821,000; $0.08 per basic and $0.08 per fully diluted share. The weighted average number of basic Common Stock shares outstanding totaled 11,187,178 in 2007 compared to 10,696,316 in 2006. The increase in shares outstanding mainly represents the sale of 400,000 shares of common stock in 2007.

Earnings in the first nine months of 2007 included approximately $372,000 of notable items: $254,000 for legal expenses related to legal cases and regulatory matters, $75,000 related to business development expenses associated with opening a new market, and $43,000 of non-cash expenses related to stock-based compensation.

Earnings in the first nine months of 2006 included approximately $354,000 of notable items: legal settlement expense, $183,000; legal expenses, $51,000; restatement expenses, $62,000 and $96,000 of non-cash expenses related to stock-based compensation offset by $38,000 from insurance proceeds and fixed asset sales.

Adjusted for the noted items above, the adjusted net income during the first nine months of 2007 was $971,000 and basic earnings per share were $0.09 per share in 2007 versus an adjusted net income of $1,175,000 and basic earnings per share of $0.11 last year.

Liquidity and Capital Resources

Cash and cash equivalents at September 30, 2007, totaled approximately $2,698,000 and represented 17% of total assets of approximately $16,183,000. Current assets totaled approximately $3,654,000. Current liabilities totaled $1,789,000. Working capital was approximately $1,865,000 with a current ratio of 2.0 to 1 compared to approximately 1.2 to 1 in September 2006.

Cash provided by operating activities for the nine months ended September 30, 2007, totaled approximately $1,780,000 compared to cash provided of $1,306,000 during 2006. Cash flows provided by operating activities in 2007 were increased by net income of approximately $599,000, non-cash depreciation expense of approximately $569,000, stock based compensation of approximately $43,000 and by other net changes in asset and liability accounts and gain on the disposition of fixed assets of approximately $569,000 which mainly represent improved collections of accounts receivable and the removal of a restriction on certain assets as a result of our refinancing.

Net cash used in investing activities totaled approximately $1,302,000 for capital expenditures mainly for bingo hall renovations and leasehold improvements during the nine months ended September 30, 2007. This compared to net cash provided by investing activities of approximately $898,000 in 2006. In 2006, cash was used in the amount of approximately $286,000 for the purchase of capital assets and offset by the collection of a note receivable in the amount of approximately $1,184,000.

Cash used in financing activities in 2007 totaled approximately $329,000, compared to net cash used in financing activities in 2006 of approximately $1,019,000. During the first nine months of 2007, approximately $477,000 of cash proceeds were obtained through the sale of common stock, approximately $402,000 was obtained from our refinancing, $15,000 provided by exercised options and $1,223,000 was used for the payment of notes payable and legal settlement obligations. In 2006, approximately $204,000 of financing was obtained from proceeds from options exercised and the collection of subscription receivable and $1,223,000 was used for the payment of notes payable and legal settlements and capital lease obligations.

At September 30, 2007, we had approximately $16,183,000 in total assets with total liabilities of approximately $5,746,000 and approximately $10,437,000 of shareholders' equity. Total assets include approximately $2,698,000 in cash, $675,000 of net accounts receivable, other current assets of $281,000, $6,726,000 of net property and equipment, $5,612,000 of intangible assets, and

$191,000 of other assets. Total liabilities primarily consist of accounts payable of approximately $285,000 and notes payable obligations of approximately $3,685,000, legal settlement obligations of $677,000 and accrued and related-party liabilities of $1,099,000.

In 2007, 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.

Item 3. 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.

Based upon their evaluation, our management including the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15 d - 15(e) under the Securities Exchange Act) are effective, as of the end of the period covered by this report on Form 10-QSB, 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.

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2007, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

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 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 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of material pending legal proceedings, see Note 10 to the unaudited Consolidated Financial Statements included in Part I hereof, which Note 10 is incorporated herein by reference.

Item 6. Exhibits

31.1 Rule 31a-14(a) / 15d-14(a) Certifications

32.1 Section 1350 Certifications

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Littlefield Corporation

November 14, 2007

By:

/s/ JEFFREY L MINCH

Jeffrey L. Minch
President and Chief Executive Officer

/s/ RICHARD S. CHILINSKI

Richard S. Chilinski
Chief Financial Officer