LITTLEFIELD CORP
Form 10KSB
March 31, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2007

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 [X] 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 or any amendment to this Form 10-KSB. [_]

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

Issuer's revenues for its most recent fiscal year: $ 13,428,503

Aggregate market value of the issuer's common stock held by non-affiliates based on the last sales price as of March 5, 2008 $ 10,118,487

Number of shares of the issuer's common stock outstanding as of March 5, 2008 11,444,060

Documents Incorporated By Reference

The issuer's Proxy Statement for its annual meeting of stockholders to be held on May 21, 2008, is incorporated by reference in this Form 10-KSB 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

ITEM I: DESCRIPTION OF BUSINESS

Littlefield Corporation develops, owns and operates charitable bingo halls, and owns and operates party rental and catering companies. In our Entertainment division, 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.

CURRENT YEAR EVENTS:

During 2007, the Company devoted time and resources related to the growth and expansion into targeted geographic areas and continued efforts to resolve certain legal matters:

February 2007 - The Company announced the sale of 400,000 unregistered shares of its common stock to an institutional investor at a fifteen percent (15%) premium to the then current market price.

March 2007 - The Company entered into a term loan and refinanced certain debt. The refinancing provided approximately $400,000 of additional working capital for operations and acquisition activity.

August 2007 - The Company announced it acquired the stock of two Texas corporations who each own a commercial license to lease bingo premises. The acquisitions are complementary to the Company's current portfolio of Texas bingo licenses.

December 2007 - The Company announced it executed a definitive agreement to acquire a Florida bingo hall. The acquisition of a bingo hall in Pensacola, Florida was completed with an effective date of January 1, 2008.

Also during 2007, the Company continued efforts to resolve certain legal matters:

In February 2007, the case relating to the South Carolina Department of Revenue issuance of an administrative bingo violation alleging that the Company has an unlawful number of bingo promoter licenses was continued and removed from the docket for up to approximately 18 months and a partial summary judgment was granted dismissing named charities from the matter. 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.

July 2007 - A subsidiary of the Company 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"). 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

September 2007 - Several months before the scheduled trial date of the Furtney case, the defendant passed away. The Company has now substituted 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.

October 2007 - The Company resolved its Lubbock case by the payment by Littlefield of a total of $25,000 which was divided among the six plaintiffs. Neither Littlefield nor its subsidiaries admitted any liability or fault in connection with the settlement. The Company 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.

October 2007 - The Company announced two of its South Carolina bingo halls were damaged by fire. The two bingo halls are located in Goose Creek in the vicinity of Charleston, South Carolina and are known as Beacon Beach Bingo Hall and Beacon Bingo Hall. One hall was subsequently brought back into operations in December in a temporary location. Both halls began operations in late January 2008 at the original renovated location.

All of the legal matters are discussed more thoroughly in Item 3 - "Legal Proceedings", Item 6 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Consolidated Financial Statements".

PRINCIPAL 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-1, Midland-1, San Angelo-2 and San Antonio-1), three (3) are in Alabama (Montgomery-2 and Mobile-1), ten (10) are in South Carolina (Charleston-5, Georgetown-1, Goose Creek-1, Walterboro-1, Conway-1, and Aiken-1) and one (1) is in Florida in January 2008. The total segment comprised approximately 63% of our total revenues in 2007 versus 59% in 2006.

2. "Littlefield Hospitality" consists of Austin Tents and Events which was acquired in November 2000, Premiere Party Rental which was acquired in 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 36% of total revenues in 2007 compared to 40% in 2006.

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 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.

When we invest in a new start up bingo hall, we anticipate 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 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 or environmental changes beyond our ability to predict or control. In the past four years in Texas, we have purchased El Bingo Grande Bingo Hall, Bingo Idea, Bingo Barn and Strike It Rich in San Angelo. 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 Hall purchase has produced a cumulative 87% return since 2002. In 2002, we operated the hall for approximately one-half year and had a 6% return during this period, in 2003 a 16% return, in 2004 a 16% return, in 2005 a 15% return, in 2006 a 17% return and in 2007 a 17% 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 its potential. In the three months of 2005 that we operated the hall, it generated a 5% return and for 2006 it generated a 44% return. In 2007 we made an additional $450,000 investment at the location and earned a 29% return.

In 2007, our charitable bingo halls raised approximately $3,700,000 in charitable funding for those charities that operate in our bingo halls. We helped raise $290,000 for charities in South Carolina, $590,000 for charities in Alabama, and $2,820,000 for charities in Texas. Since 2001 our company has helped raise over $24 million for charity.

Competition: The charitable bingo market is a fragmented market, 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.

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 principal 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 jurisdictions and is permitted in others.

Regulation. In 2007, we operated 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 every day 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. Over the last three years, these combined businesses had average revenue of approximately

$4,800,000 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 some companies do offer catering services and party rentals, they do not offer the "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 fifteen (215) employees and five (5) directors, of which one is a full time employee. Of the current employment level, fourteen (14) are at our headquarters in Austin, Texas, twenty five (25) are engaged in bingo operations, and one hundred seventy six (176) are with Littlefield Hospitality. Littlefield Hospitality consists of forty nine (49) full time employees and one hundred twenty seven (127) 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, South Carolina and Florida 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 three 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	Status
Alabama	Mobile	Bingo Hall	Bingo Haven	Operating
	Montgomery	Bingo Hall	Winners	Operating
	Montgomery	Bingo Hall	Good Times	Operating
South Carolina	Charleston	(2) Bingo Halls (B&C)	Beacon	Operating
	Charleston	(2) Bingo Halls (B&C)	Lucky I	Operating
	Charleston	(1) Bingo Halls (C)	Shipwatch	Operating
	Georgetown	Bingo Hall	By George! Bingo	Operating
	Walterboro	Bingo Hall	Coverall Bingo	Operating
	Conway	Bingo Hall	Mill Pond Bingo	Operating

	Aiken	Bingo Hall	Tally Ho! Bingo	Operating
	Goose Creek	Bingo Hall	Galley Hall	Operating
Texas	Abilene	Bingo Hall	Ambler Bingo	Operating
	Abilene	Bingo Hall	Super Bingo	Operating
	Amarillo	Bingo Hall	Hi-Plains Bingo	Operating
	Amarillo	Bingo Hall	Goldstar II Bingo	Operating
	Amarillo	Bingo Hall	Grandview	Operating
	Austin	Corporate Headquarters	Corporate Hdqtrs	Occupied
	Austin	Bingo Hall	American Paradise	Operating
	Lubbock	Bingo Hall	Lucky Bingo	Operating
	Lubbock	Bingo Hall	Goldstar I Bingo	Operating
	Lubbock	Bingo Hall	Parkway Bingo	Operating
	McAllen	Bingo Hall	Americana I	Operating
	McAllen/San Juan	Bingo Hall	Triple City Bingo	Operating
	McAllen	Bingo Hall	El Bingo Grande	Operating
	Midland	Bingo Hall	Bingo Barn	Operating
	Odessa	Bingo Hall	Strike It Rich	Operating
	Austin	Warehouse	Premiere Party Rental	Operating
	Austin	Kitchen & Offices	Word of Mouth	Operating
	San Antonio	Bingo Hall	Blanco Bingo	Operating
	San Angelo	Bingo Hall	Strike It Rich	Operating
	San Angelo	Bingo Hall	Let It Ride	Operating
Florida	Pensacola	Bingo Hall	Town & Country	Operating

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:

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 initially sought recovery from Philip Furtney ["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 Furtney - Pondella Hall for Hire, Inc., and 800438 Ontario. Several months after the acquisition of the three centers, the Florida Attorney General obtained an indictment for alleged racketeering against two American Bingo subsidiaries that operated two of the centers and brought a civil proceeding against the same two subsidiaries and American Bingo based upon the same allegations. 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 successful in finally serving Furtney when he was in the United States in 2005 to attend related litigation.

Furtney passed away in September 2007, 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. Furtney's estate has now been substituted as the defendant and Littlefield intends to vigorously pursue the claim for all damages related to the purchase of the Florida centers from Furtney's estate, 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.

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

Plaintiff filed suit against the Corporation alleging breach of contract and violation of the Bingo Enabling Act ("Act"). The Corporation filed an answer denying all of the Plaintiff's claims. Plaintiff and the Corporation have reached a confidential settlement agreement, which amount is immaterial to the Company, and the parties have agreed to seek dismissal of the case.

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 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.

Texas Lottery Commission Notice of the Opportunity to Show Compliance.

Texas Charities, Inc., a subsidiary of the Company licensed by the Texas Lottery Commission ("Commission") as a commercial lessor pursuant to the Bingo Enabling 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 intended to initiate administrative disciplinary action against Texas Charities, Inc. because it believed that Texas Charities, Inc. violated the Act by improperly extending credit. On January 16, 2008, the Division amended the Notice to indicate that the Division also had reason to believe that Texas Charities, Inc. violated the Act by including a provision in its commercial lease agreement that required the lessee to sell certain bingo equipment to third parties under certain circumstances. Texas Charities, Inc. disputes the Division's interpretation of the Act and, if necessary, intends to exercise its opportunity to show compliance. However, if the matters cannot be settled with the Division, they may be referred to the State Office of the Administrative Hearings for a hearing.

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

Settled. 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.

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 the fiscal year covered by this report.

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 prices for our common stock for the periods indicated as reported on a daily basis by the OTC Bulletin Board.

2007:	High	Low	2006:	High	Low
First Quarter	$1.22	$0.81	First Quarter	$1.34	$0.47

Second Quarter	$1.27	$1.01	Second Quarter	$1.92	$1.10
Third Quarter	$1.40	$1.11	Third Quarter	$1.32	$1.01
Fourth Quarter	$1.50	$1.26	Fourth Quarter	$1.10	$0.79

High and low closing prices presented have been adjusted for a 20% stock dividend in April 2006.

Security Holders

As of March 5, 2008, our common stock was held by approximately 748 beneficial shareholders.

Dividends

We have not paid, and currently have no intention to pay, any cash dividends on our common stock. In the second quarter of 2006 we issued a stock dividend of 20% of our outstanding common stock.

Securities Authorized For Issuance Under Equity Compensation Plans

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance (c)
Equity compensation plans approved by security holders	617,910	0.74	1,391,474
Equity compensation plans not approved by security holders	NA	NA	NA
Total	617,910	0.74	1,391,474

Recent Sales of Unregistered Securities

In March 2007, the Company sold 400,000 unregistered shares of its common stock for proceeds of $476,560 to an institutional investor at a fifteen percent (15%) premium.

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

Overview

Our Company was formed in 1994 as a Delaware corporation to consummate the acquisition of charitable bingo centers and video gaming operations, and completed an initial public offering in December of 1994. We operate primarily through wholly owned subsidiaries in Texas, Alabama and South Carolina and have two operating segments - Littlefield Entertainment and Littlefield Hospitality. We intend to grow our business through acquisitions and the selective start up of charitable bingo halls in markets in which we currently operate and other attractive markets.

The statements in this Annual Report on Form 10-KSB relating to matters that are not historical facts, including, but not limited to statements found in this "Management Discussion and Analysis of Financial Condition and Results of Operations", are forward-looking statements that involve a number of risks and uncertainties. Factors that could cause actual future results to differ materially from those expressed in such forward-looking statements include, but are not limited to the impact of government regulation and taxation, customer attendance, spending, competition, general economic conditions, and other risks and uncertainties as discussed in this Annual Report.

Results of Operations

In 2007, the Company slightly exceeded last year's record revenue level and posted the second highest level of gross profit in the last five years.

Full year 2007 earnings included the effects of approximately $1,120,000 of notable items: $633,000 from renovating and reopening a hall in Texas and lower revenue from a major Hospitality customer, $430,000 of legal expenses and $57,000 of non-cash expenses for stock-based compensation. The legal expenses mainly include costs from our expansion plans and operations in South Carolina, Florida, Arkansas and Texas, settlement of a claim in Texas and our litigation with Furtney seeking recovery of prior settlements and other damages.

Full year 2006 earnings included approximately $493,000 of notable charges: $420,000 associated with legal settlements, $110,000 of non-cash expenses for stock-based compensation offset by an insurance claim and asset disposal of $37,000.

Revenues

The following table sets forth the Company's revenues by segment for 2007 compared to 2006:

	2007	2006	Change	% Change
Total Revenues	$ 13,429,000	$ 13,401,000	$ 28,000	0%
Entertainment	8,526,000	7,909,000	617,000	8%
Texas	5,372,000	4,954,000	418,000	8%
South Carolina	1,715,000	1,498,000	217,000	14%
Alabama	1,439,000	1,457,000	(18,000)	(1%)
Hospitality	4,854,000	5,419,000	(565,000)	10%
Other	$ 49,000	$ 73,000	$ (24,000)	NM

Total revenues for the Company slightly exceeded last year's record revenue level with Entertainment revenue increases offsetting lower Hospitality revenue levels. Entertainment revenue rose 8% largely reflecting strong performance in Texas and South Carolina. The Entertainment segment accounted for 63% of total revenues compared with 59% of total revenues in 2006. By state, Entertainment revenues for Texas, South Carolina and Alabama were 63%, 20%, and 17% of total Entertainment revenue respectively compared to 63%, 19% and 18% in 2006. Hospitality revenue decreased 10% from the prior year mainly reflecting lower activity with a major customer. Hospitality accounted for 36% of total revenues in 2007, compared to 40% of total revenues in 2006. Other revenue included other ancillary services and miscellaneous revenue not reported as segment revenue.

Costs and Expenses

Cost of services were approximately flat from the prior year despite costs associated with renovating and reopening a hall in Texas. The steady cost level, in conjunction with the approximate same year-over-year revenue level resulted in an approximate equivalent gross profit percent (gross profit as a percent of sales); 25.0% in 2007 compared to 25.2% in 2006. The table below summarizes gross profit by segment for 2007 and 2006:

	2007	2006	Change	% Change
Total Gross Profit	$ 3,357,000	$ 3,375,000	$ (18,000)	(1%)
Entertainment	3,491,000	3,283,000	208,000	6%
Hospitality	(183,000)	46,000	(229,000)	NM
Other	$ 49,000	$ 46,000	$ 3,000	NM

The equivalent gross profit margin can be attributed to management's concentration on cost containment throughout the organization in response to changes in differing segment revenue levels. The Entertainment gross profit as a percent to sales was 40.9% versus 41.5%, respectively, for 2007 and 2006. The 2007 Hospitality gross loss was attributable to the 10% decline in revenue from the prior year and losses on certain self-promotion events.

Direct salaries and other compensation were about equal to the prior year. Rent and utilities in 2007 were up approximately 4% 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 require payments of rent and a pro-rata share of real estate maintenance, taxes and insurance.

Other direct operating costs in 2007 were down 2% from the prior year, mainly due to improved receivable management with corresponding lower bad debt expense and lower subrentals in the Hospitality segment due to lower sales; these factors offset higher costs associated with the renovation and reopening of a hall in Texas and sundry other costs. The change in license expense was mainly a result of the timing of the payment of licenses.

Depreciation and amortization expense totaled approximately $792,000 ($676,000 Cost of Services plus $116,000 G&A) in 2007, an increase of about $36,000 from 2006. The increase is largely a result of capital spending associated with the implementation of the Company's Entertainment Destination strategy which encompasses bettering the infrastructure, interior environment, amenities and activities of the bingo centers in the Company's portfolio.

General and administrative expenses, excluding related depreciation expense, stock-based compensation expense and the noted legal expenses totaled approximately $2,050,000 in 2007, compared to approximately $1,711,000 in 2006, an increase of about $339,000. The increase mainly related to planned staff additions in the second half of last year. The 2007 noted legal expenses mainly included legal costs from our expansion plans and operations in South Carolina, Florida, Arkansas and Texas, settlement of a claim in Texas and our litigation with Furtney seeking recovery of prior settlements and other damages. The 2006 noted legal expenses mainly reflected legal and settlement expenses to settle two nine year old legal disputes.

Other income and expense was an expense of approximately $347,000 for 2007, compared to approximately $137,000 for 2006. Interest expense was up approximately $156,000 compared to 2006, reflecting the financing of legal settlements.

Our income tax expense for 2007 was approximately $79,000 compared to $96,000 in 2006, all of which is related to state income taxes. The higher effective tax rate reflects new tax code changes in Texas. The Company currently has a net operating loss available for carryover on its federal income taxes of approximately $6,700,000.

Net Income

We realized net income of approximately $300,000 in 2007; $0.03 per basic share and $0.03 per fully diluted share. Net income for 2006 was approximately $786,000; $0.07 per basic share and $0.07 per fully diluted share. The weighted average number of basic Common Stock shares outstanding totaled 11,228,255 in 2007 compared to 10,726,972 in 2006. The increase in basic shares outstanding mainly represents the private placement of 400,000 shares to an institutional investor at a 15% premium.

Full year 2007 earnings included the effects of approximately $1,120,000 of notable items: $633,000 from renovating and reopening a hall in Texas and lower revenue from a major Hospitality customer, $430,000 of legal expenses and $57,000 of non-cash expenses for stock-based compensation. The legal expenses mainly include costs from our expansion plans and operations in South Carolina, Florida, Arkansas and Texas, settlement of a claim in Texas and our litigation with Furtney seeking recovery of prior settlements and other damages.

Full year 2006 earnings included approximately $493,000 of notable charges: $420,000 associated with legal settlements, $110,000 of non-cash expenses for stock-based compensation offset by an insurance claim of $37,000.

Adjusted for the noted items above, the adjusted net income was approximately $1,420,000 and basic earnings per share were $0.13 per share in 2007 versus an adjusted net income of $1,279,000 and basic earnings per share of $0.12 last year excluding the noted items in 2006.

Liquidity and Capital Resources

Cash and cash equivalents at December 31, 2007, totaled approximately $1,966,000 and represented 12% of total assets of approximately $15,788,000. Current assets totaled approximately $3,040,000 at December 31, 2007. Current liabilities totaled $1,722,000. Working capital was approximately $1,318,000 and a current ratio of 1.8 to 1.

The Company has notes and legal settlement payables coming due in the next twenty four months amounting to $427,000 in 2008 and $476,000 in 2009.

Debt/Lease Schedule	12 months 2008	24 Months 2009	36 Months 2010	48 Months 2011	60 Months 2012	Thereafter	Totals
Notes Payable	$ 195,517	$ 210,462	$ 587,333	$ 2,064,486	$ 580,651	$ ----	$ 3,638,449
Legal Settlements	$ 231,272	265,813	97,151	---	---	---	$ 594,236
Operating Leases	$1,555,914	$1,252,890	$ 980,966	$ 785,307	$ 331,205	$423,066	$ 5,329,348
Obligations	$1,982,703	$1,729,165	$1,665,450	$ 2,849,793	$ 911,856	$423,066	$ 9,562,033

Effective January 2008, the Company commenced operations of its hall in Florida; associated with this hall is an operating lease of approximately $52,000 per year through 2014.

Cash provided by operating activities for 2007 totaled approximately $1,920,000 compared to cash provided of $1,796,000 during 2006. Cash flows provided by operating activities in 2007 were increased by net income of approximately $300,000, non-cash depreciation expense of approximately $792,000, stock-based compensation of approximately $57,000, and other net changes in asset and liability accounts of approximately $771,000 mainly from improved receivables management.

Net cash used in investing activities totaled approximately $1,718,000 for 2007, compared to net cash provided by investing activities of approximately $723,000 for 2006. In 2007, cash was used in the amount of approximately $1,648,000 for the purchase of capital assets mainly related to the Company's Entertainment Destination strategy. In 2007, the Company also purchased additional licenses for future expansion. In 2006, cash was used in the amount of approximately $454,000 for the purchase of capital assets and offset by the collection of a note receivable in the amount of approximately $1,177,000.

Cash used in financing activities in 2007 totaled approximately $786,000, compared to net cash used in financing activities in 2006 of approximately $589,000. In 2007 approximately $1,739,000 of cash was used for the payment of notes, related party and legal settlements payable. This was partially offset by $953,000 of funding received by refinancing certain loans and proceeds from the sale of common stock and options exercised. In 2006, approximately $1,785,000 of financing was obtained through a bank note payable and $204,000 was provided by proceeds from option exercises and the collection of a subscription receivable.

This was offset by $2,414,000 of cash used for the payment of capital leases, notes payable and legal settlements and $164,000 for net payments to related parties.

At December 31, 2007, we had approximately $15,788,000 in total assets with total liabilities of approximately $5,576,000 and approximately $10,212,000 of shareholders' equity. Total assets include approximately $1,966,000 in cash, $1,074,000 of other current assets and net account receivables, $6,927,000 of net property and equipment, $5,604,000 of intangible assets, and $217,000 of other assets. Total liabilities primarily consist of accounts payable of approximately $232,000, and notes payable obligations of approximately $3,639,000, legal settlement obligations of $594,000 and accrued and related-party liabilities of $1,111,000.

In 2008, 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.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS 157, Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This pronouncement applies under other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurement. In February 2008, the FASB issued FASB Staff Position (FSP) SFAS 157-2 delaying the effective date of SFAS 157, except of items that are recognized or disclosed at fair value in the financial statements at least annually. FSP SFAS 157-2 deferred the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. We will be required to adopt SFAS 157 in the first quarter of fiscal year 2009. We are currently evaluating the requirements of SFAS 157 and have not yet determined the impact on our consolidated financial statements.

In March 2006, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (that is, Gross versus Net Presentation). Taxes within the scope of EITF Issue 06-3 include any taxes assessed by a governmental authority that are directly imposed on a revenue-producing transaction between a seller and a customer and may include, but are not limited to, sales taxes, use taxes, value-added taxes, and some excise taxes. The EITF concluded that the presentation of these taxes on either a gross (included in revenues and costs) or a net (excluded from revenue) basis is an accounting policy decision that should be disclosed. For any such taxes that are reported on a gross basis, a company should disclose the amounts of those taxes in interim and annual financial statements. Our policy is to exclude all such taxes from revenue. The provisions of EITF 06-3 are effective for interim and annual reporting periods beginning after December 15, 2006. The adoption of EITF 06-3 did not have any effect on our consolidated financial statements.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement 115. This standard permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. We will be required to adopt SFAS 159 in the first quarter of fiscal year 2008. We do not expect the adoption of SFAS 159 to have a significant impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS 141 (revised 2007), Business Combinations. This standard continues use of the acquisition method of accounting (which Statement 141 called the purchase method) for all business combinations and for an acquirer to be identified for each combination. SFAS 141 (revised 2007) requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions specified in the Statement. The Statement requires acquisition-related costs to be recognized separately from the acquisition. The Statement amends SFAS 109, Accounting for Income Taxes to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending upon the circumstances. We will be required to adopt SFAS 141 (revised 2007) prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. We are currently evaluating the requirements of SFAS 141 (revised 2007) and have not yet determined the impact on our consolidated financial statements.

Item 7 - Financial Statements

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

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

There are no disagreements with Accountants on Accounting and Financial Disclosure.

During the year, the Company's auditors merged with the firm of Padgett, Stratemann & Co., LLP. On November 6, 2007, the audit committee of Littlefield Corporation approved a mutual agreement with the Company's independent auditor, Sprouse & Anderson, LLP, to terminate Sprouse & Anderson's engagement as the Company's independent auditor and to engage Padgett, Stratemann & Co., LLP as the Company' s new auditor. Sprouse & Anderson merged with the firm of Padgett, Stratemann & Co., LLP. and thus agreed to resign as the Company's auditor. At the same time, the Company's audit committee approved the engagement of Padgett, Stratemann & Co., LLP as the new auditor and expects to maintain a continuity of auditing experience and personnel.

At the time of terminating the audit engagement, there were no disagreements between the company and Sprouse & Anderson on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to Sprouse & Anderson's satisfaction, would have caused it to make reference to the subject matter of the disagreement in connection with its report. Sprouse & Anderson reported on the Company's financial statements for the fiscal years from 1999 through 2006.

The auditor's reports on the financial statements of the Company during the two most recent fiscal years contained no adverse opinion or disclaimer of opinion and were not modified as to uncertainty, audit scope, or accounting principles.

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.

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-KSB, 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.

Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed our internal control over financial reporting as of December 31, 2007, which was the end of our fiscal year. Management based its assessment on criteria established in the SEC Commission's Guidance Regarding Management's Report on Internal Control Over Financial Reporting Under Section 13(a) or 15(d) of the Securities Exchange Act of 1934. The guidance sets forth an approach by which management can conduct a top-down, risk-based evaluation of internal control over financial reporting. Management's assessment included an evaluation of risks to reliable financial reporting, whether controls exist to address those risks and evaluated evidence about the operation of the controls included in the evaluation based on its assessment of risk.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. We reviewed the results of management's assessment with the Audit Committee of our Board of Directors.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 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 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 to be held on May 21, 2008, which proxy statement will be filed with the Securities and Exchange Commission no later than April 25, 2008, is incorporated herein by reference.

Item 10 - Executive Compensation

In response to this item, the information included in our proxy statement for the annual meeting of stockholders to be held on May 21, 2008, which proxy statement will be filed with the Securities and Exchange Commission no later than April 25, 2008, 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 to be held on May 21, 2008, which proxy statement will be filed with the Securities and Exchange Commission no later than April 25, 2008, 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 to be held on May 21, 2008, which proxy statement will be filed with the Securities and Exchange Commission no later than April 25, 2008, is incorporated herein by reference.

Item 13 - Exhibits

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*	2002 Stock Option Plan (incorporated by reference to Exhibit of the Definitive Proxy Statement Schedule 14A, filed with the SEC on March 22, 2002).
10.2*	2002 Employee Stock Purchase Plan (incorporated by reference to Exhibit of the Definitive Proxy Statement Schedule 14A, filed with the SEC on March 22, 2002).
22.1	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.

Item 14 Principal Accountant Fees and Services

Audit Fees
The aggregate fees billed to the Company by Padgett Stratemann & Co. LLP 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, 2007 and 2006 totaled $60,000 and $67,800 respectively. In addition, $9,775 was incurred in 2007 for other services and $41,500 was incurred in connection with restatements during 2006.

Tax Fees
The aggregate fees billed to the Company by Padgett Stratemann & Co. LLP for services rendered to the Company during the fiscal years ended December 31, 2007 and 2006 for tax compliance, tax advice or tax planning was $30,393 and $25,225 respectively.

It is the audit committee's policy to pre-approve all services provided by Padgett Stratemann & Co. LLP. All services provided by Padgett Stratemann & Co. LLP during the years ended December 31, 2007 and 2006 were pre-approved by the audit committee.

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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: March 31, 2008

LITTLEFIELD CORPORATION
(Registrant)

By: /s/ Jeffrey L. Minch
Jeffrey L. Minch
President and CEO

By: /s/ Richard S. Chilinski
Richard S. Chilinski
Chief Financial Officer

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	March 31, 2008
/s/Carlton Williams Carlton Williams	Chairman of the Board	March 31, 2008
/s/Lanny Chiu Lanny Chiu	Director	March 31, 2008
/s/Alfred Stanley Alfred Stanley	Director	March 31, 2008
/s/Michael Wilfley Michael Wilfley	Director	March 31, 2008

LITTLEFIELD CORPORATION & SUBSIDIARIES

DECEMBER 31, 2007

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
of Littlefield Corporation

We have audited the accompanying consolidated balance sheet of Littlefield Corporation (the "Company") as of December 31, 2007, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the two-year period ended December 31, 2007. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 as of December 31, 2007, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

Padgett Stratemann & Co. LLP

Austin, Texas

March 25, 2008

Littlefield Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2007

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 1,965,624
Accounts receivable, net of allowance for doubtful accounts of $126,309	519,845
Other current assets	549,194
Note Receivable	5,103
Total Current Assets	3,039,766
Property and Equipment - at cost, net of accumulated depreciation and amortization	6,926,559
Other Assets:	
Goodwill	4,905,111
Intangible assets, net	699,196
Other non-current assets	217,615
Total Other Assets	5,821,922
TOTAL ASSETS	$ 15,788,247
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Long term debt, current portion	$ 195,517
Long term debt, legal settlements, current portion	231,272
Trade accounts payable	232,339
Accrued expenses	1,063,053
Total Current Liabilities	1,722,181
Long-term Liabilities:	
Long term debt, net of current portion	3,442,932
Long term debt, legal settlements	362,964
Other liabilities, related party	48,000
Total Long-term Liabilities	3,853,896
Total Liabilities	5,576,077
Stockholders' Equity:	
Common stock, $0.001 par value, (authorized 20,000,000 shares, issued 12,344,139 shares, outstanding 11,444,060 shares)	12,344
Additional paid-in-capital	23,710,845
Treasury stock - 900,079 shares, at cost	(1,146,638)

Accumulated deficit	(12,364,381)
Total Stockholders' Equity	10,212,170
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 15,788,247

See notes to consolidated financial statements

Littlefield Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31, 2007	2006
REVENUES:		
Entertainment	$ 8,525,393	$ 7,908,508
Hospitality	4,853,729	5,419,063
Other	49,381	73,601
TOTAL REVENUES	13,428,503	13,401,172
DIRECT COSTS AND EXPENSES:		
Direct salaries and other compensation	3,146,941	3,140,899
Rent and utilities	2,605,054	2,514,104
Other direct operating costs	3,543,600	3,614,513
Depreciation and amortization	675,943	644,996
License expense	100,261	111,260
TOTAL COSTS AND EXPENSES	10,071,799	10,025,772
GROSS MARGIN	3,356,704	3,375,400
GENERAL AND ADMINISTRATIVE EXPENSES:		
Salaries and other compensation	1,240,721	884,310
Legal and accounting fees	539,680	309,671
Reserve for legal settlements	---	358,000
Depreciation and amortization	116,403	111,112
Share-based compensation expense	57,244	109,980
Other general and administrative	700,344	579,679
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	2,654,392	2,352,752
GAIN (LOSS) ON DISPOSITION OF FIXED ASSETS	23,100	(3,189)
OPERATING INCOME	725,412	1,019,459
OTHER INCOME AND EXPENSES:		

Interest and investment income	103,824	114,197
Interest expense	(445,983)	(289,022)
Other income (expense)	(4,398)	37,527
TOTAL OTHER INCOME AND EXPENSES	(346,557)	(137,298)
INCOME BEFORE INCOME TAXES		
INCOME TAXES iPROVISION FOR INCOME TAXES	378,855	882,161
PROVISION FOR INCOME TAXES	78,670	96,411
NET INCOME	300,185	785,750
OTHER COMPREHENSIVE (LOSS), Net of Tax of $0 and $0	4,713	(2,613)
NET COMPREHENSIVE INCOME	$ 304,898	$ 783,137

See notes to consolidated financial statements

Littlefield Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

	Years Ended December 31, 2007	2006
EARNINGS PER SHARE:		
Basic earnings per share	$ 0.027	$ 0.073
Diluted earnings per share	$ 0.026	$ 0.073
Weighted average shares outstanding - basic	11,228,255	10,726,972
Weighted average shares outstanding - diluted	11,484,597	10,835,611

See notes to consolidated financial statements

Littlefield Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Description	-Common Stock- Shares	Value	Additional Paid-in Capital	Treasury Stock	Subscriptions Receivable	Accumu Defi
Balance at December 31, 2005	8,689,355	$10,177	$ 23,531,770	($ 1,892,707)	$ (46,000)	($ 13,4
Stock dividend	1,767,249	1,767	(1,767)			
Stock-based compensation			109,980			
Issuance of treasury stock pursuant to employee stock purchase plan and employee 401K deferrals	41,337		(24,405)	52,498		
Collection of subscription receivable					46,000	
Options exercised by employees	320,000		(248,400)	406,400		
Comprehensive income for the year ended 12/31/06						
Net income for the year ended 12/31/06						7
Balance at December 31, 2006	10,817,941	$11,944	$ 23,367,178	($ 1,433,809)	$ ---	($ 12,6
Sale of common stock	400,000	400	476,160			
Stock-based compensation			57,244			
Issuance of treasury stock pursuant to employee stock purchase plan and employee 401K deferrals	37,868		(25,343)	48,092		
Stock dividend adjustment	42,595		(54,096)	54,096		
Options exercised by employees	145,656		(110,298)	184,983		
Comprehensive income						
Net income for the year ended 12/31/07						3
Balance December 31, 2007	11,444,060	$12,344	$ 23,710,845	($ 1,146,638)	$ ---	($ 12,3

Littlefield Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2007	2006

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 300,185	$ 785,750
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	792,346	756,108
Bad debt allowance and write-offs	---	100,357
Stock based compensation expense	57,244	109,980
(Gain)/loss on sale of investment assets	4,398	---
(Gain)/loss on disposal of property and equipment	(23,100)	16,913
Increase (decrease) in cash flows as a result of changes in asset and liability account balances:		
Accounts receivable	568,895	2,925
Prepaid expenses and other assets	61,640	505,079
Trade accounts payable	(32,298)	(161,027
Accrued expenses and other liabilities	190,536	(319,772
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,919,846	1,796,313
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of securities	3,741	---
Purchase of property and equipment	(1,647,987)	(453,870
Purchase of goodwill/intangibles	(105,000)	---
Proceeds from sale of property and equipment	29,252	---
Proceeds from repayment of note receivable, net	2,088	1,177,023
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	(1,717,906)	723,153
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable, settlements and capital leases	(1,353,027)	(2,413,717
Payments on related party liabilities	(386,058)	(164,197
Proceeds from note payable	401,958	1,785,042
Proceeds from options exercised	74,685	158,000
Proceed from sale of common stock	476,560	---
Collection of subscription receivable	---	46,000
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES	(785,882)	(588,872
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(583,942)	1,930,594
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,549,566	618,972
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,965,624	$ 2,549,566

See notes to consolidated financial statements

Littlefield Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2007	2006
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments:		
Interest	$ 430,393	$ 256,893
Income taxes	$ 92,285	$ 120,712
Non-cash transactions:		
Issuance of treasury stock under deferred compensation plan	$ 5,388	$ 14,133
Issuance of treasury stock under employee stock purchase plan	$ 17,361	$ 13,960

See notes to consolidated financial statements

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

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 amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

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 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 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 at its net realizable value of $1,184,214.

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. 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:

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 2007, the Company had advertising expenses of approximately $158,000 compared to approximately $99,000 in 2006.

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.

Since 2002, goodwill and intangible assets with indefinite lives are no longer amortized. These indefinite-lived 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 seven (7) 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 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.

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 amortization.

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 and recognizes revenue when earned and collectability is probable:

(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 when realizable. Revenues that are generated by amounts, such as customer attendance, are recognized in the month they are earned and collectability is probable.

(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.

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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 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:

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. SFAS 123R also requires the cash flows resulting from the tax benefits from tax deductions in excess of the compensation cost recognized (excess tax benefits) to be classified as financing cash flows. Prior to the effective date of SFAS 123R, we applied Accounting Principles Board Opinion 25 ("APB 25"), Accounting for Stock Issued to Employees and related interpretations for our stock option grants. APB 25 provides that the compensation expense relative to our stock options is measured based on the intrinsic value of the stock option at date of grant.

The Company recorded approximately $57,000 and $110,000 in compensation expense in the periods ended December 31, 2007 and December 31, 2006 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. Information related to the assumptions used in this model is set forth in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006. No options were issued for the fiscal year ended December 31, 2007.

As of December 31, 2007, the Company had $57,276 of total unrecognized compensation cost related to stock options which is expected to be recognized over a weighted average period of one year. Treasury stock is issued upon stock option exercises.

Comprehensive Income:

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

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS 157, Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This pronouncement applies under other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurement. In February 2008, the FASB issued FASB Staff Position (FSP) SFAS 157-2 delaying the effective date of SFAS 157, except of items that are recognized or disclosed at fair value in the financial statements at least annually. FSP SFAS 157-2 deferred the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. We will be required to adopt SFAS 157 in the first quarter of fiscal year 2009. We are currently evaluating the requirements of SFAS 157 and have not yet determined the impact on our consolidated financial statements.

In March 2006, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (that is, Gross versus Net Presentation). Taxes within the scope of EITF Issue 06-3 include any taxes assessed by a governmental authority that are directly imposed on a revenue-producing transaction between a seller and a customer and may include, but are not limited to, sales taxes, use taxes, value-added taxes, and some excise taxes. The EITF concluded that the presentation of these taxes on either a gross (included in revenues and costs) or a net (excluded from revenue) basis is an accounting policy decision that should be disclosed. For any such taxes that are reported on a gross basis, a company should disclose the amounts of those taxes in interim and annual financial statements. Our policy is to exclude all such taxes from revenue. The provisions of EITF 06-3 are effective for interim and annual reporting periods beginning after December 15, 2006. The adoption of EITF 06-3 did not have any effect on our consolidated financial statements.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement 115. This standard permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. We will be required to adopt SFAS 159 in the first quarter of fiscal year 2008. We do not expect the adoption of SFAS 159 to have a significant impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS 141 (revised 2007), Business Combinations. This standard continues use of the acquisition method of accounting (which Statement 141 called the purchase method) for all business combinations and for an acquirer to be identified for each combination. SFAS 141 (revised 2007) requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions specified in the Statement. The Statement requires acquisition-related costs to be recognized separately from the acquisition. The Statement amends SFAS 109, Accounting for Income Taxes to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending upon the circumstances. We will be required to adopt SFAS 141 (revised 2007) prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. We are currently evaluating the requirements of SFAS 141 (revised 2007) and have not yet determined the impact on our consolidated financial statements.

NOTE 2 - MATERIAL ACQUISITIONS, OPENINGS, CLOSINGS AND REORGANIZATIONS

2007

In August 2007 the Company announced it acquired the stock of two Texas corporations who each own a commercial license to lease bingo premises. The acquisitions are complementary to the Company's current portfolio of Texas bingo licenses which are classified as intangible assets.

In December 2007 the Company announced it executed a definitive agreement to acquire a Florida bingo hall. The acquisition of a bingo hall in Pensacola, Florida was completed with an effective date of January 1, 2008.

2006

In August, 2006, the Company announced development of a new Texas Bingo hall in San Angelo, Texas adjacent to its hall purchased in 2005. The Hall is planned to open in Q1 2008.

The items above, while not necessarily meeting the thresholds of materiality to the Company, are included in the interest of full disclosure.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2007 consists of the following:

Land	$ 740,467
Buildings	3,404,348
Building and leasehold improvements	4,756,267
Bingo, and rental equipment	1,989,605
Equipment, furniture and fixtures	2,604,406
Automobiles	468,626
	13,963,719
Less: Accumulated depreciation and amortization	(7,037,160)
Property and equipment, net	$ 6,926,559

Depreciation and amortization expense charged to operations for the years ended December 31, 2007 and 2006 was $792,346 and $756,108 respectively.

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NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill at December 31, 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 December 31, 2007	$ 4,533,727	$ 371,384	$ 4,905,111

Intangible assets at December 31, 2007 consists of the following:

	Gross Carrying Amount	Accumulated Amortization	Total
Intangible Assets with Indefinite Lives:			
Bingo licenses	$ 694,719	$ (51,974)	$ 642,745
Intangible Assets with Finite Lives:			
Covenants not to compete	$ 297,500	$ (241,049)	$ 56,451
Intangible Assets, Net of Accumulated Amortization			$ 699,196

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

Year	Amount
2008	$ 29,500
2009	17,951
2010	9,000
Thereafter	---
Total	$ 56,451

NOTE 5 - 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, 2007 and 2006, 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 6 - LONG-TERM DEBT

Long-term debt at December 31, 2007 consist of the following:

Note payable to a bank, due in monthly installments of approximately $22,000 including interest at prime plus 0.5%, maturing March 2011, secured by real estate	$2
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	
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 $1,519, including interest at 5%, maturing March 2012, secured by bingo hall business	
	3
Less current maturities	(
Long-term debt, net of current portion	$3

Long-term debt, legal settlements at December 31, 2007 consist of the following:

Installments to a third party, due monthly in the amount of $25,000, including interest at 14%, maturing through July 2010, unsecured	$
Less current maturities	(
Long-term debt, net of current portion	$

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Payments of notes payable and long term debt, legal settlements for each of the next five fiscal years and thereafter are as follows:

Years Ending December 31,	Notes Payable	Legal Settlements	Total
2008	195,517	231,272	426,789
2009	210,462	265,813	476,275
2010	587,333	97,151	684,484
2011	2,064,486	---	2,064,486

2012	580,651	---	580,651
Thereafter	---	---	---
	$3,638,449	$ 594,236	$4,232,685

Interest expense for the years ended December 31, 2007 and 2006 were approximately $446,000 and $289,000 respectively.

NOTE 7 - OBLIGATIONS UNDER CAPITAL LEASES

The Company did not enter into any new capital leases in 2007 and paid off its capital lease obligations during 2006.

NOTE 8 - 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, accrued liabilities, notes and legal settlements payable and other liabilities are carried at amounts that reasonably approximate their fair values.

NOTE 9 - 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 2007 and 2006 is as follows:

	2007	2006
Expected income tax (benefit)	$ 128,811	$ 299,935
Amounts not deductible for federal income tax purposes	14,597	3,514
State income taxes, net of federal income tax	51,922	96,411
Change in valuation allowance	(116,660)	(303,449)
	$ 78,670	$ 96,411

The provision for income taxes consists of the following:

	2007	2006
Current year income taxes:		

Federal	$ -0-	$ -0-
State	78,670	96,411
Deferred income taxes:		
Federal	-0-	-0-
State	-0-	-0-
	$ 78,670	$ 96,411

Deferred tax assets and liabilities as of December 31, 2007 are as follows:

	2007	2006
Deferred tax asset	$ 4,413,171	$ 4,529,831
Deferred tax liability	---	---
Valuation allowance for deferred tax asset	(4,413,171)	(4,529,831)
Net deferred tax asset	$ -0-	$ -0-

The components of deferred tax assets at December 31, 2007 and 2006 are as follows:

Deferred tax asset	2007	2006
Net operating loss carryforward	$ 2,851,669	$ 2,662,287
Depreciation	484,302	644,040
Allowance for doubtful accounts	49,260	70,156
Accrued expenses	963,415	1,133,277
Capital Loss carryforward	20,071	20,071
Other	44,454	---
Net deferred tax asset	$ 4,413,171	$ 4,529,831

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 for tax purposes, the deferred tax asset has been allowed for as it does not meet the "more likely than not" recognition criteria.

At December 31, 2007, the Company has net operating loss carry forwards for federal income tax purposes of approximately $6.7 million that begin expiring in the year 2015.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 (FIN 48) on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes, by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. If a tax position is more likely than not to be sustained upon examination, then an enterprise would be required to recognize in its financial statements the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. As a result of our implementation of FIN 48 at the time of adoption and as of December 31, 2007, the Company did not recognize a liability for uncertain tax positions. We do not expect our unrecognized tax benefits to change significantly over the next twelve months. The tax years 2003 through 2007 remain open to examination by the taxing jurisdictions in which we file income tax returns.

NOTE 10 - STOCKHOLDERS' EQUITY

The Company acquired, prior to 2002, 2,159,100 shares of its common shares for $2,337,385 under the current stock buyback program (See Note 14). The average price to repurchase these shares was $1.27 and at December 31, 2007 the Company held 900,079 treasury shares.

In 2007 the Company sold 400,000 shares of its common stock for cash of $476,560. The Company issued 37,868 shares of treasury stock under the Employee Stock Purchase Plan and 401K Plan at a cost of $22,749. The Company issued 145,656 shares of treasury stock under options exercised by employees for cash of $74,685. The Company issued 42,595 shares of its stock for stock dividend adjustments. In addition, the Company recognized additional compensation expense of $57,244 related to stock-based compensation.

In 2006 the Company issued 1,767,249 shares of its stock as a stock dividend. The Company issued 41,337 shares of treasury stock under the Employee Stock Purchase Plan and 401K Plan at a cost of $28,093. The Company issued 320,000 shares of treasury stock under options exercised by employees for cash of $158,000. The Company received payment of $46,000 for a subscription receivable. In addition, the Company recognized additional compensation expense of $109,980 related to stock-based compensation.

NOTE 11 - EARNINGS PER SHARE

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

	2007		2006	
Numerator:	Basic	Diluted	Basic	Diluted
Net income	$ 300,185	$ 300,185	$ 785,750	$ 785,75
Net income available to common stockholders	$ 300,185	$ 300,185	$ 785,750	$ 785,75
Denominator:				

Weighted average shares outstanding	11,228,255	11,228,255	10,726,972	10,726,97
Effect of dilutive securities:				
Stock options and warrants	---	256,342	---	108,63
Weighted average shares outstanding	11,228,255	11,484,597	10,726,972	10,835,61
Earnings per share	$ 0.03	$ 0.03	$ 0.07	$ 0.0

Stock options to acquire 60,000 and 94,500 shares for the year ended December 31, 2007 and 2006, respectively, were excluded in the computation of diluted earnings per share because the effect of including the stock options would have been anti-dilutive.

NOTE 12 - ACCOUNTING FOR STOCK BASED COMPENSATION

The Company applies FASB Statement of Financial Accounting Standards No. 123R (Revised 2004), Share Based Payment, using the modified prospective method of implementation, whereby the prospective method records the compensation expense from the implementation date forward, however leaves prior periods recorded in accordance with APB Opinion No. 25 Accounting for Stock Issued to Employees ("APB 25") in accounting for its stock options. At December 31, 2007, 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 3,600,000 common shares, as adjusted for the 20% stock dividend in 2006, over ten years from the date of each plan's approval. In addition, the plans allow for additional increases of 15% of the then outstanding shares each year through 2008.

At December 31, 2007, a total of 617,910 options were outstanding under these plans.

	Employee Stock Plans	
	Options	Weighted Average Exercise Price
Outstanding at 12/31/05	1,101,555	$ 1.13
Granted	141,011	0.16
Exercised	(320,000)	0.49
Forfeited	(159,000)	3.62
Outstanding at 12/31/06	763,566	$ 0.70
Granted	---	---
Exercised	(145,656)	0.51
Forfeited	(---)	---
Outstanding at 12/31/07	617,910	$ 0.74

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The fair value of options issued during 2007 and 2006 were approximately $0 and $9,000, respectively. The 141,011 options granted in 2006 includes the affect of the stock dividend issued on employee stock plans of 126,011 options and 15,000 options granted at a weighted average exercise price of $1.46.

The following table summarizes information about options outstanding at December 31, 2007 and 2006 under the Employee Stock Plan adjusted for the 2006 stock dividend:

		Options Outstanding			Options Exercisable	
	Range of Exercise Prices	Number Outstanding	Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price	Number Exercisable	Weighted Avg. Exercise Price
2007:	$2.83 - 4.23	---	---	---	---	---
	$1.88 - 2.82	60,000	0.1 years	$2.74	60,000	$2.74
	$1.26 - 1.87	16,500	8.4 years	$1.32	16,500	$1.32
	$0.00 - $1.25	541,410	6.8 years	$0.51	304,410	$0.50
		617,910	6.2 years	$0.74	380,910	$0.89
2006:	$2.83 - 4.23	---	---	---	---	---
	$1.88 - 2.82	60,000	1.1 years	$2.74	60,000	$2.74
	$1.26 - 1.87	16,500	9.4 years	$1.32	16,500	$1.32
	$0.00 - $1.25	687,066	7.8 years	$0.51	450,066	$0.51
		763,566	7.3 years	$0.70	526,566	$0.79
	Aggregate intrinsic value	$524,669			$297,149	

Aggregate intrinsic value represents the value of the Company's closing stock price on the last trading day of the year in excess of the exercise price multiplied by the number of options outstanding or exercisable. The total intrinsic value of options exercised during the years ended December 31, 2007 and 2006 was $130,481 and $325,575, respectively.

NOTE 13 - RELATED PARTY TRANSACTIONS

In 2002, the Company's President and CEO 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 $24,376 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 $24,000 and $24,000 of deferred compensation in 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 2006 the President was paid interest in the amount of $7,131. The note was paid in full in December 2006.

NOTE 14 - 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
2008	$1,555,914
2009	1,252,890
2010	980,966
2011	785,307
2012	331,205
Thereafter	423,066
Total minimum annual rentals	$5,329,348

Rent expense for the years ended December 31, 2007 and 2006 amounted to approximately $1.9 million and $1.8 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
2008	93,600
2009	93,600
2010	93,600
2011	93,600
2012	93,600
Thereafter	218,400

Total minimum annual rentals	$686,400

(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.

The Company is obligated to make payments over approximately the next two and one-half years in settlement of litigation that was concluded in prior periods. At December 31, 2007, the carrying value of these obligations was $594,236. 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 initially sought recovery from Philip Furtney ["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 Furtney - Pondella Hall for Hire, Inc., and 800438 Ontario. Several months after the acquisition of the three centers, the Florida Attorney General obtained an indictment for alleged racketeering against two American Bingo subsidiaries that operated two of the centers and brought a civil proceeding against the same two subsidiaries and American Bingo based upon the same allegations. 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 successful in finally serving Furtney when he was in the United States in 2005 to attend related litigation.

NOTE 14 - COMMITMENTS AND CONTINGENCIES.

Furtney passed away in September 2007, 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. Furtney's estate has now been substituted as the defendant and Littlefield intends to vigorously pursue the claim for all damages related to the purchase of the Florida centers from Furtney's estate, 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.

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

Plaintiff filed suit against the Corporation alleging breach of contract and violation of the Bingo Enabling Act ("Act"). The Corporation filed an answer denying all of the Plaintiff's claims. Plaintiff and the Corporation have reached a confidential settlement agreement, which amount is immaterial to the Company, and the parties have agreed to seek dismissal of the case.

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 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.

Texas Lottery Commission Notice of the Opportunity to Show Compliance.

Texas Charities, Inc., a subsidiary of the Company licensed by the Texas Lottery Commission ("Commission") as a commercial lessor pursuant to the Bingo Enabling 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 intended to initiate administrative disciplinary action against Texas Charities, Inc. because it believed that Texas Charities, Inc. violated the Act by improperly extending credit. On January 16, 2008, the Division amended the Notice to indicate that the Division also had reason to believe that Texas Charities, Inc. violated the Act by including a provision in its commercial lease agreement that required the lessee to sell certain bingo equipment to third parties under certain circumstances. Texas Charities, Inc. disputes the Division's interpretation of the Act and, if necessary, intends to exercise its opportunity to show compliance. However, if the matters cannot be settled with the Division, they may be referred to the State Office of the Administrative Hearings for a hearing.

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Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

NOTE 14 - 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.

Settled. 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.

(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 2007 or 2006.

(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, 2007, cash in banks exceeded FDIC coverage by approximately $232,000.

(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 2007 employees were allowed to defer up to 90% of their wages to a maximum of $15,500, 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, 2007 and 2006, 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, 2007, 175,019 shares have been purchased through this program. Of the shares purchased 21,619 shares were purchased in 2007 and 26,984 in 2006.

During 2006, the Company renewed and modified its employment agreement with its President and CEO to extend through December 31, 2008. Should the Company terminate the employment agreement without cause, the Company would be liable for salary compensation of $200,000, the acceleration of unvested stock-based compensation, deferred compensation of $48,000 and the payment of other stated benefits earned in cash.

NOTE 15 - 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 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 is as follows:

Year Ended December 31, 2007

	Entertainment	Hospitality	Adjustment	Consolidated
Revenue	$ 8,526,000	$ 4,854,000	$ 49,000	$ 13,429,000
Depreciation and amortization	427,000	249,000	116,000	792,000
Segment profit (loss)	3,491,000	(183,000)	(3,008,000)	300,000
Segment Assets	$ 27,928,000	$ 1,228,000	(13,368,000)	15,788,000

Year Ended December 31, 2006

	Entertainment	Hospitality	Adjustment	Consolidated
Revenue	$ 7,909,000	$ 5,419,000	$ 73,000	$ 13,401,000
Depreciation and amortization	409,000	236,000	111,000	756,000
Segment profit (loss)	3,283,000	46,000	(2,543,000)	786,000
Segment Assets	$ 25,050,000	$ 1,631,000	(10,627,000)	16,054,000

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:

	2007	2006
Gross profit - other revenue	$ 49,000	$ 46,000
General and administrative expense	(2,654,000)	(2,353,000)
Gain (loss) on disposition of fixed assets	23,000	(3,000)
Other income and expenses	(347,000)	(137,000)
Provision for income taxes	(79,000)	(96,000)
Total "Adjustment"	$ (3,008,000)	$ (2,543,000)

NOTE 16 - 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 year ended December 31, 2007 and 2006 are as follows:

	2007	2006
Net income	$ 300,185	$ 785,750
Other comprehensive income		
Unrealized (loss) on marketable Securities		(2,613)
Reclassification adjustment for loss on sale of investments included in net income	4,713	--
	4,713	(2,613)
Total comprehensive income	$ 304,898	$ 783,137

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 consisted of the following:

	2006		
	Basis	Fair Value	Unrealized Gain (Loss)
Mutual Funds	$ 8,139	$ 3,426	$ (4,713)

These securities were considered available-for-sale, as defined by SFAS No. 115, and accordingly, the unrealized holding loss is shown in other comprehensive income as follows as of December 31, 2006:

Unrealized holding Gain (loss) recognized at year end	$(2,613)
Gain(Loss) recognized in prior year earnings	(2,100)
Unrealized holding gain (loss) on investments held for sale.	$(4,713)

The Company's investments were sold during 2007.

NOTE 18 - SUBSEQUENT EVENTS

In December 2007 the Company announced it executed a definitive agreement to acquire a Florida bingo hall. The acquisition of a bingo hall in Pensacola, Florida was completed with an effective date of January 1, 2008. The Company commenced operations January 1, 2008.

In March 2008 the Company announced it executed a definitive agreement to sell its Word of Mouth business unit. The contract is subject to a thirty day due diligence period and a ten day closing period.

In March 2008 the Company sold, at a ten percent (10%) premium, 5,190,568 shares of its common stock to an institutional investor for $7,000,000.