

**Financial Evaluation of the
Ford County Proposals**

A report for the
Kansas Lottery Gaming Facility Review Board

By

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Ford County Proposals

Exhibit 1 Overview	Boothill Casino And Resort	Dodge City Casino Resort
Hotel Rooms	124	125
Casino SF	48,457	87,000
Slots	875	800
Table Games	20	20
Total Cost	\$102,000,000	\$60,300,000
Debt	\$70,000,000	\$40,000,000
Equity	\$32,000,000	\$20,300,000
Debt/Equity	2.18	1.97

Gaming Zone:	South West	
County:	Ford	
Property Name:	Boot Hill Casino & Resort	
Company Name	Butler National AO, LLC	
Parent Company	Butler National Service Corp.	60% ownership
	Larry J Woolf & Associates	40% ownership

Amended Submission per Kansas State Lottery website

1. Cost of Project	Phase 1	Interim Facility	\$22.3 million
	Phase 2	Permanent Facility	\$70.6 million
	Total Investment		\$92.9 million

Per Amended Financial Template

2. Funding for Project		
	Butler National Corp	\$5.0 million
	Larry J Woolf, Sale of Stock	\$20 million
	Debt financing for facilities and equipment	\$69 million
	Cash flow from Interim Facility	\$ 8 million
	Total	\$102 million

The Ford County proposal provides a temporary interim structure to be completed in ten to twelve months. The permanent facility will be completed in the second phase of the project. It is expected that when the second phase is completed, the facility will have a 124 room hotel with a 48,457 square foot casino handling 875 slot machines and 20 tables.

The first phase will provide an initial gaming area of more than 15,250 square feet as part of a 43,000 square foot retail facility. The second phase would add an additional casino floor of 35,000 square feet plus the 124 room hotel and several restaurants.

Butler National Corporation issued their April 30, 2008 Financial Statements on July 29, 2008. This information has been added to the present analysis.

Overview of Butler National Corporation (as of 4/30/2008)

Butler National Corporation (BUKS) is a company who is classified as being in the Aerospace and Defense industry. The company is diversified and operates in six industry segments. These are 1) Aircraft Modifications, 2) Avionics, 3) Aircraft-Acquisition, Modification and Sales, 4) Monitoring Services, 5) Corporate and Professional Services, and 6) Gaming.

Industry Segment	Assets	Revenue
Aircraft Modifications	18.2%	49.0%
Avionics	21.9%	28.5%
Aircraft	17.9%	0.0%
Monitoring Services	1.3%	8.8%
Corporate and Professional	24.8%	5.2%
Gaming	15.9%	8.5%

Butler National Corporation has a market capitalization of \$26 million and assets over \$27 million. It generated \$17.6 million in revenues in 2008 and had net income of \$1.3 million. Cash flow from operations was \$610,739. The company had \$2.970 million in cash on 4/30/2008.

Gaming Segment

The gaming segment principally includes business management services and advances to Indian tribes in connection with the Indian Gaming Regulatory Act of 1988. These management services and advances are provided through the subsidiary, Butler National Service Corporation ("Management Services", "Gaming" or "BNSC").

Butler National Financial Condition

In terms of revenues and income, Butler National has exhibited wide swings from year to year. For 2008, revenues are up by 20% with income before taxes up by 128%.

Revenues and Earnings	2008	2007	2006	2005	2004
Revenues	17,647	14,681	15,307	23,390	10,123
Income before taxes	1,635	717	437	2,496	747

A comparison of Butler National Corporation with its peer group, Aerospace and Defense, shows that the company is stronger than many of its peers. For 2008, the profitability ratio table shows that the company outperformed the industry in every category.

Profitability Ratios	Industry	2008	2007	2006	2005	2004
Gross margin	0.23	0.43	0.34	n/a	n/a	n/a
Operating margin	0.11	0.12	0.09	0.06	0.12	0.09
EBITDA return	0.11	0.15	0.11	0.08	0.12	0.10
Return before taxes	0.08	0.09	0.05	0.03	0.11	0.07
Return on assets	0.06	0.06	0.04	0.02	0.14	0.06
return on equity	0.2	0.13	0.07	0.04	0.27	0.11

Exhibit 1 provides liquidity and solvency ratios for Butler National. The company has a high current ratio that runs close to 2 to 1 compared to industry norms of 1.4 times. On the other hand, between 70 to 80 percent of the current assets are inventory items. The CFO/CL ratio shows that cash flows from operations can barely cover its current liabilities and in two of the last five years, additional debt or equity had to be used to meet current commitments. The interest charge ratio is also below its peer group norm.

Exhibit 1 Liquidity & Solvency Ratios		30-Apr				
	Industry	2008	2007	2006	2005	2004
Current Ratio	1.4	1.99	2.03	1.96	1.98	1.88
CFO/ CL		0.07	0.05	-0.13	0.08	-0.27
Interest Charge	16.2	3.55	2.26	1.86	9.26	5.47
Debt/Equity	0.6	0.91	0.65	0.43	0.28	0.30
CFO/Capital Expend		0.23	4.25	-3.97	0.36	-13.87
Free Cash Flow		-2,049	263	1,083	-887	-1,279

The industry norm for debt/equity at 60% is substantially lower than the casino and gaming norm of 160%. Butler maintained a very low ratio but had a large debt increase in 2008.

The change in the debt of the company is caused by its interest in the Dodge City proposal. It has invested \$2, 659,520 for the purchase of land in Dodge. The company took out a note payable in the amount of \$1,363,175.

Current Commitments

As of April 30, 2008, Butler National stated that it has no other major projects beside the Dodge City proposal. But it does have \$11 million in debt with maturities in the near future.

Maturities of LTD

Year End 4/30	Amount
2009	4,643,567
2010	1,027,870
2011	970,331
2012	985,499
2013	1,215,294
Thereafter	1,836,720
Total	11,059,751*

*Note that the total of the years do not add up to the total figure, that is the amounts provided in the annual report.

At April 30, 2008, the Company had one line of credit totaling \$1,000,000. The unused line at April 30, 2008 was \$288,919. During the current year these funds were primarily used for the development of the Gaming segment.

On June 24, 2008, the gaming subsidiary Butler National Service Corporation borrowed a total of \$5,500,000 from a bank and an investor to advance the privilege fee deposit to the Kansas Lottery.

Current ability to provide equity funding

According to the amended submission on the Kansas State Lottery website (July 27, 2008) the proposed facility will be developed in two phases. The first phase would cost \$22.3 million with the second costing \$70.6 million.

Per discussions at the July 31, 2008 Dodge City meeting, it appears that costs for the project have increased. Costs for the Interim facility are now \$36 million. When combined with the Permanent facility, the total costs are now at \$103 million.

If bank financing requires a minimum of a 20% equity contribution, that calls for cash of \$7.2 m for the Interim facility and an additional \$20.6 m for a total of \$27.8 m. If a 35% equity contribution is required, the total needed cash is \$36 million.

Per the discussions at the July 31, 2008 Dodge City meeting, Butler stated that the firm would contribute \$30 million toward equity. But, a week later at the conference call on

August 7th, the President of Butler, Clark Stewart indicated that at this time, the company did not have the financing to complete the project.

The latest submission (8/10/2008) shows that Butler has teamed up with Larry Woolf and Associates and given them a 40% interest for their \$20 million equity investment. Butler now suggests that Larry J. Woolf and associates can come up with the possible equity funding and is contributing \$20 million. Both believe that they can raise an additional \$10 million if needed.

At this time, no information has been provided that suggests that Larry J. Woolf and Associates has the ability to fund the needed equity contribution.

The revised financial template shows the following contributions:

Member Contributions

Name	Initial Capital Contribution	Number and Class of Interests
Butler National Service Corporation 60%	Personal Property valued at \$5,000,000	30,000,000 Class A Common Interests
Larry J. Woolf & Associates, LLC 40%	Obligation to fund \$5,500,000 plus obligation to fund an additional \$14,500,000 cash all as provided on Schedule A-2	20,000,000 Class A Preferred Interests*

* If \$20,000,000 is not funded by the Class A Preferred Investors on or before December 31, 2009, then the number of Preferred Interests will be reduced pro rata based on the amount actually funded.

Current ability to provide debt financing

Included in Butler National's submittal are two letters of Intent for \$110 million and \$40 million. There is also a letter of interest from a third bank.

Conclusion

While Butler National appears to be a well run company, it also appears that the company does not have the current capability to come up with the necessary \$30 million plus funding to construct the facility that they have proposed. At this time, Butler has provided additional information that suggests that Larry J Woolf and Associates have agreed to fund \$20 to \$25 million for a 40% ownership.

At this time, there is no financial information that substantiates the ability of Larry J Woolf and Associates to provide such funding.

Gaming Zone: South West
County: Ford
Property Name: Dodge City Casino Resort
Company Name: Dodge City Resort and Gaming Company, LLC
Parent Company: Group of LLCs and individuals

1. Cost of Project \$60,300,000
2. Funding of project
 - a. Equity funding \$20,300,000
 - b. Debt Funding \$40,000,000

This resort will be developed in two phases. The initial phase will change the existing building on the site by converting it to a simple but functional operating casino that can be open in under seven months from contract execution. When it opens, it will have 25,000 square feet of casino with 500 slot machines and 6 table games.

The second phase will take an additional 18 months for completion. The finished product will have 87,000 square feet of casino that supports 800 slot machines and 20 table games. In addition, there will be a three star hotel with 125 rooms, restaurants and a convention center.

Dodge City Resort and Gaming Company is a newly formed Kansas LLC. The investors are a combination of other LLCs, individual investors, and revocable trusts.

Equity Contribution

This group of investors initially contributed start-up costs equal to \$875,000 as class C and D members. The group has also entered into a formal contract that if given the Kansas license, they have a Funding Agreement to provide a total \$30,000,000 in equity capital to develop, construct, and operate the proposed gaming enterprise.

The application states that the net worth (and available liquid assets) of the members is sufficient that they have the financial capacity, without any third-party financial assistance, to finance the total development and construction of this project. (see page 411 in the application)

I have not been given the net worth or liquid asset statements to verify that their statement is accurate.

Debt Contribution

The Dodge City Resort and Gaming Company has included a conditional commitment for debt financing from Wells Fargo Bank, N.A. Mr. Brad Peterson, Executive Vice President that concludes that he is highly confident in putting together the debt financing.

Conclusion

The Dodge City Resort and Gaming Company have stated they have the financial capacity to fully fund this project. Verification of this fact would go a long way toward providing assurances that they are capable of doing so.