LITTLEFIELD CORP
Form 10QSB
August 15, 2005
Littlefield Corporation 10QSB

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal quarter ended June 30, 2005

Commission File No. 333-92060

Littlefield Corporation

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

Delaware **74-2723809** (State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2501 North Lamar Blvd., Austin TX 78705
(Address of principal executive offices)

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

(Former name, address and fiscal year, if changed since last report)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 [ ]

As of June 30, 2005, the Issuer had 8,589,355 shares of its Common Stock, par value $.001 per share, issued and outstanding.

Littlefield Corporation

FORM 10-QSB
For the quarter ended June 30, 2005

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Littlefield Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,	
	2005	**2004**
REVENUES:		
Entertainment	$1,692,090	$1,613,663
Hospitality	1,301,113	1,094,510
Other	4,316	8,450
TOTAL REVENUES	2,997,519	2,716,623
DIRECT COSTS AND EXPENSES:		
Direct salaries and other compensation	705,976	650,558
Rent and utilities	582,617	549,144
Other direct operating costs	771,707	565,776
Depreciation and amortization	231,099	203,853
License expense	16,307	23,551
Unusual & nonrecurring items: Provision for doubtful accounts & write-offs	129,597	0

TOTAL COSTS AND EXPENSES	2,437,303	1,992,882
GROSS MARGIN	560,216	723,741
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and other compensation	122,622	127,841
Legal and accounting fees	422,611	93,800
Depreciation and amortization	23,160	27,718
Other general and administrative	111,877	107,940
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	680,270	357,299
OPERATING INCOME (LOSS)	(120,054)	366,442
OTHER INCOME AND EXPENSES:		
Interest and investment income	4,385	3,742
Interest expense ($10,315 and $24,537 respectively to related parties)	(76,283)	(72,390)
Gain (loss) on fixed asset sales	(4,479)	0
Gain (loss) on sale of investments	9,312	0

Gain on Settlement	667,793	0
Other income and (expense)	625	(4,570)
TOTAL OTHER INCOME AND EXPENSES	601,353	(73,218)
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	481,299	293,224
PROVISION FOR INCOME TAXES	6,840	15,000
NET INCOME (LOSS)	**474,459**	**278,224**
OTHER COMPREHENSIVE INCOME (LOSS)	(34)	2,941
NET COMPREHENSIVE INCOME (LOSS)	474,425	$281,165

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Three Months Ended June 30,	**2005**	**2004**
EARNINGS (LOSS) PER SHARE:		

Basic earnings (loss) per share	$.055 $.033
Diluted earnings (loss) per share	$.054 $.033
Weighted average shares outstanding – basic	8,550,509 8,379,590
Weighted average shares outstanding - diluted	8,858,009 8,379,590

Littlefield Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Six Months Ended June 30,

	2005	**2004**
REVENUES:		
Entertainment	$3,491,787	$3,249,730
Hospitality	1,938,427	1,678,618
Other	57,021	16,550
TOTAL REVENUES	5,487,235	4,944,898

DIRECT COSTS AND EXPENSES:		
Direct salaries and other compensation	1,235,396	1,199,088
Rent and utilities ($0 and $0, respectively to related parties)	1,081,971	1,085,157
Other direct operating costs	1,440,099	1,141,166
Depreciation and amortization	443,565	407,187
License expense	26,822	40,167
Unusual & nonrecurring items: Provision for doubtful accounts & write-offs	134,797	0
TOTAL COSTS AND EXPENSES	4,362,650	3,872,765
GROSS MARGIN	1,124,585	1,072,133
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and other compensation	266,405	262,480
Legal and accounting fees	540,077	153,920
Depreciation and amortization	46,857	57,344
Other general and administrative	210,899	217,287

TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	1,064,238	691,031
OPERATING INCOME (LOSS)	60,347	381,102
OTHER INCOME AND EXPENSES:		
Interest and investment income	5,374	5,499
Interest expense ($23,815 and $45,330 respectively to related parties)	(134,255)	(135,028)
Gain (loss) on fixed asset sales	(4,479)	(5,946)
Gain (loss) on sale of investments	9,312	49,628
Gain on Settlement	687,293	0
Other income and (expense)	0	(4,570)
TOTAL OTHER INCOME AND EXPENSES	563,245	(90,417)
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	623,592	290,685
PROVISION FOR INCOME TAXES	21,840	30,000

NET INCOME (LOSS)	**601,752**	**260,685**
OTHER COMPREHENSIVE INCOME (LOSS)	759	(36,487)
NET COMPREHENSIVE INCOME (LOSS)	602,511	$224,198

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Six Months Ended June 30,	**2005**	**2004**
EARNINGS (LOSS) PER SHARE:		
Basic earnings (loss) per share	$.071	$.031
Diluted earnings (loss) per share	$.068	$.031
Weighted average shares outstanding – basic	8,481,168	8,362,360
Weighted average shares outstanding - diluted	8,788,668	

	8,362,360

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED BALANCE SHEET (Unaudited)

ASSETS

Current Assets:	**June 30, 2005**
Cash and cash equivalents	$1,434,188
Accounts receivable, net of allowance for doubtful accounts of $121,480	507,873
Accounts receivable, other	275,705
Equity Securities, available for sale	2,955
Other prepaid expenses and current assets	304,526
Total Current Assets	2,525,247
Property and Equipment – at cost, net of accumulated depreciation and amortization	7,382,616
Other Assets:	
Goodwill	4,404,107
Intangible assets, net	554,411
Other non-current assets	180,584
Total Other Assets	5,139,102
TOTAL ASSETS	$15,046,965

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Obligations under capital lease	70,983
Long term debt, current portion	436,861
Trade accounts payable	397,659
Reserve for settlements	3,237,500
Accrued expenses	446,768
Other current liabilities-related party	432,417
Total Current Liabilities	5,022,188
Long-term Liabilities:	
Obligations under capital lease, net of current	26,478
Long term debt, net of current portion	2,241,369
Long term debt-related party, net of current portion	105,650
Total Long-term Liabilities	2,373,497
Total Liabilities	7,395,685
Stockholders' Equity:	
Common stock, $.001 par value, (authorized 20,000,000 shares, issued 10,176,890 shares, outstanding 8,589,355 shares)	10,177
Additional paid-in-capital	23,546,020
Treasury stock – 1,587,535 shares, at cost	(2,019,707)
Accumulated Comprehensive Income	40
Accumulated deficit	(13,885,250)
Total Stockholders' Equity	7,651,280
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	15,046,965

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Six months Ended June 30,

	2005	**2004**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	601,752	$260,685
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	490,423	464,531
Gain on investment sales	(9,312)	(49,628)
Loss (gain) on sales of fixed assets	0	5,947
Gain on Exercise of Deferred Compensation	(54,749)	0
Increase (decrease) in cash flows as a result of changes in asset and liability account balances:		
Accounts receivable	(152,845)	233,304
Other assets and licenses	82,367	(137,871)
Trade accounts payable	105,753	5,790
Accrued expenses and other current liabilities	35,556	9,176
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,098,945	791,934

CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment expenditures	(162,564)	(246,769)
Purchase of Intangibles	0	(37,500)
Proceeds from sale of equity securities	46,263	521,451
Proceeds from repayment of note receivable	845,000	2,875
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	728,699	240,057
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(35,446)	(25,956)
Payments on notes payable	(944,863)	(716,953)
Exercise of Stock Options	59,750	0
Collections (increase) of subscribed receivables	0	4,922
Purchase Treasury Stock	0	(790)
NET CASH USED IN FINANCING ACTIVITIES	(920,559)	(738,777)
NET INCREASE (DECREASE) IN CASH	907,085	293,214

CASH AT BEGINNING OF PERIOD	527,103	285,380
CASH AT END OF PERIOD	1,434,188	578,594

See notes to consolidated financial statements.

Littlefield Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Six months Ended June 30,	**2005**	**2004**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments:		
Interest	$139,090	$101,370
Income taxes	$0	$0
Non-cash transactions:		

Acquisition of property, equipment and intangibles in exchange for notes payable	$0	$7,988
Equipment purchased under capital lease	$0	$0
Issuance of treasury stock for deferred compensation and 401K plan	$0	$0

See notes to consolidated financial statements.

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
June 30, 2005

NOTE 1 – PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION.

The unaudited consolidated financial statements include the accounts of Littlefield Corporation and its wholly owned subsidiaries (the “Company”). The financial statements contained herein are unaudited and, in the opinion of management, contain all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the periods presented. The Company’s accounting policies and certain other disclosures are set forth in the notes to the consolidated financial statements contained in the Company’s Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004. The financial statements contained herein should be read in conjunction with the notes to the Company’s audited consolidated financial statements included in the Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004. The preparation of the condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenue and expenses during the reported period. Actual results could differ from these estimates. Where appropriate, items within the consolidated condensed financial statements have been reclassified to maintain consistency and comparability for all periods presented.

The operating results for the six-month period ended June 30, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2005. Except for historical information contained herein, certain matters set forth in this report are forward looking statements that are subject to substantial risks and uncertainties, including the impact of government regulation and taxation, customer attendance and spending, competition, and general economic conditions, among others. This Quarterly Report on Form 10-QSB contains “forward-looking” statements as such term is defined in the Private Securities Litigation Reform Act of 1995 and information relating to the Company and its subsidiaries that are based on the beliefs of the Company's management. When used in this report, the words "anticipate," believe," "estimate," "expect," and "intend" and words or phrases of similar import, as they relate to the company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitations, competitive factors, general economic conditions, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein and in other filings made by the company with the Securities and Exchange Commission, based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The company does not intend to update these forward-looking statements.

NOTE 2 – PROPERTY AND EQUIPMENT.

Property and equipment at June 30, 2005 consists of the following:

Land	$953,724
Buildings	3,587,231
Leasehold improvements	4,459,393
Rental Inventory and bingo equipment	1,718,310
Equipment, furniture and fixtures	2,353,852
Automobiles	354,632
	13,427,142
Less: Accumulated depreciation and amortization	(6,044,526)
Property and equipment, net	$7,382,616

Total depreciation expense, for owned and leased assets, charged to operations for the six months ended June 30, 2005 and 2004 was approximately $475,000 and $457,000 respectively.

NOTE 3 - INTANGIBLE ASSETS.

Intangible assets at June 30, 2005 consists of the following:

	Gross Carrying Amount	**Accumulated Amortization**	**Total**
Goodwill	$7,185,107	$(2,781,000)	$4,404,107

	Entertainment	**Hospitality**	
Balance at December 31, 2004	$4,032,723	$371,384	$4,404,107
Goodwill acquired in the Quarter	-0-	-0-	-0-
Impairment losses	-0-	-0-	-0-
Balance at June 30, 2005	$4,032,723	$ 371,384	$4,404,107

	Gross Carrying Amount	**Accumulated Amortization**	**Total**
Intangible Assets with Indefinite Lives:			
Bingo licenses	$487,745	$ -0-	

$487,745

Intangible Assets with Finite Lives:

Covenants not to compete	$297,500	$(230,834)	$66,666
Capitalized acquisition costs related to note receivable	50,950	(50,950)	-0-
Intangible Assets, Net of Accumulated Amortization			

$554,411

Amortization expense charged to operations for the six months ended June 30, 2005 and 2004 was approximately $2,000 and $8,000 respectively.

NOTE 4 - SHAREHOLDERS' EQUITY.

At June 30, 2005 the Company holds 1,587,535 treasury shares at an average purchase cost of $1.27.

NOTE 5 – EARNINGS (LOSS) PER SHARE.

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

Six months ended June 30,	**2005**	**2005**	**2004**	**2004**
	Basic	Diluted	Basic	Diluted
Numerator:				
Net income (loss)				

	$601,752	$601,752	$260,685	$260,685
Denominator:				
Weighted average shares outstanding	8,481,168	8,481,168	8,362,360	8,362,360
Effect of dilutive securities:				
Stock options and warrants	---	307,500	---	---
Weighted average shares outstanding	8,481,168	8,788,668	8,362,360	8,362,360
Earnings (loss) per share	$.071	$.068	$.031	$.031

NOTE 6 – 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 six months ended June 30, 2005 and 2004, are as follows:

	2005	**2004**
Net income (loss)	$601,752	$260,685
Other comprehensive income (loss)		
Net unrealized gain (loss)	$759	$(36,487)
Total comprehensive income (loss)	$602,511	$224,198

NOTE 7 – INCOME TAXES.

The Company recorded approximately $22,000 and $30,000 of state income tax expense, respectively, for the six months ended June 30, 2005 and 2004. The Company does not expect to incur material federal income tax charges until the depletion of its accumulated federal income tax loss carry-forwards, which totaled approximately $4,638,000 at June 30, 2005. The utilization of the net operating loss is subject to limitations in accordance with §382 of the Internal Revenue Code.

NOTE 8 - RELATED PARTY TRANSACTIONS.

In July 2001 the Company acquired Premiere Party Rentals. In conjunction with this purchase, the Company issued two promissory notes payable in the amount of $500,000 each to the seller (a related party), as partial consideration for this purchase, and entered into a three-year employment agreement with the seller. The first note payable is due in quarterly installments of $31,250 plus interest at an annual rate of 8.0% and a maturity date of July 2005, this note was paid in full in June 2005. The second note originally due and payable in full, along with accrued interest at 8% annual rate, in July 2004, was paid in full in August 2004. For the six months ended June 30, 2005 and 2004, the Company recognized $3,750 and $22,144, respectively, of interest expense related to these obligations.

In August 2001 the Company acquired Word of Mouth Custom Catering. In conjunction with this purchase, the Company issued two promissory notes payable in the amount of $200,000 each to the two sellers (related parties), as partial consideration for this purchase, and entered into three-year employment agreements with the sellers. These notes, which bore a maturity date in August 2005, were paid in full in June 2005. For the six months ended June 30, 2005 and 2004, the Company recognized $3,000 and $4,524 of interest expense, respectively, related to these obligations.

The President and CEO of the Company has personally guaranteed one note payable to a third party lender, in the amount of $540,000 of which the CEO has personally guaranteed $300,000. The balance due on this note at June 30, 2005 was $0. Interest accrued on this note for the six months ended June 30, 2005 and 2004 was $13,950 and $4,748 respectively. This note was paid in full in May 2005. The Company accrued a total of $61,275 in loan guaranty fees to him in 2002. This amount has been added to the President’s bonus amount accrued in 2002 in the amount of $300,000, plus accrued interest and is presented on the balance sheet as a current accrued liability – related party.

The Company 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 payable for 4 years at 6.75% with the principal amount due in July 2006 as a balloon payment. Interest paid on this note for the six months ended June 30, 2005 and 2004 was $3,565 and $3,566 respectively.

NOTE 9 – COMMITMENTS AND CONTINGENCIES.

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

Pondella Hall for Hire, Inc., d/b/a Eight Hundred v. American Bingo and Gaming, Case No.: 97-2750, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida. In July of 1995 the Company bought three Florida bingo centers from Phillip Furtney and two corporations related to Mr. Furtney (which corporations and Mr. Furtney are referred to collectively as “Furtney”). On June 12, 1997, Furtney filed a lawsuit against the Company in Florida, alleging breach of contract. Furtney alleged that the Company defaulted on its original purchase note and stock obligations under the purchase agreements. On July 12, 1997, the Company answered this lawsuit and filed a counterclaim against Furtney alleging, among other things, fraud, negligent misrepresentation, breach of express warranties, contractual indemnity and tortious interference with contractual rights. The Company believes that it was materially defrauded in its purchase of these three Florida bingo centers from Furtney in that Furtney made no disclosure to the Company of an ongoing criminal investigation of the operation of these bingo centers by the Florida State Attorney General's Office, and that Furtney was fully aware of this investigation. The state of Florida temporarily closed these three bingo centers, as well as several other centers formerly owned by Mr. Furtney, in November 1995. The Company sold these three bingo centers in December of 1995. In January of 1997, the Company and the State of Florida settled all matters regarding the Company's previous ownership and operation of these bingo centers. The Company believes that Furtney's lawsuit against the Company is completely without merit and that the Company will prevail in its counterclaim. The Company completed depositions of Mr. Furtney and a corporate representative of the Furtney controlled companies discussed above on September 20, 2000 and plans to pursue and defend this action vigorously. The case was heard in January 2005. Judgment was found against the Company for approximately $1,000,000 plus attorney fees. The Company accrued $1,200,000 in the 2004 financial statements related to this case.

Collins Entertainment Corp. v. Coats and Coats Rental Amusement, d/b/a Ponderosa Bingo and Shipwatch Bingo, Wayne Coats, individually, and American Bingo and Gaming Corp.; American Bingo and Gaming Corp. v. Coats and Coats Rental Amusement, d/b/a Ponderosa Bingo and Shipwatch Bingo, Wayne Coats, individually, Civil Action No. 97-CP-10-4685, South Carolina Court of Common Pleas, Charleston County. On October 9, 1997, Collins Entertainment, Inc., filed a lawsuit alleging the Defendants had engaged in civil conspiracy and tortiously interfered with the Plaintiff's contract, violating the South Carolina Unfair Trade Practices Act. The Plaintiff sought actual damages in excess of $350,000 and an unspecified amount of punitive damages. The Company believed this lawsuit was completely without merit; however, a judgment was issued on February 12, 2001 in favor of the plaintiff. Damages of $157,000 were awarded in addition to punitive damages of $1,570,000. The Company appealed this decision with the South Carolina appellate court, and the judgment was affirmed. The Company applied for a re-hearing with the appellate court which threw out their original opinion. However, their new opinion also reaffirmed the judgment. The Company is now in the process of filing an appeal to the South Carolina Supreme Court. The total amount of the award was accrued for in the financial statements in 2000, and the actual damages of $157,000 were paid in 2001.

Lenrich Associates LLC v. Littlefield Corporation, et al; Civil Action No. 00-CP-10-4742, South Carolina Court of Common Pleas, County of Charleston. Lenrich Associates has brought this action against the Company based on a commercial lease guaranty that was signed by the Company. The tenant on the lease is Concessions Corp., a subsidiary of the Company and had been used as the location of the "Lucky II' facility, which was closed in early 2000. The lease expired in February 2003. Because rental payments under the lease are currently in arrears, Lenrich Associates sought to enforce the guaranty against the Company. The Company's liability under the guaranty is capped at the lesser of two years of fixed and additional rent or the amount of fixed and additional rent corresponding to the time period mandated by South Carolina law. A settlement agreement had been reached for $147,500, which has been accrued for by the Company in June 2002. However, the plaintiff withdrew their support of the settlement agreement shortly thereafter. The Company has petitioned the court to enforce the settlement agreement and is currently awaiting this decision.

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

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

NOTE 10 – SEGMENTS.

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

The Company has identified two operating segments based on the different nature of the services and legislative monitoring and, in general, the type of customers for those services in the current year and two in the prior year. The entertainment segment encompasses bingo center services provided to charitable organizations in South Carolina, Texas and Alabama. The Hospitality segment is the tent rental business (acquired November 2000) and the party rental and catering businesses in Austin, Texas, which were acquired in July and August of 2001.

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

June 30, 2005

	Entertainment	**Hospitality**	**Adjustment**	**Consolidated**
Revenue	$3,492,000	$1,938,000	$57,000	$5,487,000
Depreciation and Amortization	256,000	187,000	47,000	490,000
Segment profit (loss)	1,180,000	(195,000)	(383,000)	602,000
Segment Assets	22,942,000	1,495,000	(9,390,000)	15,047,000

June 30, 2004

	Entertainment	**Hospitality**	**Adjustment**	**Consolidated**

Revenue	
	$3,250,000
	$1,679,000
	$16,000
	$4,945,000
Depreciation and Amortization	
	244,000
	163,000
	58,000
	465,000
Segment profit (loss)	
	1,213,000
	(271,000)
	(681,000)
	261,000
Segment Assets	
	21,824,000
	1,509,000
	(7,633,000)
	15,700,000

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

NOTE 11 – ACQUISITIONS, OPENINGS, CLOSINGS AND REORGANIZATIONS.

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

NOTE 12 - SUBSEQUENT EVENTS.

In August 2005, the Company entered into an agreement to purchase a bingo operation in San Angelo, Texas.

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

Our Company was formed in 1994 as a Delaware corporation to consummate the acquisition of charitable bingo centers and video gaming operations, and completed the initial public offering in December of 1994. We operate primarily through wholly owned subsidiaries in Texas, Alabama and South Carolina.

The following discussion should be read in conjunction with our Form 10-KSB and the consolidated financial statements for the years ended December 31, 2004 and 2003; the Form 10-QSB for the quarters ended June 30, 2004, September 30, 2004 and March 31, 2005; and the consolidated financial statements and related notes for the six months ended June 30, 2005. The statements in this Quarterly Report on Form 10-QSB 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

Quarterly Report and the 2004 Annual report on Form 10-KSB.

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.

Results of Operations

We incurred a net profit of $602,000 for the first six months of 2005, which equated to a basic and fully diluted earnings per share of $0.071 and $0.068 respectively, and which represented an improvement of $341,000 over our net income of $261,000 for the first six months of 2004, which was $.031 per basic and fully diluted share. The weighted average number of basic Common Stock shares outstanding totaled 8,481,168 in the first six months of 2005 as compared to 8,362,360 in the first six months of 2004.

Revenues

	2005	2004	Change	% Change
Total Revenues	$ 5,487,000	$ 4,945,000	$ 542,000	11%
Entertainment	3,492,000	3,250,000	242,000	7%
Texas	1,947,000	2,071,000	(124,000)	(6%)
South Carolina	751,000	603,000	148,000	25%
Alabama	794,000	576,000	218,000	38%
Hospitality	$ 1,938,000	$ 1,679,000	$ 259,000	15%

Revenues for the Company increased 11% over the same period in 2004 with both the Entertainment and the Hospitality divisions contributing. Entertainment accounted for 64% of total revenues compared with 66% of total revenues in 2004. By state Entertainment revenues break down for Texas, South Carolina and Alabama as 55%, 22%, and 23% respectively compared to 64%, 19% and 17% in the first six months of 2004. The increase in Alabama revenues is a continuation of steady improvement that began in late 2004, this despite the continued heavy pressure from surrounding casinos and a racetrack. In South Carolina the increase in revenues comes from having more halls in 2005 than we had in 2004 but also from an improved economy. Hospitality accounted for 35% of total revenues for the first six months of 2005 compared to 34% for the same period in 2004. Revenues were up in Hospitality due to an improved economy.

Net Income

	2005	2004	Change	% Change
Total Net Income	$ 602,000	$ 261,000	$341,000	130%
Entertainment	1,180,000	1,213,000	(33,000)	(3%)
Hospitality	$ (195,000)	$ (271,000)	$ 76,000	28%

The Company realized net income in the first six months of 2005 of $602,000 compared to a net income of $261,000 for the same period in 2004. The Entertainment division declined by 3% while the Hospitality division reduced their losses by 28% due to the increase in revenues. The Entertainment division was down 3%, largely related to a write off of prior year receivables to an allowance for bad debt account.

Costs and Expenses

General and administrative expenses, excluding related depreciation expense, totaled approximately $1,017,000 in the first six months of 2005, compared to approximately $634,000 in 2004, an increase of about $383,000. The increase is due to legal expenses of approximately $405,000 in the first six months of 2005. These legal expenses are not expected to remain at this level. There was much activity in the current legal issues as the cases move closer to arbitration or a court date.

Other income was approximately $563,000 for the first six months of 2005, compared to other expense of approximately $90,000 for the first six months of 2004. The increase from the prior year was a combination of the settlement of a note receivable and gains from deferred compensation. In 2001, we invested in a note receivable secured by real property near Austin, Texas. The obligor on the note subsequently filed for protection under the federal bankruptcy code. Prior to the bankruptcy filing, the Company had accrued approximately $222,000 in interest income, but once the bankruptcy proceedings began, in accordance with GAAP, interest income was not accrued from that point forward. In the second quarter of 2005, the note and accrued interest was repaid in full, and we realized a gain of approximately $668,000 on the note repayment. The Company also received a gain from the exercise of stock options that had been exercised by departing employees. The remaining expenses and other income were a slight gain in sale of investments in a deposit account, interest income and interest expenses.

Liquidity and Capital Resources

Cash and cash equivalents at June 30, 2005, totaled approximately $1,434,000 and represented approximately 10% of total assets of approximately $15,047,000. Cash provided from operating activities for the six months ended June 30, 2005 totaled approximately $1,099,000 compared to $792,000 during the same period of 2004, an increase of approximately $307,000. Cash provided from operating activities in the first six months of 2005 were increased by the net income of approximately $602,000, increased by the non-cash depreciation expense of approximately $490,000 and $55,000 related to the exercise of deferred compensation. Net Income in 2005 includes a $687,000 gain on the settlement of the note receivable for interest that was not accrued as of the date the note entered into bankruptcy and a gain from the exercise of deferred compensation.

Net cash provided by investing activities totaled approximately $729,000 for the six months ended June 30, 2005, compared to net cash provided of approximately $240,000 in the six months ended June 30, 2004. In the current six months, approximately $163,000 of cash was used for the purchase of capital assets, $845,000 was provided by collection of the outstanding note receivable and $46,000 from the sale of equity securities. In the same six months of 2004 cash was provided by the sale of equity securities in the amount of approximately $521,000 and from selling fixed assets in the amount of approximately $3,000, offset by property and equipment expenditures of about $247,000.

Cash used in financing activities in the first six months of 2005 totaled approximately $921,000 as compared to net cash used in financing activities in the first six months of 2004 of approximately $739,000. In the six months ended June 30, 2005, cash was used to pay down the normal principle payments on both capital leases and notes payable, as well as, a note secured by the note receivable that was paid in full, and increased by $60,000 from the exercising of stock options by former employees. Note and lease payments totaled approximately $980,000. In the same six months ended June 30, 2004, cash used related to financing activities included approximately $717,000 to reduce notes payable.

Current assets totaled approximately $2,525,000 at June 30, 2005, leaving the Company with negative working capital of approximately $2,497,000 and a current ratio of .50 to 1. However, a legal reserve of $3,238,000 is included in current liabilities. The judgments are currently on appeal in South Carolina and final judgment has not been issued in the Florida case. At June 30, 2005, we had approximately $15,047,000 in total assets with total liabilities of approximately $7,396,000 and approximately $7,651,000 of shareholders equity. Total assets include approximately $1,434,000 in cash, $1,091,000 of other current assets and net account receivables, $7,383,000 of property and equipment, $4,958,000 of intangible assets, and $181,000 of other assets. Total liabilities primarily consist of accounts payable of approximately $398,000, notes and capital lease obligations of approximately $2,881,000 and accrued liabilities and reserves of $4,117,000. Out of the accrued liabilities and reserves, $3,238,000 is the reserve for legal expenses as mentioned above and in Note 9.

Item 3. Controls and Procedures

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. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the company’s disclosure controls and procedures were effective as of the end of the period covered by this report. There has been no change in the company’s internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of material pending legal proceedings, see Note 9 to the unaudited Consolidated Financial Statements included in Part I hereof, which Note 9 is incorporated herein by reference.

Item 4. Matters Submitted to a Vote of Security Holders

The following directors were elected to the Board of Directors. The votes per director were as follows: Jeffrey L. Minch – 8,051,245 FOR, 0 AGAINST, and 168,886 WITHHELD; Carlton R. Williams – 7,979,633 FOR, 0 AGAINST, and 240,498 WITHHELD; Alfred T. Stanley – 8,031,553 FOR, 0 AGAINST, and 188,578 WITHHELD; Michael L. Wilfley – 8,147,853 FOR, 0 AGAINST, and 72,278 WITHHELD. The appointment of Sprouse & Anderson, L.L.P. as auditors for the Company was ratified by a vote of 8,080,618 FOR, 108,751 AGAINST and 30,762 ABSTENSIONS. There was no other business brought forward at the meeting that required a shareholder vote.

Item 6. Exhibits and Reports on Form 8-K

Exhibit Number	Description of Exhibit
31.1	Certification Pursuant to Rule 13a-14(a) / 15d-14(a)
31.2	Certification Pursuant to Rule 13a-14(a) / 15d-14(a)
32.1	Certification Pursuant to 18 U.S.C. §1350

SIGNATURES

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

Littlefield Corporation

August 05, 2005

By:

/s/ JEFFREY L MINCH
Jeffrey L. Minch
Vice Chairman of the Board, President and
Chief Executive Officer

/s/ TROY D. ZINN
Troy D. Zinn
Secretary and Treasurer
(Chief Financial Officer)

EXHIBIT 31.1
Certification of Chief Executive Officer

I, Jeffrey L. Minch, certify that:

1. I have reviewed this annual report on Form 10-KSB of Littlefield Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the small business issuer and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the small business issuer’s internal control over financial reporting that occurred during the small business issuer’s most recent fiscal quarter (the small business issuer’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer’s internal control over financial reporting; and

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

August 5, 2005

/s/ Jeffrey L. Minch
President and Chief Executive Officer

Certification of Chief Financial Officer

I, Troy D. Zinn, certify that:

1. I have reviewed this annual report on Form 10-KSB of Littlefield Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the small business issuer and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the small business issuer’s internal control over financial reporting that occurred during the small business issuer’s most recent fiscal quarter (the small business issuer’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer’s internal control over financial reporting; and

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

August 5, 2005

<u>/s/ Troy D. Zinn</u>
Chief Financial Officer

EXHIBIT 32.1
CERTIFICATION OF PERIODIC FINANCIAL REPORTS

Each of the undersigned hereby certifies that this Quarterly Report on Form 10-QSB complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in such report fairly represents, in all material respects, the financial condition and results of operations of the Company.

August 5, 2005 August 5, 2005 ***/s/ Jeffrey L. Minch /s/ Troy D. Zinn***
Jeffrey L. Minch,
Troy D. Zinn, President and Chief Secretary and Treasurer and Executive Officer
Chief Financial Officer
