

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 **October 31, 2019**

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**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock \$0.01 Par Value

(Title of Class)

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files): Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 December 13, 2019 was 67,954,200 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 October 31, 2019 and April 30, 2019
(in thousands except per share data)

	<u>October 31, 2019</u>	<u>April 30, 2019</u>
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash	\$ 17,025	\$ 9,014
Accounts receivable, net of allowance for doubtful accounts	2,459	3,265
Asset held for sale, net of accumulated depreciation	-	447
Income tax receivable	-	27
Inventories		
Parts and raw materials	7,039	7,370
Work in process	1,483	1,441
Finished goods	70	74
Total inventory, net of allowance	8,592	8,885
Prepaid expenses and other current assets	2,054	1,646
Total current assets	<u>30,130</u>	<u>23,284</u>
PROPERTY, PLANT AND EQUIPMENT:		
Finance lease right-to-use assets	43,680	1,699
Land and building	5,765	5,765
Aircraft	8,723	8,467
Machinery and equipment	4,083	4,075
Office furniture and fixtures	7,594	7,487
Leasehold improvements	4,032	4,032
	73,877	31,525
Accumulated depreciation	(18,971)	(16,714)
Total property, plant and equipment	<u>54,906</u>	<u>14,811</u>
SUPPLEMENTAL TYPE CERTIFICATES (net of accumulated amortization of \$6,539 at October 31, 2019 and \$6,054 at April 30, 2019)	<u>6,228</u>	<u>6,407</u>
OTHER ASSETS:		
Deferred tax asset	295	295
Other assets (net of accumulated amortization of \$9,767 at October 31, 2019 and \$9,370 at April 30, 2019)	3,708	4,105
Total other assets	<u>4,003</u>	<u>4,400</u>
Total assets	<u>\$ 95,267</u>	<u>\$ 48,902</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 1,305	\$ 1,899
Current maturities of finance lease liability	1,118	8
Accounts payable	1,513	1,774
Customer deposits	2,851	2,758
Gaming facility mandated payment	1,286	1,280
Compensation and compensated absences	1,814	1,664
Deferred tax liability, current	236	236
Income taxes payable	1,300	-
Other current liabilities	338	230
Total current liabilities	<u>11,761</u>	<u>9,849</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	1,672	2,076
Finance lease liability, net of current maturities	42,083	1,689
Deferred tax liability	944	944
Total long-term liabilities	<u>44,699</u>	<u>4,709</u>
Total liabilities	<u>56,460</u>	<u>14,558</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Butler National Corporation's stockholders' equity		
Preferred stock, par value \$5: Authorized 50,000,000 shares, all classes; Designated Classes A and B 200,000 shares; \$100 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 71,008,122 shares, and outstanding 67,954,200 shares at October 31, 2019 and issued 71,008,122 shares, and outstanding 68,281,071 shares at April 30, 2019	710	710
Capital contributed in excess of par	14,862	14,767
Treasury stock at cost, 3,053,922 shares at October 31, 2019 and 2,727,051 shares at April 30, 2019	(1,525)	(1,387)
Retained earnings	18,204	13,913
Total Butler National Corporation's stockholders' equity	<u>32,251</u>	<u>28,003</u>
Noncontrolling interest in BHCMC, LLC	6,556	6,341
Total stockholders' equity	<u>38,807</u>	<u>34,344</u>
Total liabilities and stockholders' equity	<u>\$ 95,267</u>	<u>\$ 48,902</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2019 AND 2018
(in thousands, except per share data)
(unaudited)

	THREE MONTHS ENDED	
	October 31,	
	2019	2018
REVENUE:		
Professional Services	\$ 8,107	\$ 7,858
Aerospace Products	11,330	7,439
Total revenue	<u>19,437</u>	<u>15,297</u>
COSTS AND EXPENSES:		
Cost of Professional Services	4,006	4,926
Cost of Aerospace Products	6,563	4,331
Marketing and advertising	1,035	1,060
Employee benefits	526	481
Depreciation and amortization	1,276	395
General, administrative and other	1,804	2,286
Total costs and expenses	<u>15,210</u>	<u>13,479</u>
OPERATING INCOME	<u>4,227</u>	<u>1,818</u>
OTHER INCOME (EXPENSE):		
Interest expense	(1,087)	(55)
Refund of sales/use tax	-	1,330
Total other income (expense)	<u>(1,087)</u>	<u>1,275</u>
INCOME BEFORE INCOME TAXES	3,140	3,093
PROVISION FOR INCOME TAXES		
Provision for income taxes	<u>825</u>	<u>637</u>
NET INCOME	2,315	2,456
Net income attributable to noncontrolling interest in BHCMC, LLC	(85)	(735)
NET INCOME ATTRIBUTABLE TO BUTLER NATIONAL CORPORATION	<u>\$ 2,230</u>	<u>\$ 1,721</u>
BASIC EARNINGS PER COMMON SHARE	<u>\$ 0.03</u>	<u>\$ 0.03</u>
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	<u>68,104,433</u>	<u>63,820,359</u>
DILUTED EARNINGS PER COMMON SHARE	<u>\$ 0.03</u>	<u>\$ 0.03</u>
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	<u>68,104,433</u>	<u>63,820,359</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2019 AND 2018
(in thousands, except per share data)
(unaudited)

	SIX MONTHS ENDED	
	October 31,	
	2019	2018
REVENUE:		
Professional Services	\$ 16,223	\$ 15,806
Aerospace Products	20,230	12,895
Total revenue	<u>36,453</u>	<u>28,701</u>
COSTS AND EXPENSES:		
Cost of Professional Services	7,856	9,738
Cost of Aerospace Products	11,532	8,461
Marketing and advertising	2,139	2,035
Employee benefits	1,073	987
Depreciation and amortization	2,515	783
General, administrative and other	3,590	3,979
Total costs and expenses	<u>28,705</u>	<u>25,983</u>
OPERATING INCOME	<u>7,748</u>	<u>2,718</u>
OTHER INCOME (EXPENSE):		
Interest expense	(2,184)	(124)
Refund of sales/use tax	-	1,610
Gain on sale of airplane	529	-
Total other income (expense)	<u>(1,655)</u>	<u>1,486</u>
INCOME BEFORE INCOME TAXES	<u>6,093</u>	<u>4,204</u>
PROVISION FOR INCOME TAXES		
Provision for income taxes	<u>1,587</u>	<u>825</u>
NET INCOME	<u>4,506</u>	<u>3,379</u>
Net income attributable to noncontrolling interest in BHCMC, LLC	(215)	(1,149)
NET INCOME ATTRIBUTABLE TO BUTLER NATIONAL CORPORATION	<u>\$ 4,291</u>	<u>\$ 2,230</u>
BASIC EARNINGS PER COMMON SHARE	<u>\$ 0.06</u>	<u>\$ 0.03</u>
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	<u>68,233,900</u>	<u>64,260,774</u>
DILUTED EARNINGS PER COMMON SHARE	<u>\$ 0.06</u>	<u>\$ 0.03</u>
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	<u>68,233,900</u>	<u>64,260,774</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED OCTOBER 31, 2019 AND 2018
(dollars in thousands)
(unaudited)

	Shares of Common Stock	Common Stock	Capital Contributed in Excess of Par	Shares of Treasury Stock	Treasury Stock at Cost	Retained Earnings	Total Stock- holders' Equity BNC	Non controlling Interest in BHCMC	Total Stock- holders' Equity
Balance, April 30, 2018	66,196,854	\$ 662	\$ 14,231	1,453,537	\$ (951)	\$ 10,060	\$ 24,002	\$ 5,264	\$ 29,266
Stock repurchase	-	-	-	506,132	(150)	-	(150)	-	(150)
BHCMC distribution noncontrolling interest	-	-	-	-	-	-	-	(360)	(360)
Net Income	-	-	-	-	-	2,230	2,230	1,149	3,379
Balance, October 31, 2018	<u>66,196,854</u>	<u>\$ 662</u>	<u>\$ 14,231</u>	<u>1,959,669</u>	<u>\$ (1,101)</u>	<u>\$ 12,290</u>	<u>\$ 26,082</u>	<u>\$ 6,053</u>	<u>\$ 32,135</u>

	Shares of Common Stock	Common Stock	Capital Contributed in Excess of Par	Shares of Treasury Stock	Treasury Stock at Cost	Retained Earnings	Total Stock- holders' Equity BNC	Non controlling Interest in BHCMC	Total Stock- holders' Equity
Balance, April 30, 2019	71,008,122	\$ 710	\$ 14,767	2,727,051	\$ (1,387)	\$ 13,913	\$ 28,003	\$ 6,341	\$ 34,344
Stock repurchase	-	-	-	326,871	(138)	-	(138)	-	(138)
Deferred compensation, restricted stock	-	-	95	-	-	-	95	-	95
Net Income	-	-	-	-	-	4,291	4,291	215	4,506
Balance, October 31, 2019	<u>71,008,122</u>	<u>\$ 710</u>	<u>\$ 14,862</u>	<u>3,053,922</u>	<u>\$ (1,525)</u>	<u>\$ 18,204</u>	<u>\$ 32,251</u>	<u>\$ 6,556</u>	<u>\$ 38,807</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2019 AND 2018
(in thousands)
(unaudited)

	SIX MONTHS ENDED	
	October 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,506	\$ 3,379
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	3,140	1,510
Gain on sale of airplane	(529)	-
Deferred compensation, restricted stock	95	-
Changes in assets and liabilities		
Accounts receivable	806	(1,161)
Income tax receivable	27	219
Inventories	293	(441)
Prepaid expenses and other current assets	(408)	(281)
Accounts payable	(261)	(280)
Customer deposits	93	1,029
Accrued liabilities	150	865
Gaming facility mandated payment	6	16
Income tax payable	1,300	-
Other current liabilities	108	129
Net cash provided by operating activities	<u>9,326</u>	<u>4,984</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(677)	(329)
Proceeds from sale of airplane	975	-
Net cash provided by (used in) investing activities	<u>298</u>	<u>(329)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of promissory notes, net	-	(1,717)
Repayments of long-term debt	(997)	(809)
Reduction of finance lease liability	(478)	(360)
Repurchase of common stock	(138)	(150)
Net cash used in financing activities	<u>(1,613)</u>	<u>(3,036)</u>
NET INCREASE IN CASH	8,011	1,619
CASH, beginning of period	9,014	7,353
CASH, end of period	<u>\$ 17,025</u>	<u>\$ 8,972</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 2,183</u>	<u>\$ 126</u>
Income taxes paid	<u>\$ 259</u>	<u>\$ 105</u>
NON CASH INVESTING AND FINANCING ACTIVITY		
Finance lease right-of-use assets and finance lease liability	<u>\$ 41,981</u>	<u>-</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)
(unaudited)

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the annual report on Form 10-K for the fiscal year ended April 30, 2019. In our opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. Operating results for the three and six months ended October 31, 2019 are not indicative of the results of operations that may be expected for the fiscal year ending April 30, 2020.

Certain reclassifications within the condensed financial statement captions have been made to maintain consistency in presentation between years. These reclassifications have no impact on the reported results of operations. Financial amounts are in thousands of dollars except per share amounts.

2. Net Income Per Share: Butler National Corporation (“the Company”) follows ASC 260 that requires the reporting of both basic and diluted earnings per share. Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with ASC 260, any anti-dilutive effects on net earnings per share would be excluded. The number of potential common shares as of three and six months ended October 31, 2019 is 67,954,200.

3. Revenue Recognition: On May 1, 2018, the Company adopted ASC Topic 606, “Revenue from Contracts with Customers”.

Under ASC 606, revenue is recognized when a customer obtains control of promised services in an amount that reflects the consideration we expect to receive in exchange for those services. To achieve this core principal, the Company applies the following five steps:

- 1) Identify the contract, or contracts, with a customer

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party’s rights regarding the services to be transferred and identifies the payment terms related to these services, (ii) the contract has commercial substance and (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer’s intent and ability to pay the promised consideration.

- 2) Identification of the performance obligations in the contract

At contract inception, an entity shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer. Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised services, the Company must apply judgment to determine whether promised services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation.

- 3) Determination of the transaction price

The transaction price is the amount that an entity allocates to the performance obligations identified in the contract and, therefore, represents the amount of revenue recognized as those performance obligations are satisfied. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

The transaction price is the amount that an entity allocates to the performance obligations identified in the contract and, therefore, represents the amount of revenue recognized as those performance obligations are satisfied. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

- 4) Allocation of the transaction price to the performance obligations in the contract

Once a contract and associated performance obligations have been identified and the transaction price has been determined, ASC 606 requires an entity to allocate the transaction price to each performance obligation identified. This is generally done in proportion to the standalone selling prices of each performance obligation (i.e., on a relative standalone selling price basis). As a result, any discount within the contract generally is allocated proportionally to all of the separate performance obligations in the contract. The Company is applying the right to invoice practical expedient to recognize revenue. As a result, the entity bypasses the steps of determining the transaction price, allocating that transaction price and determining when to recognize revenue as it will recognize revenue as billed by multiplying the price assigned to the good or service, by the units.

5) Recognition of revenue when, or as, we satisfy a performance obligation

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control transfers either over time or at a point in time. Revenue is recognized when control of the promised services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

Aircraft modifications are performed under fixed-price contracts. Revenue from fixed-priced contracts are recognized on the percentage-of-completion method, measured by the direct labor incurred compared to total estimated direct labor.

Revenue from Avionics products are recognized when shipped. Payment for these Avionics products is due within 30 days of the invoice date after shipment. Revenue from Gaming Management and other Corporate/Professional Services is recognized as the service is rendered.

Regarding warranties and returns, our products are special order and are not suitable for return. Our products are unique upon installation and tested prior to their release to the customer and acceptance by the customer. In the rare event of a warranty claim, the claim is processed through the normal course of business and may include additional charges to the customer. In our opinion, any future warranty work would not be material to the consolidated financial statements.

Gaming revenue is the gross gaming win as reported by the Kansas Lottery casino reporting systems, less the mandated payments by and for the State of Kansas. Electronic games-slots and table games revenue is the aggregate of gaming wins and losses. Liabilities are recognized for chips and "ticket-in, ticket-out" coupons in the customers' possession, and for accruals related to anticipated payout of progressive jackpots. Progressive gaming machines, which contain base jackpots that increase at a progressive rate based on the number of coins played, are deducted from revenue as the value of jackpots increase. Food, beverage, and other revenue is recorded when the service is received and paid.

4. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Future events and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and any such differences may be material to our consolidated financial statements. Significant estimates include assumptions about collection of accounts receivable, the valuation, and recognition of stock-based compensation expense, valuation for deferred tax assets and useful life of fixed assets.

5. Inventories: Inventories are priced at the lower of cost, determined on a first-in, first-out basis, or net realizable value. Inventories include material, labor and factory overhead required in the production of our products.

Inventory obsolescence is examined on a regular basis. When determining our estimate of obsolescence, we consider inventory that has been inactive for five years or longer and the probability of using that inventory in future production. The obsolete inventory generally consists of Falcon and Learjet parts and electrical components. At October 31, 2019 and April 30, 2019, the estimate of obsolete inventory was \$718 and \$718 respectively.

6. Research and Development: We invested in research and development activities. The amount invested in the six months ended October 31, 2019 and 2018 was \$1,180 and \$620 respectively.

7. Debt: At October 31, 2019, the Company was utilizing a promissory note in the form of a line of credit totaling \$5,000. The unused line at October 31, 2019 was \$5,000. The line of credit is due on demand and is collateralized by the first and second positions on all assets of the Company.

At October 31, 2019, there was one note with an interest rate of 6.25% collateralized by aircraft security agreements totaling \$1,976. This note was used for the purchase and modifications of collateralized aircraft. This note matures in January 2023.

At October 31, 2019, there is one note totaling \$233 collateralized by real estate in Dodge City, Kansas. The interest rate on this note is 6.25%. This note matures in June 2024.

At October 31, 2019, there is one note collateralized by equipment with a balance of \$52. The interest rate on this note is 4.5%. This note matures in April 2022.

At October 31, 2019, there is one note at a bank totaling \$716 with an interest rate of 4.89%. The proceeds were used primarily to refinance obligations with BHCI (a non-controlling owner of BHCMC, LLC). This note matures in May 2020.

We are not in default of any of our notes as of October 31, 2019.

We believe that our current banks will provide the necessary capital for our business operations. However, we continue to maintain contact with other banks that have an interest in funding our working capital needs to continue our growth in operations in 2020 and beyond.

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8. Other Assets: Our other asset account includes assets of \$5,500 related to the Kansas Expanded Lottery Act Management Contract privilege fee, \$5,646 of gaming equipment we were required to pay for ownership by the State of Kansas Lottery, and JET autopilot intellectual property of \$1,417 and miscellaneous other assets of \$912. BHCMC expects the \$5,500 privilege fee to have a value over the remaining life of the initial Management Contract with the State of Kansas which will end in December 2024. See subsequent event footnote 12. The Managers Certificate asset for use of gaming equipment is being amortized over a period of three years based on the estimated useful life of gaming equipment. The JET intellectual property is being amortized over a period of fifteen years.

9. Stock Options and Incentive Plans:

In November 2016, the shareholders approved and adopted the Butler National Corporation 2016 Equity Incentive Plan. The maximum number of shares of common stock that may be issued under the Plan is 12.5 million.

On April 12, 2019, the Company granted 2.5 million restricted shares to employees. These shares have voting rights at date of grant and become fully vested and nonforfeitable on April 11, 2024. The restricted shares were valued at \$0.38 per share, for a total of \$950. The deferral compensation of \$950 will be expensed on the financial statements over the five year vesting period. No other equity awards have been made under the plan.

For the six months ended October 31, 2019 and October 31, 2018, the company expensed \$95 and \$0, respectively.

10. Stock Repurchase Program

The Board of Directors approved a stock purchase program authorizing the repurchase of up to \$4,000 of its common stock. The timing and amount of any share repurchases will be determined by Butler National's management based on market conditions and other factors. The program is currently authorized through May 1, 2021.

The table below provides information with respect to common stock purchases by the Company through October 31, 2019.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
Program authorization				\$ 500
Shares purchased in prior periods	138,953	\$ 0.25	138,953	\$ 465
Quarter ended January 31, 2018 (a)	536,058	\$ 0.26	536,058	\$ 326
Quarter ended April 30, 2018 (a)	178,526	\$ 0.25	178,526	\$ 281
Increase in program authorization April 2018 (b)	-	\$ -	-	\$ 531
Quarter ended July 31, 2018 (a)	25,277	\$ 0.26	25,277	\$ 525
Quarter ended October 31, 2018 (a)	480,805	\$ 0.30	480,805	\$ 381
Quarter ended January 31, 2019 (a)	186,727	\$ 0.34	186,727	\$ 317
Quarter ended April 30, 2019 (a)	580,705	\$ 0.38	580,705	\$ 94
Increase in program authorization April 2019 (c)	-	\$ -	-	\$ 1,569
Quarter ended July 31, 2019 (a)	120,821	\$ 0.35	120,821	\$ 1,526
Increase in program authorization October 2019 (d)	-	\$ -	-	\$ 3,301
Quarter ended October 31, 2019 (a)	206,050	\$ 0.46	206,050	\$ 3,206
Total	<u>2,453,922</u>	<u>\$ 0.32</u>	<u>2,453,922</u>	

- (a) These shares of common stock purchased were purchased through a private transaction
- (b) Board of Directors increased program authorization from \$500 to \$750
- (c) Board of Directors increased program authorization from \$750 to \$2,225
- (d) Board of Directors increased program authorization from \$2,225 to \$4,000

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11. Finance Lease Right-of-Use

On May 1, 2019, the Company adopted ASU 2016-02 Leases – Topic 842. ASU 2016-02 requires that on the balance sheet a lessee should recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term.

We lease the casino as well as hangar and office space with initial lease terms of two, five, twenty-five and fifty years.

	October 31, 2019
Right-of-use assets	\$ 43,680
Less accumulated depreciation	1,404
Total	<u>\$ 42,276</u>

Future minimum lease payments for assets under capital leases at October 31, 2019 are as follows:

2020	\$ 5,208
2021	5,240
2022	5,254
2023	5,307
2024	5,308
Thereafter	<u>59,061</u>
Total minimum lease payments	85,378
Less amount representing interest	42,177
Present value of net minimum lease payments	<u>43,201</u>
Less current maturities of finance lease liability	1,118
Finance lease liability, net of current maturities	<u>\$ 42,083</u>

The adoption of ASU 2016-02 had a negative impact on our financial statements for the six months ended October 31, 2019. The impact is summarized below:

Increase in depreciation	\$ 1,393
Increase in interest expense	2,074
Decrease in rent expense	<u>(2,550)</u>
Decrease in net income for the six months ended October 31, 2019	<u>\$ 917</u>

12. Subsequent Events:

Subsequent to October 31, 2019, the State of Kansas approved a renewal management contract and an amendment to the current management contract for our Professional Services company BNSC via BHCMC. The renewal will take effect December 15, 2024, and continue to 2039, another 15 years. Under the new contracts, BNSC via BHCMC is obligated to spend \$9.6 million in capital expenditures and other expenditures between now and December 14, 2024 and spend \$1.0 million per year from December 15, 2024 to December 14, 2039. The 15 year renewal contract allows the State to increase its share of gaming revenue by two percentage points.

The contract obligation for the expenditures defined in the amendment over the remaining life of the current management contract and the renewal contract total \$24.6 million. These expenditures are front loaded and begin in our fiscal year 2020.

The Company evaluated its October 31, 2019 financial statements for subsequent events through the filing date of this report. The Company is not aware of any subsequent events, other than the one listed above, that would require recognition or disclosure in the financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THROUGHOUT THIS ITEM 2 ALL NON TABULAR FINANCIAL RESULTS ARE PRESENTED IN THOUSANDS OF U.S. DOLLARS EXCEPT WHERE MILLIONS OF DOLLARS IS INDICATED.

Forward-Looking Statements

Statements made in this report, other reports and proxy statements filed with the Securities and Exchange Commission, communications to stockholders, press releases, and oral statements made by representatives of the Company that are not historical in nature, or that state the Company or management intentions, hopes, beliefs, expectations or predictions of the future, may constitute "forward-looking statements" within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements can often be identified by the use of forward-looking terminology, such as "could," "should," "will," "intended," "continue," "believe," "may," "expect," "hope," "anticipate," "goal," "forecast," "plan," "guidance" or "estimate" or the negative of these words, variations thereof or similar expressions. Forward-looking statements are not guarantees of future performance or results. They involve risks, uncertainties, and assumptions. It is important to note that any such performance and actual results, financial condition or business, could differ materially from those expressed in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Item 1A (Risk Factors) of the Annual Report on Form 10-K for the fiscal year ended April 30, 2019, and elsewhere herein or in other reports filed with the SEC. Other unforeseen factors not identified herein could also have such an effect. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial condition or business over time.

The forward-looking statements in this report are only predictions and actual events or results may differ materially. In evaluating such statements, a number of risks, uncertainties and other factors could cause actual results, performance, financial condition, cash flows, prospects and opportunities to differ materially from those expressed in, or implied by, the forward-looking statements. These risks, uncertainties and other factors include those set forth in Item 1A (Risk Factors) of the Annual Report on Form 10-K for the fiscal year ended April 30, 2019, including the following factors:

- extensive regulation across our industries;
- evolving government regulations and law;
- the geographic location of our casino;
- customer concentration risk;
- risks associated with the potential acquisition of land at the Boot Hill Casino;
- industrial business cycles;
- market competition;
- marketability restrictions of our common stock;
- stock dilution caused by the annual employer match to our 401(k) plan;
- the possibility of a reverse-stock split;
- executive officers are family members;
- non-renewal of certain casino management contracts;
- changes in regulations of financial reporting;
- fluctuating fuel and energy costs;
- fixed-price contracts;
- development, production, testing and marketing of new products;
- the stability of credit markets;
- cyber-security threats;
- acts of terrorism and war;
- inclement weather and natural disasters;
- loss of key personnel;
- risks associated with international sales;
- future acquisitions and investments;
- change of control restrictions;
- potential impairment losses;
- extensive taxation;

Except as expressly required by the federal securities laws, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this report. Results of operations in any past period should not be considered indicative of the results to be expected for future periods. Fluctuations in operating results may also result in fluctuations in the price of the Company's common stock.

Investors should also be aware that while the Company, from time to time, communicates with securities analysts; it is against its policy to disclose any material non-public information or other confidential commercial information. Accordingly, shareholders should not assume that the Company agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, the Company has a policy against issuing or confirming financial forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are **not** the responsibility of Butler National Corporation.

Management Overview

Management is focused on increasing long-term shareholder value from increased cash generation, earnings growth, and prudently managing capital expenditures. We plan to do this by continuing to drive increased revenue from product and service innovations, strategic acquisitions, and targeted marketing programs.

We have two separate reporting segments: Aerospace Products and Professional Services. Aerospace Products and Professional Services do not share the same customers and suppliers and have substantially distinct businesses. The Aerospace Products operating segment provides products and services in the aerospace industry. Companies in Aerospace Products derive their revenue from system design, engineering, manufacturing, integration, installation, repairing, overhauling, servicing and distribution of aerostructures, avionics, aircraft components, accessories, subassemblies and systems. The Professional Services operating segment provides services in the gaming industry. Professional Services companies manage a gaming and entertainment facility and provide architectural and engineering services. These reporting segments operate through various subsidiaries and affiliates listed in the Company's fiscal year 2019 Annual Report on Form 10-K.

Aerospace Products. The Aerospace Products segment includes the manufacture, sale and service of electronic equipment and systems and technologies to enhance and support products related to aircraft. Additionally, we also operate several Federal Aviation Administration (the "FAA") Repair Stations. Companies in Aerospace Products concentrate on Learjets, Beechcraft King Air, Cessna turbine engine, Cessna multi-engine piston and Dassault Falcon 20 aircraft. Specifically, the design, distribution and support for products for older aircraft, or "Classic" aircraft are areas of focus for companies in Aerospace Products.

Products. The products that the companies within this group design, engineer, manufacture, integrate, install, repair and service include:

- Aerial surveillance products
- Aerodynamic enhancement products
- Airspeed and altimeter systems
- Avcon Fins
- ADS-B (transponder) systems
- Conversion of passenger configurations to cargo
- Cargo/sensor carrying pods
- Electronic navigation instruments, radios and transponders
- GARMIN GTN Global Position System Navigator with Communication Transceiver
- J.E.T autopilot products
- Electrical systems and switching equipment
- Noise suppression systems
- Rate gyroscopes
- Replacement vertical accelerometers
- Provisions for external stores
- Attitude heading reference systems

Modifications. The companies in Aerospace Products have authority pursuant to Federal Aviation Administration Supplemental Type Certificates ("STCs") and Parts Manufacturer Approval ("PMA"), to build required parts and subassemblies and to make applicable installations. Companies in Aerospace Products perform modifications in the aviation industry including:

- Aerial photograph capabilities
- Aerodynamic improvements
- Avionics systems
- Cargo doors
- Conversion from passenger to freighter configuration
- Extended doors
- Extended tip fuel tanks
- Radar systems
- ISR – Intelligence Surveillance Reconnaissance
- Special mission modifications
- Stability enhancements
- Traffic collision avoidance systems

Special Mission Electronics. We supply defense-related, commercial off-the-shelf products to various commercial entities and government agencies and subcontractors in order to update or extend the useful life of aircraft with older components and technology. These products include:

- Cabling
- Electronic control systems
- Gun Control Units for Apache and Blackhawk helicopters
- HangFire Override Modules
- Test equipment
- Gun Control Units for land and sea based military vehicles

Professional Services. The Professional Services segment includes the management of a gaming facility and related dining and entertainment facilities in Dodge City, Kansas. Boot Hill Casino and Resort features approximately 640 slot machines and 20 table games. Companies in Professional Services also provide licensed architectural services, including commercial and industrial building design, and engineering services.

Boot Hill. Butler National Service Corporation (“BNSC”), via BHC MC, LLC (“BHC MC”), a company in Professional Services, has managed The Boot Hill Casino and Resort in Dodge City, Kansas (“Boot Hill”) since 2009 pursuant to the Lottery Gaming Facility Management Contract, by and among BNSC, BHC MC and the Kansas Lottery, originally dated December 8, 2009, as subsequently amended (“Boot Hill Agreement”). As required by Kansas law, all games, gaming equipment and gaming operations at Boot Hill are owned and operated by the Kansas Lottery.

The Stables. From 1998 until 2018, Butler National Service Corporation, a company in Professional Services and our wholly-owned subsidiary, managed a Modoc Tribe of Oklahoma owned casino known as The Stables Casino in Miami, Oklahoma (“The Stables”) pursuant to the Stables Management Agreement originally dated December 12, 1996 and approved by the NIGC on January 14, 1997 as subsequently amended (the “Stables Agreement”). Under the terms of the Stables Agreement, BNSC received twenty percent (20%) of the net profits from The Stables. The Stables Agreement expired on September 30, 2018, and was not renewed.

Architectural and Engineering Services. Companies in Professional Services provide licensed architectural, including commercial and industrial building design, and engineering services.

Results Overview

The six months ended October 31, 2019 revenue increased 27% to \$36.5 million compared to \$28.7 million in the six months ended October 31, 2018. In the six months ended October 31, 2019 the professional services revenue was \$16.2 million compared to \$15.8 million in the six months ended October 31, 2018, an increase of 3%. In the six months ended October 31, 2019 the Aerospace Products revenue was \$20.2 million compared to \$12.9 million in the six months ended October 31, 2018, an increase of 57%.

The six months ended October 31, 2019 net income increased to \$4.3 million compared to a net income of \$2.2 million in the six months ended October 31, 2018. The six months ended October 31, 2019, operating income increased to \$7.7 million, from an operating income of \$2.7 million in the six months ended October 31, 2018.

RESULTS OF OPERATIONS

SIX MONTHS ENDING OCTOBER 31, 2019 COMPARED TO SIX MONTHS ENDING OCTOBER 31, 2018

(dollars in thousands)	Six Months Ended October 31, 2019	Percent of Total Revenue	Six Months Ended October 31, 2018	Percent of Total Revenue	Percent Change 2018-2019
Revenue:					
Professional Services	\$ 16,223	45%	\$ 15,806	55%	3%
Aerospace Products	20,230	55%	12,895	45%	57%
Total revenue	36,453	100%	28,701	100%	27%
Costs and expenses:					
Costs of Professional Services	7,856	21%	9,738	34%	-19%
Cost of Aerospace Products	11,532	32%	8,461	30%	36%
Marketing and advertising	2,139	6%	2,035	7%	5%
Employee benefits	1,073	3%	987	3%	9%
Depreciation and amortization	2,515	7%	783	3%	221%
General, administrative and other	3,590	10%	3,979	14%	-10%
Total costs and expenses	28,705	79%	25,983	91%	10%
Operating income	\$ 7,748	21%	\$ 2,718	9%	185%

Revenue:

Revenue increased 27% to \$36.5 million in the six months ended October 31, 2019, compared to \$28.7 million in the six months ended October 31, 2018. See "Operations by Segment" below for a discussion of the primary reasons for the increase in revenue.

- Professional Services derives its revenue from (a) professional management services in the gaming industry through Butler National Service Corporation ("BNSC") and BHCMC, LLC ("BHCMC"), and (b) professional architectural, engineering and management support services. Revenue from Professional Services increased 3% for the six months to \$16.2 million at October 31, 2019 compared to \$15.8 million in the six months ended October 31, 2018.
- Aerospace Products derives its revenue by designing, engineering, manufacturing, installing, servicing and repairing products for classic and current production aircraft. Aerospace Products revenue increased 57% for the six months to \$20.2 million at October 31, 2019 compared to \$12.9 million in the six months ended October 31, 2018.

Costs and expenses:

Costs and expenses related to Professional Services and Aerospace Products include the cost of engineering, labor, materials, equipment utilization, control systems, security and occupancy.

Costs and expenses increased 10% in the six months ended October 31, 2019 to \$28.7 million compared to \$26.0 million in the six months ended October 31, 2018. Costs and expenses were 79% of total revenue in the six months ended October 31, 2019, as compared to 91% of total revenue in the six months ended October 31, 2018.

Costs of Professional Services decreased 19% in the six months ended October 31, 2019 to \$7.9 million compared to \$9.7 million in the six months ended October 31, 2018. Costs were 21% of total revenue in the six months ended October 31, 2019, as compared to 34% of total revenue in the six months ended October 31, 2018.

Costs of Aerospace Products increased 36% in the six months ended October 31, 2019 to \$11.5 million compared to \$8.5 million for the six months ended October 31, 2018. Costs were 32% of total revenue in the six months ended October 31, 2019, as compared to 30% of total revenue in the six months ended October 31, 2018.

Marketing and advertising expenses increased by 5% in the six months ended October 31, 2019, to \$2.1 million compared to \$2.0 million in the six months ended October 31, 2018. Expenses were 6% of total revenue in the six months ended October 31, 2019, as compared to 7% of total revenue in the six months ended October 31, 2018. Marketing and advertising expenses include advertising, sales and marketing labor, gaming development costs, and casino and product promotions.

Employee benefits expenses as a percent of total revenue was 3% in the six months ended October 31, 2019, compared to 3% in the six months ended October 31, 2018. These expenses increased to \$1.1 million in the six months ended October 31, 2019, from \$1.0 million in the six months ended October 31, 2018. These expenses include the employers' share of all federal, state and local taxes, paid time off for vacation, holidays and illness, employee health and life insurance programs and employer matching contributions to retirement plans.

Depreciation and amortization expenses as a percent of total revenue was 7% in the six months ended October 31, 2019, compared to 3% in the six months ended October 31, 2018. These expenses increased 221% to \$2.5 million in the six months ended October 31, 2019, from \$783 in the six months ended October 31, 2018. These expenses include depreciation related to owned assets being depreciated over various useful lives and amortization of intangible items including the Kansas privilege fee related to the Boot Hill Casino being expensed over the term of the gaming contract with the State of Kansas. BHCMC, LLC depreciation and amortization expense for the six months ended October 31, 2019 was \$1.9 million compared to \$495 in the six months ended October 31, 2018.

General, administrative and other expenses as a percent of total revenue was 10% in the six months ended October 31, 2019, compared to 14% in the six months ended October 31, 2018. These expenses decreased 10% to \$3.6 million in the six months ended October 31, 2019, from \$4.0 million in the six months ended October 31, 2018.

Other income (expense):

Interest expense and other income were (\$1.7) million in the six months ended October 31, 2019, compared with interest expense and other income of \$1.5 million in the six months ended October 31, 2018. Interest related to obligations of BHCMC, LLC was (\$2.0) million in the six months ended October 31, 2019 compared to (\$55) in the six months ended October 31, 2018. Refund of sales/use tax related to BHCMC, LLC was \$0 in the six months ended October 31, 2019 compared to \$1.6 million in the six months ended October 31, 2018.

Operations by Segment

We have two operating segments, Professional Services and Aerospace Products. The Professional Services segment includes revenue contributions and expenditures associated with casino management services and professional architectural, engineering and management support services. Aerospace Products derives its revenue by designing, engineering, manufacturing, installing, servicing and repairing products for classic and current production aircraft.

The following table presents a summary of our operating segment information for the six months ended October 31, 2019 and October 31, 2018:

(dollars in thousands)	Six Months Ended October 31, 2019	Percent of Total Revenue	Six Months Ended October 31, 2018	Percent of Total Revenue	Percent Change 2018-2019
Professional Services					
Revenue					
Boot Hill Casino	\$ 16,113	99%	\$ 15,594	99%	3%
Management/Professional Services	110	1%	212	1%	-48%
Revenue	16,223	100%	15,806	100%	3%
Costs of Professional Services	7,856	48%	9,738	61%	-19%
Expenses	5,928	37%	5,478	35%	8%
Total costs and expenses	13,784	85%	15,216	96%	-9%
Professional Services operating income before noncontrolling interest in BHCMC, LLC	\$ 2,439	15%	\$ 590	4%	313%
Aerospace Products					
Revenue	\$ 20,230	100%	\$ 12,895	100%	57%
Costs of Aerospace Products	11,532	57%	8,461	66%	36%
Expenses	3,389	17%	2,306	18%	47%
Total costs and expenses	14,921	74%	10,767	84%	39%
Aerospace Products operating income	\$ 5,309	26%	\$ 2,128	16%	149%

Professional Services

- Revenue from Professional Services increased 3% for the six months ended October 31, 2019 to \$16.2 million compared to \$15.8 million for the six months ended October 31, 2018.

In the six months ended October 31, 2019 Boot Hill Casino received gross receipts for the State of Kansas of \$20.5 million compared to \$20.5 million for the six months ended October 31, 2018. Mandated fees, taxes and distributions reduced gross receipts by \$6.5 million resulting in gaming revenue of \$14.0 million for the six months ended October 31, 2019, compared to a reduction to gross receipts of \$6.7 million resulting in gaming revenue of \$13.8 million for the six months ended October 31, 2018. Non-gaming revenue at Boot Hill Casino increased to \$2.1 million for the six months ended October 31, 2019, compared to \$1.8 million for the six months ended October 31, 2018.

The remaining management and Professional Services revenue includes professional management services in the gaming industry, and licensed architectural services. Professional Services revenue excluding Boot Hill Casino decreased 48% to \$110 for the six months ended October 31, 2019, compared to \$212 for the six months ended October 31, 2018. The decrease is due primarily from the Company not renewing the Stables contract.

- Costs of Professional Services decreased in the six months ended October 31, 2019 to \$7.9 million compared to \$9.7 million in the six months ended October 31, 2018. Costs were 48% of segment total revenue in the six months ended October 31, 2019, as compared to 61% of segment total revenue in the six months ended October 31, 2018.
- Expenses increased 8% in the six months ended October 31, 2019 to \$5.9 million compared to \$5.5 million in the six months ended October 31, 2018. Expenses were 37% of segment total revenue in the six months ended October 31, 2019, as compared to 35% of segment total revenue in the six months ended October 31, 2018.

Aerospace Products

- Revenue increased 57% to \$20.2 million in the six months ended October 31, 2019, compared to \$12.9 million in the six months ended October 31, 2018. The increase in revenue is primarily due to an increase in avionics business of \$3.9 million and an increase in aircraft modification business of \$3.4 million. We have invested in the development of several STCs. These STCs are state of the art avionics and we are aggressively marketing both domestically and internationally.
- Costs of Aerospace Products increased by 36% in the six months ended October 31, 2019 to \$11.5 million compared to \$8.5 million for the six months ended October 31, 2018. Costs were 57% of segment total revenue in the six months ended October 31, 2019, as compared to 66% of segment total revenue in the six months ended October 31, 2018.
- Expenses increased 47% in the six months ended October 31, 2019 to \$3.4 million compared to \$2.3 million in the six months ended October 31, 2018. Expenses were 17% of segment total revenue in the six months ended October 31, 2019, as compared to 18% of segment total revenue in the six months ended October 31, 2018.

SECOND QUARTER FISCAL 2020 COMPARED TO SECOND QUARTER FISCAL 2019

(dollars in thousands)	Three Months Ended October 31, 2019	Percent of Total Revenue	Three Months Ended October 31, 2018	Percent of Total Revenue	Percent Change 2018-2019
Revenue:					
Professional Services	\$ 8,107	42%	\$ 7,858	51%	3%
Aerospace Products	11,330	58%	7,439	49%	52%
Total revenue	19,437	100%	15,297	100%	27%
Costs and expenses:					
Costs of Professional Services	4,006	21%	4,926	32%	-19%
Cost of Aerospace Products	6,563	34%	4,331	28%	52%
Marketing and advertising	1,035	5%	1,060	7%	-2%
Employee benefits	526	3%	481	3%	9%
Depreciation and amortization	1,276	6%	395	3%	223%
General, administrative and other	1,804	9%	2,286	15%	-21%
Total costs and expenses	15,210	78%	13,479	88%	13%
Operating income	\$ 4,227	22%	\$ 1,818	12%	133%

Revenue:

Revenue increased 27% to \$19.4 million in the three months ended October 31, 2019, compared to \$15.3 million in the three months ended October 31, 2018. See "Operations by Segment" below for a discussion of the primary reasons for the increase in revenue.

- Professional Services derives its revenue from (a) professional management services in the gaming industry through Butler National Service Corporation ("BNSC") and BHCMC, LLC ("BHCMC"), and (b) professional architectural, engineering and management support services. Revenue from Professional Services increased 3% for the three months to \$8.1 million at October 31, 2019 compared to \$7.9 million at October 31, 2018.
- Aerospace Products derives its revenue by designing, engineering, manufacturing, installing, servicing and repairing products for classic and current production aircraft. Aerospace Products revenue increased 52% for the three months to \$11.3 million at October 31, 2019 compared to \$7.4 million at October 31, 2018.

Costs and expenses:

Costs and expenses related to Professional Services and Aerospace Products include the cost of engineering, labor, materials, equipment utilization, control systems, security and occupancy.

Costs and expenses increased 13% in the three months ended October 31, 2019 to \$15.2 million compared to \$13.5 million in the three months ended October 31, 2018. Costs and expenses were 78% of total revenue in the three months ended October 31, 2019, as compared to 88% of total revenue in the three months ended October 31, 2018.

Costs of Professional Services decreased 19% in the three months ended October 31, 2019 to \$4.0 million compared to \$4.9 million in the three months ended October 31, 2018. Costs were 21% of total revenue in the three months ended October 31, 2019, as compared to 32% of total revenue in the three months ended October 31, 2018.

Costs of Aerospace Products increased 52% in the three months ended October 31, 2019 to \$6.6 million compared to \$4.3 million for the three months ended October 31, 2018. Costs were 34% of total revenue in the three months ended October 31, 2019, as compared to 28% of total revenue in the three months ended October 31, 2018.

Marketing and advertising expenses decreased 2% in the three months ended October 31, 2019, to \$1.0 million compared to \$1.1 million in the three months ended October 31, 2018. Expenses were 5% of total revenue in the three months ended October 31, 2019, as compared to 7% of total revenue in the three months ended October 31, 2018. Marketing and advertising expenses include advertising, sales and marketing labor, gaming development costs, and casino and product promotions.

Employee benefits expenses as a percent of total revenue was 3% in the three months ended October 31, 2019, compared to 3% in the three months ended October 31, 2018. These expenses increased 9% to \$526 in the three months ended October 31, 2019, from \$481 in the three months ended October 31, 2018. These expenses include the employers' share of all federal, state and local taxes, paid time off for vacation, holidays and illness, employee health and life insurance programs and employer matching contributions to retirement plans.

Depreciation and amortization expenses as a percent of total revenue was 6% in the three months ended October 31, 2019, compared to 3% in the three months ended October 31, 2018. These expenses increased 223% to \$1.3 million in the three months ended October 31, 2019 from \$395 in the three months ended October 31, 2018. These expenses include depreciation related to owned assets being depreciated over various useful lives and amortization of intangible items including the Kansas privilege fee related to the Boot Hill Casino being expensed over the term of the gaming contract with the State of Kansas. BHCMC, LLC depreciation and amortization expense for the three months ended October 31, 2019 was \$935 compared to \$250 in the three months ended October 31, 2018.

General, administrative and other expenses as a percent of total revenue was 9% in the three months ended October 31, 2019, compared to 15% in the three months ended October 31, 2018. These expenses decreased 21% to \$1.8 million in the three months ended October 31, 2019, from \$2.3 million in the three months ended October 31, 2018.

Other income (expense):

Interest Expense and other income were (\$1.1) million in the three months ended October 31, 2019, compared with interest expense and other income of \$1.3 million in the three months ended October 31, 2018. Interest related to obligations of BHCMC, LLC was (\$1.0) million in the three months ended October 31, 2019 compared to (\$26) in the three months ended October 31, 2018. Refund of sales/use tax related to BHCMC, LLC was \$0 in the three months ended October 31, 2019 compared to \$1.3 million in the three months ended October 31, 2018.

Operations by Segment

We have two operating segments, Professional Services and Aerospace Products. The Professional Services segment includes revenue contributions and expenditures associated with casino management services and professional architectural, engineering and management support services. Aerospace Products derives its revenue by designing, engineering, manufacturing, installing, servicing and repairing products for classic and current production aircraft.

The following table presents a summary of our operating segment information for the three months ended October 31, 2019 and October 31, 2018:

(dollars in thousands)	Three Months Ended October 31, 2019	Percent of Total Revenue	Three Months Ended October 31, 2018	Percent of Total Revenue	Percent Change 2017-2018
Professional Services					
Revenue					
Boot Hill Casino	\$ 8,043	99%	\$ 7,750	99%	4%
Management/Professional Services	64	1%	108	1%	-41%
Revenue	8,107	100%	7,858	100%	3%
Costs of Professional Services	4,006	49%	4,926	63%	-19%
Expenses	2,910	36%	2,886	36%	1%
Total costs and expenses	6,916	85%	7,812	99%	-11%
Professional Services operating income before noncontrolling interest in BHCMC, LLC	\$ 1,191	15%	\$ 46	1%	2489%
Aerospace Products					
Revenue	\$ 11,330	100%	\$ 7,439	100%	52%
Costs of Aerospace Products	6,563	58%	4,331	58%	52%
Expenses	1,731	15%	1,336	18%	30%
Total costs and expenses	8,294	73%	5,667	76%	46%
Aerospace Products operating income	\$ 3,036	27%	\$ 1,772	24%	71%

Professional Services

- Revenue from Professional Services increased 3% for the three months ended October 31, 2019 to \$8.1 million compared to \$7.9 million for the three months ended October 31, 2018.

In the three months ended October 31, 2019 Boot Hill Casino received gross receipts for the State of Kansas of \$10.2 million compared to \$10.1 million for the three months ended October 31, 2018. Mandated fees, taxes and distributions reduced gross receipts by \$3.2 million resulting in gaming revenue of \$7.0 million for the three months ended October 31, 2019, compared to a reduction to gross receipts of \$3.3 million resulting in gaming revenue of \$6.8 million for the three months ended October 31, 2018. Non-gaming revenue at Boot Hill Casino increased to \$1.1 for the three months ended October 31, 2019, compared to \$900 for the three months ended October 31, 2018.

The remaining management and Professional Services revenue includes professional management services in the gaming industry, and licensed architectural services. Professional Services revenue excluding Boot Hill Casino decreased 41% to \$64 for the three months ended October 31, 2019, compared to \$108 for the three months ended October 31, 2018. The decrease is due primarily from the Company not renewing the Stables contract.

- Costs of Professional Services decreased 19% in the three months ended October 31, 2019 to \$4.0 million compared to \$4.9 million in the three months ended October 31, 2018. Costs were 49% of segment total revenue in the three months ended October 31, 2019, as compared to 63% of segment total revenue in the three months ended October 31, 2018.
- Expenses increased 1% in the three months ended October 31, 2019 to \$2.9 million compared to \$2.9 million in the three months ended October 31, 2018. Expenses were 36% of segment total revenue in the three months ended October 31, 2019, as compared to 36% of segment total revenue in the three months ended October 31, 2018.

Aerospace Products

- Revenue increased 52% to \$11.3 million in the three months ended October 31, 2019, compared to \$7.4 million in the three months ended October 31, 2018. The increase in revenue is primarily due to an increase in avionics business of \$1.2 million and an increase in aircraft modification business of \$2.7 million. We have invested in the development of several STCs. These STCs are state of the art avionics and we are aggressively marketing both domestically and internationally.
- Costs of Aerospace Products increased 52% in the three months ended October 31, 2019 to \$6.6 million compared to \$4.3 million for the three months ended October 31, 2018. Costs were 58% of segment total revenue in the three months ended October 31, 2019, as compared to 58% of segment total revenue in the three months ended October 31, 2018.
- Expenses increased 30% in the three months ended October 31, 2019 to \$1.7 million compared to \$1.3 million in the three months ended October 31, 2018. Expenses were 15% of segment total revenue in the three months ended October 31, 2019, as compared to 18% of segment total revenue in the three months ended October 31, 2018.

Employees

Other than persons employed by our gaming subsidiaries there were 103 full time and 6 part time employees on October 31, 2019, compared to 96 full time and 3 part time employees on October 31, 2018. As of December 6, 2019, staffing is 102 full time and 6 part time employees. Our staffing at Boot Hill Casino & Resort on October 31, 2019 was 197 full time and 64 part time employees compared to 194 full time and 63 part time employees on October 31, 2018. At December 6, 2019 there are 196 full time and 65 part time employees. None of the employees are subject to any collective bargaining agreements.

Liquidity and Capital Resources

We believe that our current banks will provide the necessary capital for our business operations. However, we continue to maintain contact with other banks that have an interest in funding our working capital needs to continue our growth in operations in fiscal 2019 and beyond.

The ownership structure of BHCMC, LLC is now:

Membership Interest	Members of Board of Managers	Equity Ownership	Income (Loss) Sharing
Class A	3	20%	40%
Class B	4	80%	60%

Our wholly owned subsidiary, Butler National Service Corporation continues friendly discussions with the other member of BHCMC, LLC to explore the possible acquisition by Butler National Service Corporation of the other member's 20% equity interest in BHCMC, LLC. If and when a definitive agreement is reached, such definitive agreement and a press release concerning the acquisition will be issued to describe the terms of the agreement and the intentions of the members. We have not set a definitive timetable for our discussions and there can be no assurances that the process will result in any transaction being announced or completed. At present there is no disagreement between the members of BHCMC, LLC. We do not plan to disclose or comment on developments until further disclosure is deemed appropriate.

BHCMC, LLC, rents the casino building under the terms of a 25 year lease from BHC Development L.C. ("BHCD"). Butler National Service Corporation continues friendly discussions with BHC Development L.C. to explore the possible acquisition by Butler National Service Corporation of the casino building and related land. If and when a definitive agreement is reached, such definitive agreement and press release concerning the acquisition will be issued to describe the terms of the agreement and the intentions of the members. Butler National Corporation, its management, and its subsidiaries have no ownership interest in BHCI or BHCD.

Analysis and Discussion of Cash Flow

During the six months ended October 31, 2019 our cash position increased by \$8.0 million. Net income was \$4.5 million for the six months ended October 31, 2019. Cash flows provided by operating activities was \$9.3 million for the six months ended October 31, 2019. Non-cash activities consisting of depreciation and amortization provided \$3.1 million, while a gain on sale of an airplane used \$529. Customer deposits increased our cash position by \$93. Inventories increased our cash position by \$293. Accounts receivable increased our cash position by \$806. Gaming facility mandated payments increased our cash position by \$6. Prepaid expenses and other assets decreased our cash by \$408. A decrease in accounts payable, an increase in accrued expenses, and an increase in other current liabilities decreased our cash by \$3. Income tax payable increased our cash position by \$1.3 million.

Cash provided by investing activities was \$298 for the six months ended October 31, 2019. We invested \$256 to purchase an aircraft, \$306 towards STCs, and \$115 on equipment and furnishings. We received \$975 in proceeds for the sale of an airplane.

Cash used in financing activities was \$1.6 million for the six months ended October 31, 2019. We made repayments on our debt of \$997. We reduced our financed lease liability by \$478. We purchased company stock of \$138. The stock was acquired and placed in treasury.

Critical Accounting Policies and Estimates

We believe that there are several accounting policies that are critical to understanding our historical and future performance, as these policies affect the reported amount of revenue and other significant areas involving management judgments and estimates. These significant accounting policies relate to revenue recognition, the use of estimates, long-lived assets, and Supplemental Type Certificates. These policies and our procedures related to these policies are described in detail below and under specific areas within this "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Revenue Recognition: See footnote 3 to the condensed consolidated financial statements.

Finance Lease Right-of-Use: See footnote 11 to the condensed consolidated financial statements.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Future events and their effects cannot be determined with certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and any such differences may be material to our financial statements.

Significant estimates include assumptions about collection of accounts receivable, inventory obsolescence, the valuation of long-lived assets, including the STC's, valuation for deferred tax assets and useful life of fixed and other long-term assets.

Long-lived Assets: The Company accounts for its long-lived assets in accordance with ASC Topic 360-10, "Accounting for the Impairment or Disposal of Long-Lived Assets." ASC Topic 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value.

Supplemental Type Certificates: Supplemental Type Certificates (STCs) are authorizations granted by the Federal Aviation Administration (FAA) for specific modification of a certain aircraft. The STC authorizes us to perform modifications, installations, and assemblies on applicable customer-owned aircraft. Costs incurred to obtain STCs are capitalized and subsequently amortized over a seven year life. The legal life of an STC is indefinite.

Changing Prices and Inflation

We have experienced upward pressure from inflation in fiscal year 2020. From fiscal year 2019 to fiscal year 2020 most of the increases we experienced were in material costs. This additional cost may not be transferable to our customers resulting in lower income in the future. We anticipate fuel costs and possibly interest rates to rise in fiscal 2020 and 2021.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting Company as defined by Rule 12b-2 under the Securities Exchange Act of 1934 and are not required to provide the information required under this item.

Item 4. CONTROLS AND PROCEDURES

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms. Our principal executive and financial officers have evaluated our disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q and have determined that such disclosure controls and procedures are effective, based on criteria in the Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Evaluation of disclosure controls and procedures: Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Form 10-Q, our Chief Executive Officer and our Chief Financial Officer conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of October 31, 2019. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of October 31, 2019.

Internal Control Over Financial Reporting

Limitations on Controls

Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control Over Financial Reporting: In our opinion there were no changes in the Company's internal control over financial reporting during the six months ended October 31, 2019 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. LEGAL PROCEEDINGS.**

As of October 31, 2019, there are no significant known legal proceedings pending against us. We consider all such unknown proceedings, if any, to be ordinary litigation incident to the character of the business. We believe that the resolution of any claims will not, individually or in the aggregate, have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

Item 1A. RISK FACTORS.

There are no material changes to the risk factors disclosed under Item 1A of our Form 10-K for the fiscal year ended April 30, 2019.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The table below provides information with respect to common stock purchases by the Company during the second quarter of fiscal 2020.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
August 1, 2019 - August 31, 2019	-	\$ -	-	\$ 3,301,000
September 1, 2019 - September 30, 2019	6,050	\$ 0.43	6,050	\$ 3,299,000
October 1, 2019 - October 31, 2019	200,000	\$ 0.47	200,000	\$ 3,206,000
Total	206,050	\$ 0.46	206,050	\$ -

(a) Our Board of Directors authorized the repurchase of shares of Butler National common stock in the open market or otherwise, at an aggregate purchase price of \$4,000,000. The timing and amount of any share repurchases will be determined by Butler National's management based on market conditions and other factors. The program is currently authorized through May 1, 2021.

Item 3. DEFAULTS UPON SENIOR SECURITIES.

None.

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

Item 5. OTHER INFORMATION.

None.

Item 6. EXHIBITS.

- 3.1 [Articles of Incorporation, as amended and restated are incorporated by reference to Exhibit 3.1 of our Form DEF 14A filed on December 26, 2001.](#)
- 4.1 [Rights Agreement, dated August 2, 2011, by and between Butler National Corporation and UMB Bank, N.A., as Rights Agent, incorporated by reference to Exhibit 4.1 of our 10-Q filed on December 13, 2016.](#)
- 3.2 [Bylaws, as amended, are incorporated by reference to Exhibit 3.2 of our Form 10-Q filed on March 14, 2013.](#)
- 31.1 [Certificate of Chief Executive Officer pursuant to Exchange Act Rule 13a-14\(a\).](#)
- 31.2 [Certificate of Chief Financial Officer pursuant to Exchange Act Rule 13a-14\(a\).](#)
- 32.1 [Certifications of Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certifications of Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2019, formatted in XBRL (Extensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets as of October 31, 2019 and April 30, 2019, (ii) Condensed Consolidated Statements of Operations for the three months ended October 31, 2019 and 2018 and six months ended October 31, 2019 and 2018, (iii) Condensed Consolidated Statements of Stockholders' Equity for the six months ended October 31, 2019 and 2018, (iv) Condensed Consolidated Statements of Cash Flows for the six months ended October 31, 2019 and 2018, and (v) the Notes to Consolidated Financial Statements, with detail tagging.

SIGNATURES

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

BUTLER NATIONAL CORPORATION
(Registrant)

December 13, 2019
Date

/s/ Clark D. Stewart
Clark D. Stewart
(President and Chief Executive Officer)

December 13, 2019
Date

/s/ Tad M. McMahon
Tad M. McMahon
(Chief Financial Officer)

Exhibit Index

Exhibit Number	Description of Exhibit
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31.1	Certificate of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a).
31.2	Certificate of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a).
32.1	Certifications of Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certifications of Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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CERTIFICATIONS

I, Clark D. Stewart, certify that:

1. I have reviewed this quarterly report on Form 10-Q ended October 31, 2019 of Butler National Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of 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 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - 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 registrant'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 registrant's internal controls over financial reporting.

Date: December 13, 2019

/s/Clark D. Stewart

Clark D. Stewart
President and Chief Executive Officer

CERTIFICATIONS

I, Tad M. McMahon, certify that:

1. I have reviewed this quarterly report on Form 10-Q ended October 31, 2019 of Butler National Corporation.
2. Based on my knowledge, this report does not contain any untrue statement of 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 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - 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 registrant'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 registrant's internal controls over financial reporting.

Date: December 13, 2019

/s/ Tad M. McMahon

Tad M. McMahon
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Butler National Corporation (the "Company") on Form 10-Q for the period ending October 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Clark D. Stewart, Chief Executive Officer of the Company, certify, (to the best of my knowledge), pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002 that;

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Clark D. Stewart

Clark D. Stewart
President and Chief Executive Officer
Butler National Corporation
December 13, 2019

"A signed original of this written statement required by Section 906 has been provided to Butler National Corporation and will be retained by Butler National Corporation and furnished to the Securities and Exchange Commission or its staff upon request."

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Butler National Corporation (the "Company") on Form 10-Q for the period ending October 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tad M. McMahon, Chief Financial Officer of the Company, certify, (to the best of my knowledge), pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002 that;

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tad M. McMahon
Tad M. McMahon
Chief Financial Officer
Butler National Corporation
December 13, 2019

"A signed original of this written statement required by Section 906 has been provided to Butler National Corporation and will be retained by Butler National Corporation and furnished to the Securities and Exchange Commission or its staff upon request."