
AGENDA
KANSAS LOTTERY GAMING FACILITY REVIEW BOARD
11 am, Friday, September 26, 2008
Topeka Ramada Inn
420 SE Sixth Street, Topeka, Kansas

A. CALL TO ORDER

B. APPROVAL OF THE AGENDA

C. BOARD ITEMS

1. Regarding the southwest gaming zone:
 - a. Responses to board questions posed to staff and Review Board consultants
 - b. Final presentations, limited to issues regarding financial suitability:
 - i. Dodge City Resort and Gaming LLC (10 minutes)
 - ii. Boot Hill Resort and Casino LLC (10 minutes)
2. Executive Session
 - a. Background reports
3. Discussion and vote on lottery gaming facility management contract for the southwest zone

D. OTHER MOTIONS

E. STAFF REPORTS

1. Executive Director
2. Chief Gaming Officer
3. Director of Administration

F. ADJOURNMENT

DODGE CITY RESORT & GAMING COMPANY LLC

A Kansas Limited Liability Company



500 North Market Street
Wichita, KS 67214-3514
Tel: (316) 262-9393
Fax: (316) 262-9006

Suite 114
100 Military Ave.
Dodge City, KS 67801
Tel: (620) 227-9870

September 24, 2008

Mr. Matt All, Chairman
Mr. Jim Bergfalk
Mr. Jack Brier
Mr. Bob Boaldin
Mr. Garry Boston
Dr. Jacqueline Vietti
Mr. Dean Ferrell

Re: Financing for the Dodge City Casino Resort in the Southwest Kansas Gaming Zone (Ford County)

Dear Chairman All and Board Members:

At your meeting on Friday, September 19, you expressed concern regarding the status of our financing arrangements for the Dodge City Casino Resort in the Southwest Kansas Gaming Zone. You particularly expressed concern that the “highly confident” letter from the Gaming Division of Wells Fargo Bank, N.A., was dated December 20, 2007, and momentous changes in the financial and credit markets have occurred since then. We are pleased to provide you with additional information concerning our financing.

1. Wells Fargo Bank. While we would prefer to provide a more current confidence letter from Wells Fargo Bank, we are unable to do so because Butler National Corporation obtained a “lockout agreement” from the investment banking branch of Wells Fargo. We have been told by Mr. Brad Peterson, Executive Vice President of the Wells Fargo Gaming Division, that the “lockout agreement” with Butler National prevents him from discussing debt financing with us until after the Review Board approves our management contract with the Kansas Lottery. In a letter to me by Mr. Peterson dated June 4, 2008, Mr. Peterson said that Wells Fargo “would consider providing financing to Dodge City LLC should it receive the award.” A copy of that letter was provided to the KRGC staff in the past month. It is important to note that although Wells Fargo Bank cannot speak with us at this time, the bank did not withdraw its confidence letter of December 20, 2007.

2. Equity Bank. Our company has an established banking relationship with Equity Bank, N.A., in Wichita. You may recall that Mr. Drayton Alldritt, Executive Vice President of Equity Bank and also President of Equity Bankshares, spoke to you on our behalf at the Dodge City presentation on July 31. Mr. Alldritt, on behalf of Equity Bank, now has also executed a debt financing confidence letter dated September 23, 2008, in connection with our Dodge City Casino Resort project. Mr. Alldritt's letter is enclosed.

Equity Bank's confidence in our project and in our members' financial capacity and character has been expressed not only in Mr. Alldritt's letter but also in the most practical of terms. Equity Bank has provided our company a \$6.4 million credit line through Southfork Investments, LLC, a firm that is owned by three of our company's members. Of that \$6.4 million, we have already drawn \$5.5 million for the privilege fee deposit with the Kansas Lottery and \$150,000 to pay our company's share of the Review Board's costs. To be sure that we can meet our projected May 1, 2009, opening date for our temporary casino, the remaining \$750,000 of the Equity Bank credit line is available to pay certain project expenses that the company will incur immediately after the Review Board approves our management contract.

All the investor members of our company personally guaranteed the loan from Equity Bank through Southfork Investments.

3. Equity Contribution and Liquid Assets. As you already know, our investor members have executed a Funding Agreement for \$30 million in equity capital for our project. Over the course of the last three weeks, we have provided the KRGC staff with documentation regarding our members' liquid assets. As recently as yesterday I sent Mr. Andy Burlingham documentation of an additional \$2 million in liquid assets. The documentation of liquid assets sent to date totals approximately \$42 million. The KRGC staff has discounted some of that documentation. For instance, Mr. Burlingham told me that he was discounting about \$1.9 million in certificates of deposit because we provided only the automatic renewal notices from the several banks holding those deposits. Those notices were dated over the last several months. While I agree with Mr. Burlingham that more documentation than those renewal notices would be necessary if an audit were being conducted by the Review Board, for purposes of demonstrating liquidity the representation by us that those certificates are still in place today should have some value. I would say the same thing about the list of liquid assets provided by the accountants for the Vosburgh Family. That list is dated in May and was provided to and accepted by the Lottery's consultant to demonstrate financial capacity. While it is an "estimate" totaling \$15 million and is now four months old, it does demonstrate substantial liquidity in the Vosburgh entities. I certainly agree with Mr. Burlingham

that the list of Vosburgh liquid assets would not be sufficient if we were doing an audit as of August 31, 2008, but the list does have some significant value in showing liquidity.

4. Reports of the Review Board's Consultants. As you know, not only is Equity Bank confident of its ability to place the debt financing for our Dodge City Casino Resort project, but the Review Board's own consultants are also confident of our company's and members' ability to obtain equity and debt financing. As Professor Eadington noted on pages 22 and 23 of his compilation of your consultants' reports with reference to Professor Mills' work:

Financial Summary

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.

The total costs of this project are \$78 million. Dodge City Resort and Gaming is willing to provide equity financing of up to \$30 million of the cost. I do not see any problems for them putting together a debt/equity financing package.

Equity Financing

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 awarded 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.

I have had the opportunity to obtain the net worth statements of all the investors associated with the Dodge City Resort and Gaming Company. My initial review of their net worth statements reached the conclusion that there were not enough liquid assets available to meet the total required equity requirements. However, I noted that, for all investors, there were over \$200 million in net worth and there is the capacity to convert some of those assets into liquid assets.

Additional information was provided on some of the specific private business entities which show that there are additional liquid assets available. I did not verify that all investment groups were capable of

meeting the liquidity test due to the large number of entities involved and the time available. I do concur with the reply by Stephen Joseph that the net worth statements reflect ownership in a number of other private business entities that can produce additional cash.

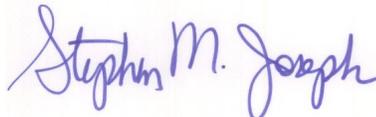
Debt Financing

The Dodge City Resort and Gaming Company application includes a conditional commitment for debt financing from Wells Fargo Bank, N.A. that concludes that the bank is highly confident in putting together the debt financing. No additional information has been provided that would provide assurances of the debt financing arrangement.

Given a 40% to 50% contribution by Dodge City Resort and Gaming Company, I would not foresee any problems arising with the debt financing.

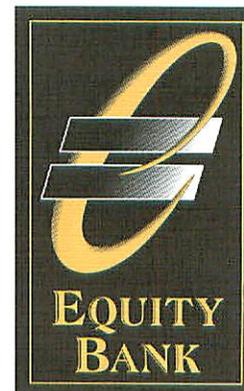
5. Conclusion. We offer the Review Board and the State of Kansas a very simple financial structure for the manager in the Southwest Kansas Gaming Zone – a single limited liability company with members having a total net worth in the hundreds of millions of dollars, ample liquid assets, and a Kansas bank that has already demonstrated its high confidence in our project, our company, and our members by providing an existing \$6.4 million credit line.

Respectfully yours,



Stephen M. Joseph
President

cc: Stephen Martino
Keith Kocher



Member FDIC

September 23, 2008

Mr. Stephen Joseph
President
Dodge City Resort and Gaming Company, LLC
500 North Market Street
Wichita, Kansas 67214

Re: Proposed Development of Casino in Ford County, Kansas

Dear Mr. Joseph:

We understand that Dodge City Resort and Gaming Company, LLC (Dodge City, LLC”) is seeking the Lottery Gaming Facility Manager’s License for the Southwest Gaming Zone from the State of Kansas and if successful, intends to develop and manage a casino resort in Ford County, Kansas. We further understand that Dodge City, LLC has successfully negotiated a contract to manage a casino for the State of Kansas with the Kansas Lottery and that contract is under consideration by the Kansas Lottery Gaming Facility Review Board, which has the authority to select one proposal to be forwarded to the Kansas Racing and Gaming Commission for its consideration.

It is further understood that the estimated total project cost for the Dodge City, LLC proposal is approximately \$70 million. Finally, it is our understanding that Dodge City, LLC has agreed to fund up to \$30 million of the total project cost in the form of equity contributions by its investors and intends to fund the remaining \$40 million of the total project cost by external debt.

Please accept this letter as Equity Bank’s ongoing interest in working with Dodge City, LLC to structure the \$40 million in long term debt on the project. Based upon the information Dodge City, LLC and its investors have provided to us, a review of the formal commitments its investors have made to Dodge City, LLC for this project, our experience with the investors of Dodge City, LLC and most importantly, taking into consideration the current conditions of the financial markets, we are confident in our ability to put in place up to \$40 million in external debt financing for Dodge City, LLC, on terms and conditions satisfactory to both Equity Bank and Dodge City, LLC.

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Mr. Stephen Joseph
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September 23, 2008

It should be understood that this letter is provided at Dodge City, LLC's request and is intended for discussion purposes only. It does not constitute an offer, obligation or commitment on the part of Equity Bank or any of its subsidiaries, affiliates or related entities to extend credit to Dodge City, LLC.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Drayton Alldritt", with a long, sweeping horizontal stroke extending to the right.

M. Drayton Alldritt
Executive Vice President



KAW VALLEY BANK

Still old-fashioned where it counts™

September 22, 2008

Mr. Clark D. Stewart
President & Chief Executive Officer
Butler National Service Corporation
19920 W. 161st Street
Olathe, Kansas 66062

Dear Mr. Stewart:

You have requested our bank provide a commitment on the financing for your proposed project in Dodge City, Kansas associated with your application to be the Manager for the Southwest Zone Lottery Gaming Facility. We understand that you are planning on a first phase of construction that will include a portion of your planned permanent facility until certain water treatment and sewer capacity constraints are addressed before completing the development of your permanent casino and resort. Based on our review of your proposed development costs and equity investment commitments from yourself and other parties, your debt financing needs for the first phase of construction are approximately \$15.0 to \$20.0 million.

We are pleased to advise you of the commitment of Kaw Valley Bank and the participating banks (see below) to provide up to \$20,000,000 for the Phase One Gaming Facility development subject to Butler National Service Corporation being selected as the Manager for the Southwest Gaming Zone, and meeting all of the banks lending requirements. We have already arranged commitments from five participating banks including ourselves in anticipation of this financing. Each bank is listed below:

Kaw Valley Bank, Topeka
Kaw Valley State Bank, Wamego
Kansas State Bank, Manhattan
Johnson State Bank, Ulysses
Alliance Bank, Topeka

As the lead bank in this financing, we are very eager to continue our participation in subsequent phases of your development. We would be pleased to continue at least at the present level of commitment in any subsequent phases of your planned development, assuming everything continues to meet the banks lending guidelines.

This letter is confidential and is being delivered to you with the understanding that no disclosure of, or reference to, this letter may be made to any person or entity other than (a) the directors and officers of Butler National Service Corporation and its subsidiaries who are directly involved in the project, or (b) the Kansas Lottery Commission or other appropriate governmental or regulatory authorities, provided, however, you may disclose this letter to your respective financial and legal advisors on a confidential basis.

We look forward to working with you on this unique opportunity in Dodge City, Kansas.

Sincerely,



Kent J Schwerdt
Senior Vice-President
Kaw Valley Bank
6831 SW 29th St, Ste 100
Topeka, KS 66614
kents@kawvalleybank.com
785-478-0373 phone
785-478-4876 fax



250 Vesey Street, 26th Floor
New York, NY 10080
Tel: (212) 449-7459
Fax: (212) 738-2228

September 24, 2008

Butler National Service Corporation
19920 W. 161st Street
Olathe, KS 66062

Attention: Mr. Clark Stewart, President and CEO

Re: Boot Hill Casino -- Highly Confident Letter

Ladies and Gentlemen:

Butler National Service Corporation (the "**Company**" or "**you**") has advised Merrill Lynch, Pierce, Fenner & Smith Incorporated ("**Merrill Lynch**", "**Arranger**", "**we**" or "**us**") that the Company intends to design, develop, construct and open a Ford County, Kansas casino project (the "**Casino Project**"). You have advised us that the total costs of the Casino Project are estimated to be approximately \$82.5 million (the "**Casino Project Costs**"), including land acquisition costs, construction costs, furniture and fixtures, capitalized interest, fees and reserves. In order to pay the Casino Project Costs, (a) the Company, Larry J. Woolf and other investors plan to contribute a minimum of \$22 million (excluding 5.5 million dollars paid in privilege fees, the "**Equity Contribution**"), in the form of cash, liquid assets and the value of contributed land and (b) the Casino Borrower will borrow up to approximately \$20 million from Kaw Valley Bank and a syndicate of banks, subject only to selection of the Company for the Ford County license by the Kansas Lottery Review Board, to fund the initial Casino Project costs. In addition, the Company will later raise up to an additional approximately \$45 million in debt financing for the remaining Casino Project costs (the "**Remaining Casino Debt Financing**"). It is also our understanding that the Company, if successful, would be the sole entity to be awarded a gaming license in Ford County.

Based on our discussions with you, and your representatives and advisors, our review of revenue and expense projections, cost estimates for Casino Project provided by the Company, and our initial understanding of the facts to date and subject to the factors and assumptions referred to herein, as of the date hereof, we are highly confident of our ability to arrange, syndicate, provide, place, underwrite or participate in the Remaining Casino Debt Financing. The amount, structure, covenants and terms of each component of the Remaining Casino Debt Financing, will be as determined by Merrill Lynch and our respective affiliates in consultation with the Casino Borrower based on (1) market conditions at the time of the offering, syndication or placement thereof, (2) the form, structure of the Casino Borrower, the Casino Project and the Remaining Casino Debt Financing (including guarantees, credit enhancement and security and the tax and legal consequences thereof), (3) definitive project documentation (including, without limitation, any local development agreements, guaranteed maximum price construction agreements, final architectural renderings, personal services agreements with the

casino management personnel and various other agreements affecting the Company and the Casino Borrower (collectively, the “**Project Documentation**”)) and (4) definitive credit agreements, construction disbursement agreements and related guarantees, credit enhancements and security agreements, underwriting agreements, placement agreements, indentures and other customary credit and security documentation with respect to the Remaining Casino Debt Financing (collectively, the “**Casino Debt Financing Documents**”), in each case, which shall include customary construction loan provisions, and that when finalized, are satisfactory to the us and prospective debt holders. The Casino Project and all transactions contemplated to be entered into in connection with the Casino Project and the Remaining Casino Debt Financing are herein referred to collectively as the “**Transactions.**”

Merrill Lynch’s confidence in its ability to execute the Remaining Casino Debt Financing is based upon, assumes and is subject to (i) the Casino Borrower being awarded a casino gaming license by the Lottery Commission of the State of Kansas (which award is not the subject of judicial or administrative proceedings challenging such award or any aspect thereof) and the receipt of all other requisite court, regulatory, governmental, shareholder, creditor and other third party consents and approvals (or the passage of all applicable waiting periods) required to consummate the Transactions, with none of such consents and approvals imposing a materially burdensome condition on the Casino Borrower or the consummation of the Remaining Casino Project in the Arranger’s sole judgment; (ii) the Equity Contribution having been made by investors acceptable to the Arranger which is not subject to preference or fraudulent conveyance challenges and on terms acceptable to the Arranger in its sole discretion; (iii) the Arranger having a reasonable time to syndicate or market the Casino Debt Financing based on its experience in comparable transactions and market conditions at such time, the marketing process being conducted in a manner satisfactory to the Arranger in its sole judgment, and utilizing offering materials prepared by the Company and the Casino Borrower that contain all historical and pro forma financial and non-financial information (based upon reasonable assumptions) that would customarily be presented in transactions of such type; (iv) the existence during the marketing and syndication process and at the time that the Casino Debt Financing Documents are executed by the parties thereto of normalized market conditions acceptable for project financings, credit facilities, high yield notes, or other debt financings, in our sole judgment, such as have existed during periods over the past six months; (v) there not having occurred and continuing and there not being any likelihood, in our sole judgment, during the marketing and syndication process and at the time that the Casino Debt Financing Documents are executed by the parties thereto of any disruption or material adverse condition (or development involving a prospective material adverse condition) in U.S. or global financial or capital markets markets such as occur from time to time and may exist today; (vi) in our sole judgment, there not having occurred or becoming known any actual or prospective material adverse change or any condition or event that could reasonably be expected to result in a material adverse change in (A) the proposed business, market conditions, assets, liabilities (contingent or otherwise), the projected results of operations, condition (financial or otherwise), prospects, debt service capacity, environmental liability or tax position of (1) the Company, taken as a whole, (2) the Casino Borrower taken as a whole (3) the Remaining Casino Project (both before and after giving effect to the Transactions) or (4) the providers of any guarantees, credit enhancement or security, (B) the ability of the Casino Borrower or any provider of any guaranty or credit enhancement to perform their obligations under the Remaining Casino Debt Financing Documents, (C) the validity or enforceability of the Remaining Casino Debt Financing Documents or the rights, remedies, options or benefits of the debt holders under the Casino Debt Financing Documents, (D) the gaming industry in Kansas (including the gaming industry in surrounding states) or any change or proposed change in any law or regulation that



could reasonably be expected to result in a material adverse change or condition as set forth in clause (A), or (E) any of the information concerning the Company, the Casino Borrower or the Remaining Casino Project that is publicly available or has been provided to the Arranger by or on behalf of the Company or the Casino Borrower or that is reflected in the business plan as described to us by Company management (including with respect to the Remaining Casino Project); (vii) no change or proposed change in United States, Kansas and other applicable law that could reasonably be expected to materially and adversely affect the economic consequences, including tax treatment, (A) the Company contemplates deriving from the Transactions or (B) the Arranger and the debt holders contemplate deriving from the Remaining Casino Debt Financing; (viii) consolidated pro forma operating performance and capitalization of the Company and its subsidiaries (both before and after giving effect to the Transactions) satisfactory to the Arranger and the receipt of audited financials and any other relevant documentation that is required by securities laws or regulations or by market convention to consummate the Remaining Casino Debt Financing, in each case, in form and substance acceptable to the Arranger; (ix) delivery of third party reports to the Arranger including, without limitation, reports related to key person background checks, construction, insurance and environmental matters (all of which shall be satisfactory to the Arranger in its sole discretion), (x) a FIRREA appraisal of the Remaining Casino Project showing a value of the Remaining Casino Project upon completion satisfactory to the Arranger, (xi) satisfactory title reports, surveys and title insurance in the amount of the Remaining Casino Debt Financing, (xii) execution of all required Remaining Casino Debt Financing Documents, the Project Documentation and other customary documents, and delivery thereof together with such other documents (including legal opinions and any other statutory, legislative or regulatory approvals) as the Arranger may reasonably require, and the satisfaction of all conditions stated therein, in each case, in form and substance reasonably satisfactory to the Arranger; (xiii) the payment of all fees and expenses in accordance herewith and the Remaining Casino Debt Financing Documents; (xiv) the satisfactory completion of business, legal, tax, environmental and accounting due diligence by the Arranger up to the time that the Transactions are consummated and the syndication and marketing of the Remaining Casino Debt Financing are completed (including ongoing review of the business plan, the financial performance to date, financial projections, the budgets and timelines of the Casino Project, the Project Documentation and other Casino Project related documents, and any amendments or modifications thereof or thereto, and a background review of the Company's directors and officers and key management personnel) and the Arranger not becoming aware of or otherwise discovering new information or developments concerning conditions or events previously made public or otherwise disclosed to the Arranger that it believes in its sole discretion to be inconsistent in any material respect with the information or business plan previously provided or made available to it; (xv) no default (beyond the expiration of applicable grace, notice and cure periods) existing under the terms of any material agreement of the Company or the Casino Borrower or any of their respective subsidiaries; and (xvi) there not existing any threatened, instituted or pending action, proceeding or counterclaim by or before any court or governmental, administrative or regulatory agency or authority challenging any of the Transactions or seeking to obtain, or having resulted in the entry of, any judgment, order or injunction that would restrain, prohibit or impose materially adverse conditions on the Arranger's ability to execute, syndicate or market the Remaining Casino Debt Financing or on the consummation of any of the Transactions or the ownership or operation of the Casino Project by the Casino Borrower or any of its subsidiaries, or the businesses or a material portion of any of their businesses or assets of the Company or the Casino Borrower, or seeking material damages. In the event that any of the foregoing conditions, events, or circumstances are either not satisfied or prove to be unsatisfactory to the Arranger, the Arranger reserves the right to terminate the commitments,



undertakings and agreements hereunder (and thereafter shall have no other or further obligations hereunder or in connection with the Remaining Casino Debt Financing).

This letter is not intended to be and should not be construed as a commitment with respect to the Remaining Casino Debt Financings or any other financing and creates no obligation or liability on the part of Merrill Lynch or any of its affiliates in connection with or any agreement by Merrill Lynch or the Company or any of their affiliates to arrange, syndicate, provide, place, underwrite or participate in any financing.

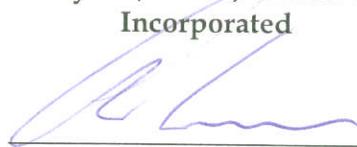
This letter, the contents hereof and our and/or our affiliates' activities pursuant hereto are confidential and shall not be disclosed by or on behalf of you, the Casino Borrower or any of your affiliates to any person (other than your officers, directors, employees and advisors in connection with the Transactions on a need-to-know basis) without our prior written consent, except that you may disclose this letter (i) to the Kansas Lottery Commission and then only in connection with the Transactions and on a confidential and need-to-know basis, and (ii) following your acceptance hereof, as you are required to make by compulsory legal process (based on the advice of legal counsel); provided, that in such event you agree, by your acceptance hereof, to give us prompt notice thereof and to cooperate with us in securing a protective order in the event of compulsory disclosure and that any disclosure made pursuant to public filings shall be subject to our prior approval (not to be unreasonably withheld). You agree that you will permit us to review and approve any reference to us or any of our affiliates in connection with this letter or the transactions contemplated hereby contained in any press release or similar public disclosure prior to public release. You agree that we may share information concerning the Company, the Casino Borrower and the Transactions with our respective affiliates.

This letter shall be governed by, and construed in accordance with, the laws of the State of New York (without regard to principles of conflicts of law).

We are excited about the opportunity to work with you and look forward to proceeding with the Remaining Casino Debt Financing in due time. If you have any questions, please do not hesitate to contact the undersigned at 212-449-7459.

Very truly yours,

**Merrill Lynch, Pierce, Fenner & Smith
Incorporated**

By: 

Aviv Laurence
Director

