

BUTLER NATIONAL CORP
Form 10-Q
March 17, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended January 31, 2014

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-1678

BUTLER NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Kansas 41-0834293
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

19920 West 161st Street, Olathe, Kansas 66062
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (913) 780-9595

Former name, former address and former fiscal year if changed since last report:
Not Applicable

Indicate by check mark whether the registrant (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 twelve months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: Yes T No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): Yes T No o

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

The number of shares outstanding of the Registrant's Common Stock, \$0.01 par value, as of March 7, 2014 was 59,619,173 shares.

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

As of January 31, 2014 and April 30, 2013

(in thousands except per share data)

(unaudited)

	January 31, 2014	April 30, 2013
ASSETS		
CURRENT ASSETS:		
Cash	\$5,071	\$5,148
Notes and accounts receivable	1,862	2,697
Income tax receivable	210	1,395
Inventories		
Raw materials	6,245	6,216
Work in process	2,134	1,048
Finished goods	151	240
Total inventory	8,530	7,504
Prepaid expenses and other current assets	767	829
Total current assets	16,440	17,573
PROPERTY, PLANT AND EQUIPMENT:		
Land and building	4,044	4,027
Aircraft	6,723	6,723
Machinery and equipment	3,494	3,714
Office furniture and fixtures	6,451	6,358
Leasehold improvements	4,060	4,060
	24,772	24,882
Accumulated depreciation	(11,404)	(9,435)
Total property, plant and equipment	13,368	15,447
SUPPLEMENTAL TYPE CERTIFICATES (net of amortization of \$2,643 at January 31, 2014 and \$2,604 at April 30, 2013)		
	1,976	2,014
OTHER ASSETS:		
Deferred tax asset	1,727	1,303
Other assets (net of accumulated amortization of \$2,191 at January 31, 2014 and \$1,213 at April 30, 2013)	7,604	7,523
Total other assets	9,331	8,826
Total Assets	\$41,115	\$43,860
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Promissory notes	\$1,744	\$1,377

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Current maturities of long-term debt and capital lease obligations	4,263	4,551
Accounts payable	1,251	1,509
Customer deposits	1,080	193
Gaming facility mandated payment	1,009	1,337
Compensation and compensated absences	989	1,045
Other current liabilities	256	119
Total current liabilities	10,592	10,131
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, NET OF CURRENT MATURITIES:		
Total liabilities	7,665	10,155
	18,257	20,286
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value \$5: Authorized 50,000,000 shares, all classes Designated Classes A and B 200,000 shares \$1,000 Class A, 9.8 %, cumulative if earned liquidation and redemption value \$100, no shares issued and outstanding	-	-
\$1,000 Class B, 6 %, convertible cumulative, liquidation and redemption value \$1,000, no shares issued and outstanding	-	-
Common stock, par value \$.01: authorized 100,000,000 shares issued and outstanding 59,619,173 shares at January 31, 2014 and 59,619,173 shares at April 30, 2013	596	596
Capital contributed in excess of par	13,056	13,034
Treasury stock at cost, 600,000 shares	(732)	(732)
Retained Earnings	7,168	8,022
Total stockholders' equity Butler National Corporation	20,088	20,920
Noncontrolling Interest in BHCMC, LLC	2,770	2,654
Total stockholders' equity	22,858	23,574
Total Liabilities and Stockholders' Equity	\$41,115	\$43,860
The accompanying notes are an integral part of these financial statements		

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JANUARY 31, 2014 AND 2013
(in thousands, except per share data)
(unaudited)

	THREE MONTHS ENDED January 31,	
	2014	2013
REVENUE:		
Professional Services	\$7,333	\$8,328
Aerospace Products	3,860	2,672
Total revenue	11,193	11,000
COSTS AND EXPENSES:		
Cost of Professional Services	4,498	5,304
Cost of Aerospace Products	2,843	2,492
Marketing and advertising	868	784
Employee benefits	571	586
Depreciation and amortization	870	848
General, administrative and other	1,525	1,505
Total costs and expenses	11,175	11,519
OPERATING INCOME (LOSS)	18	(519)
OTHER INCOME (EXPENSE):		
Interest expense	(348)	(417)
Other income, net	2	-
Total other income (expense)	(346)	(417)
INCOME (LOSS) BEFORE INCOME TAXES	(328)	(936)
PROVISION (BENEFIT) FOR INCOME TAXES	(101)	(200)
NET INCOME (LOSS)	(227)	(736)
Net income attributable to noncontrolling interest in BHCMC, LLC	8	(19)
NET INCOME (LOSS) ATTRIBUTABLE TO BUTLER NATIONAL CORPORATION	\$(219)	\$(755)
BASIC EARNINGS PER COMMON SHARE	\$0.00	\$(0.01)
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	59,019,173	57,542,914
DILUTED EARNINGS PER COMMON SHARE	\$(0.01)	\$(0.01)
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	59,019,173	57,542,914

The accompanying notes are an integral part of these financial statements

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED JANUARY 31, 2014 AND 2013
(in thousands, except per share data)
(unaudited)

	NINE MONTHS ENDED January 31,	
	2014	2013
REVENUE:		
Professional Services	\$23,934	\$27,305
Aerospace Products	9,819	10,700
Total revenue	33,753	38,005
COSTS AND EXPENSES:		
Cost of Professional Services	14,068	15,811
Cost of Aerospace Products	7,787	8,593
Marketing and advertising	3,185	2,901
Employee benefits	1,651	1,590
Depreciation and amortization	2,630	2,304
General, administrative and other	4,470	5,341
Total costs and expenses	33,791	36,540
OPERATING INCOME (LOSS)	(38)	1,465
OTHER INCOME (EXPENSE):		
Interest expense	(1,100)	(1,095)
Other income, net	42	10
Total other income (expense)	(1,058)	(1,085)
INCOME (LOSS) BEFORE INCOME TAXES	(1,096)	380
PROVISION (BENEFIT) FOR INCOME TAXES	(359)	8
NET INCOME (LOSS)	(737)	372
Net income attributable to noncontrolling interest in BHCMC, LLC	(116)	(745)
NET INCOME (LOSS) ATTRIBUTABLE TO BUTLER NATIONAL CORPORATION	\$(853)	\$(373)
BASIC EARNINGS PER COMMON SHARE	\$0.00	\$(0.01)
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	59,019,173	57,537,995
DILUTED EARNINGS PER COMMON SHARE	\$(0.01)	\$(0.01)
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	59,019,173	57,537,995

The accompanying notes are an integral part of these financial statements

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE NINE MONTHS ENDED JANUARY 31, 2014 AND 2013

(in thousands)
 (unaudited)

	NINE MONTHS ENDED January 31, 2014 2013	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (737)	\$ 372
Adjustments to reconcile cash flows from operating activities		
Depreciation and amortization	3,255	2,417
Stock issued for services	22	91
Stock options issued to employees and directors	-	107
Gain and loss on disposal of other assets	(36)	-
Changes in assets and liabilities		
Accounts receivable	974	1,621
Income tax receivable	1,185	-
Inventories	(1,116)	(6)
Prepaid expenses and other current assets	62	(1,878)
Accounts payable	(258)	539
Customer deposits	887	(624)
Accrued liabilities	(56)	(199)
Gaming facility mandated payment	(328)	777
Other liabilities	136	84
Deferred tax asset	(424)	-
Other assets	12	-
Cash flows from operating activities	3,578	3,301

CASH FLOWS FROM INVESTING ACTIVITIES