BUTLER NATIONAL CORP
Form 10-K
July 28, 2010

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

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the fiscal year ended **April 30, 2010**
or

[ ]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 of Incorporation)	(I.R.S. Employer Identification No.)

19920 West 161st Street, Olathe, Kansas 66062

(Address of principal executive office)(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: **None**

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

Common Stock $.01 Par Value

(Title of Class)

Indicate by check if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [ ] No [X]
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of

the Act.
Yes [ ] No [X]
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, and (2) has been subject to such filing requirements for the past ninety days: Yes [X] No [ ]

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 [ ] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.
Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X] Smaller Reporting Company [ ]

Indicate by check mark whether the registrant is a shell company. Yes [ ] No [X]

The aggregate market value of the voting stock and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity of the Registrant was approximately **$16,091,276** at July 16, 2010, when the average bid and asked prices of such stock was $0.35.

The number of shares outstanding of the registrant's common stock, $0.01 par value, as of July 16, 2010, was **56,562,698** shares.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

This Form 10-K consists of 76 pages (including exhibits). The index to exhibits is set forth on pages 39-41.

PART I

Item 1. BUSINESS

Forward Looking Information

The information set forth below includes "forward-looking" information and is subject to the Risk Factors as outlined in the Private Securities Litigation Reform Act of 1995. The Risk Factors listed under Item 1A of this Form 10-K , and the Cautionary Statements, filed by us as Exhibit 99 to this Form 10-K, are incorporated herein by reference, and you are specifically referred to such Risk Factors and Cautionary Statements for a discussion of factors which could affect our operations and forward-looking statements contained herein.

Except as expressly required by the federal securities laws, we undertake no obligation to publicly update or revise our forward looking statements, whether as a result of new information or future events, after the date of this report.

General

Butler National Corporation (the "Company" or "BNC") is a Kansas corporation formed in 1960, with corporate headquarters at 19920 West 161st Street, Olathe, Kansas 66062.

Current Activities.

Our current product lines and services include:

Aircraft Modifications

- principally includes the modification of customer and company owned business-size aircraft from passenger to freighter configuration, addition of aerial photography capability, and stability enhancing modifications for Learjet, Beechcraft, Cessna, and Dassault Falcon aircraft along with other specialized modifications. We provide these services through our subsidiary, Avcon Industries, Inc. ("Aircraft Modifications" or "Avcon"). In March 2008, Butler National Corporation, through its subsidiary Avcon Industries, Inc. acquired the JET autopilot product line for the Classic Learjets. The Company plans a transition of the acquisition to continue the service and support of all customers operating the JET autopilot and related equipment in the near future. In the interim period the company has extended an agreement for transition services until the FAA approves the new circuit boards.

Avionics - principally includes the manufacture, sale, and service of airborne electronic switching units used in DC-9, DC-10, DC-9/80, MD-80, MD-90, and the KC-10 aircraft, Transient Suppression Devices (TSDs) for fuel tank protection on Boeing Classic 737 and 747 aircraft, and other Classic aircraft using a capacitance fuel quantity indicating system ("FQIS"), airborne electronics upgrades for classic weapon control systems used on military aircraft and vehicles, and consulting services with airlines and equipment manufacturers regarding fuel system safety requirements. We provide the products through our subsidiary, Butler National Corporation - Tempe, Arizona and the services through Butler National Corporation - Olathe, Kansas ("Avionics", "Classic Aviation Products", "Safety Products", or "Switching Units").

Services - SCADA (Supervisory Control and Data Acquisition) Systems and Monitoring Services - principally includes monitoring and related repair services of water and wastewater remote pumping stations through electronic surveillance for municipalities and the private sector. We provide these services through our subsidiary, Butler National Services, Inc. ("Monitoring Services" or "BNS").

Corporate / Professional Services - principally includes providing as a management service licensed architectural services through our subsidiary, BCS Design, Inc. These services include commercial and industrial building design. We have expanded this segment to include aviation-related engineering consulting services and operate as the Butler National Aircraft Certification Center ("BNACC").

Gaming - principally includes business management services and advances to Indian tribes in connection with the Indian Gaming Regulatory Act of 1988. The Boot Hill Casino and Resort commenced operations on December 15, 2009. We provide management services through our subsidiary BHCMC, LLC, a Kansas limited liability company jointly owned by BNSC and BHC Investment Company, L.C. (BHCI). BHCI is not a related party. Currently BHCMC, LLC is owned 99.6% by BNSC and 0.4% by BHCI. BHCI has the option to purchase an additional 39.6% of BHCMC to complete the ownership at 60% BNSC and 40% BHCI. BHCI ownership is subject to background investigation by the Kansas Gaming and Racing Commission. We provide these management services and advances through our subsidiary, Butler National Service Corporation ("Management Services", "Gaming" or "BNSC").

Assets as of April 30, 2010 and Revenue for the year ended April 30, 2010

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Industry Segment	Assets	Revenue
Aircraft Modifications	20.33%	41.4%
Avionics	14.42%	16.9%
Gaming	26.72%	30.7%
Monitoring Services	3.24%	4.9%
Corporate / Professional Services	35.29%	6.1%

Regulations

Regulation Under Federal Aviation Administration

: Our Avionics and Aircraft Modifications segments are subject to regulation by the Federal Aviation Administration ("FAA"). We manufacture products and parts under FAA Parts Manufacturing Authority (PMA) requiring qualification and traceability of all materials and vendors used by us. We make aircraft modifications pursuant to the authority granted by Supplemental Type Certificates issued by the FAA. We repair aircraft parts pursuant to the authority granted by our FAA Authorized Repair Station. Violation or changes to FAA regulations could be detrimental to our operation in these business segments.

Licensing and Regulation under Federal Indian Law: Before commencing gaming operations (Class II or Class III) on Indian Land, we must obtain the approval of various regulatory entities. Gaming on Indian land is extensively regulated by Federal, State, and Tribal governments and authorities. Regulatory changes could limit or otherwise materially affect the types of gaming that may be conducted on Indian Land. All aspects of our proposed business operations on Indian Lands are subject to approval, regulation, and oversight by the Bureau of Indian Affairs ("BIA"), the Secretary of the United States Department of the Interior ("Secretary"), and the National Indian Gaming Commission ("NIGC"). Our management of Class III gaming operations is also subject to approval of a Class III Gaming Compact between the Indian Tribe and the respective state. Failure to comply with applicable laws or regulations, whether Federal, State or Tribal, could result in, among other things, the termination of any management agreements which would have a material adverse effect on us. Management agreement terms are also regulated by the Indian Gaming Regulatory Act ("IGRA"), which restricts initial terms to five years and management fees to 30% of the net profits of the casino, except in certain circumstances where the term may be extended to seven years and the management fee increased to 40%. Management agreements with Indian Tribes will not be approved by the NIGC unless, among other things, background checks of the directors and officers of the manager and its ten largest holders of capital stock have been satisfactorily completed. We will also be required to comply with background checks as specified in Tribal-State Compacts before we can manage gaming operations on Indian land. Background checks by the NIGC may take up to 180 days and may be extended to 270 days. There can be no assurance that we would continue to be successful in obtaining the necessary regulatory approvals for our management of proposed gaming operations on a timely basis, or at all.

Licensing and Regulation under State Law: Our present and future stockholders are and will continue to be subject to review by regulatory agencies. Gaming licenses and/or background investigations ("License") may be required in connection with our management of a State of Kansas owned Lottery Gaming Facility (a casino) and/or a Class III Indian casino on Indian land within the territorial boundaries of the State of Kansas. Our management personnel, Butler National Corporation and/or the managing subsidiaries, the key personnel of all entities, and if applicable the appropriate Indian Tribe may be required to have gaming Licenses for Class III gaming and/or a Lottery Gaming Facility gaming in the respective location prior to conducting operations. The failure of the Company or the key personnel to obtain or retain Licenses could have a material adverse effect on the Company or on its ability to obtain or retain Licenses in other jurisdictions. A State Gaming Agency has broad discretion in granting, renewing and revoking Licenses. Obtaining such Licenses and approvals will be time consuming and cannot be assured.

The State of Kansas approved state owned Lottery Gaming Facilities, pari-mutuel dog and/or horse racing for non-Indian organizations. The State of Kansas operates a state lottery, keno games, and operates state owned Lottery Gaming Facilities for the benefit of the State. The Lottery Gaming Facility management contract approval process requires that any entity or person owning one-half of one percent (0.5%) of the ownership interest of the management company must be found suitable to satisfactorily pass a background investigation by the State of Kansas.

Our subsidiary, Butler National Service Corporation received approval from the Kansas Lottery Commission of its management proposal and contract for the Southwest Gaming Zone. The Lottery Commission directed the Executive Director of the Kansas Lottery, on behalf of the State of Kansas, to forward the Management Contract with Butler National Service Corporation to the Lottery Gaming Facility Review Board.

On September 29, 2008, Butler National Corporation announced its wholly owned subsidiary Butler National Service Corporation had been named developer and manager of the Southwest Gaming Zone located in Dodge City, Kansas by the Lottery Gaming Facility Review Board.

On December 11, 2008, Butler National Corporation reported the Kansas Racing and Gaming Commission approved the contract and the results of the background investigation of its wholly-owned subsidiary Butler National Service Corporation to develop and manage a casino in the Southwest Gaming Zone located in Dodge City, Kansas. These actions cleared the project to begin in Dodge City. The new casino opened to the public December 15, 2009.

As a condition to obtaining and maintaining our Oklahoma Class III license or any other Class III license, we must submit detailed financial and other reports to the Indian Tribe and the respective federal and state regulatory Agencies ("Agency"). Any person owning or acquiring 5% or more of our common stock must be found suitable by one or more of the agencies or the Indian Tribes ("Interest"). Any Agency has the authority to require a finding of suitability with respect to any stockholder regardless of the percentage of ownership.

If found unsuitable by any Agency or the Indian Tribe, the stockholder must offer all of the Ownership Interest in Company stock held by such stockholder to the Company for cash at the current market bid price less a fifteen percent (15%) administrative charge and the Company must purchase such Interest within six months of the offer. The stockholder is required to pay all costs of investigation with respect to a determination of his/her suitability. In addition, regardless of ownership, each member of the board of directors and certain officers of the Company are subject to a finding of suitability by any Agency and the Indian Tribe.

Financial Information about Industry Segments

Information with respect to our industry segments are found at Note 10 of Notes to Consolidated Financial Statements for the three year period ended April 30, 2010.

Narrative Description of Business

Aircraft Modifications

Avcon modifies business-type aircraft in Newton, Kansas. The modifications include aircraft conversion from passenger to freighter configuration, addition of aerial photography capability, stability enhancing modifications for Learjets, and other special mission modifications. Avcon offers avionics, aerodynamic, and stability improvement products for selected business jet aircraft. Avcon makes these modifications to customer-owned aircraft and Company owned aircraft for resale.

Sales of the Aircraft Modifications products are handled directly through Avcon. Specialty modifications are quoted individually by job. We are geographically located in the Wichita, Kansas area, the marketplace for Aircraft Modifications products.

The Aircraft Modifications business derives its ability to modify aircraft from the authority granted to it by the Federal Aviation Administration ("FAA"). The FAA grants this authority by issuing a Supplemental Type Certificate ("STC") after a detailed review of the design, engineering, and functional documentation, and demonstrated flight evaluation of the modified aircraft. The STC authorizes Avcon to build the required parts and assemblies under FAA Parts Manufacturing Authority ("PMA"), and to make the installations on applicable aircraft.

Avcon owns more than 250 STCs. When the STC is applicable to a multiple number of aircraft it is categorized as a Multiple-Use STC. These Multiple-Use STCs are considered a major asset of the Company. Some of the Multiple-Use STCs include Reduced Vertical Separation Minimums (RVSM), Beechcraft Cargo Door, Beechcraft Extended Door, Learjet AVCON FINS, Learjet Extended Tip Fuel Tanks, Learjet Weight Increase Package, Dassault Falcon 20 Cargo Door, and many special mission modifications.

On May 3, 1996, Avcon received approval from the Federal Aviation Administration for a Multiple-Use Supplemental Type Certificate ("STC") (no. ST00432WI) of its AVCON FIN Modification for installation on Learjet Model 35 and 36 Aircraft. FAA pilots thoroughly evaluated the test aircraft, and determined that the fins substantially increase the aerodynamic stability in all flight conditions. The AVCON FIN STC eliminates the operational requirement for Yaw Dampers which are otherwise required in both Learjet models to control adverse yaw tendencies in certain flight conditions, particularly during approach and landing. Learjets equipped with AVCON FINS exhibit the same aerodynamic stability and improved operating efficiency offered on newer Learjet models, while maintaining the outstanding range, speed, and load-carrying capabilities that made the Learjet Models 35 and 36 among the most popular Business Jets ever produced. Mounted like the feathers of an arrow on the rear of the aircraft, Learjets equipped with AVCON FINS have a look much the same as the current production aircraft. This modification will give the Learjets produced in the 1970's and 1980's the look of the 21st century.

During fiscal year 2002, Avcon made an application to the FAA for the approval of a Multiple-Use STC for the addition of Avcon fins for the Learjet Model 24 and 25 aircraft. We received the fin STC for the Learjet 25D/F Series on March 30, 2009. We expect to have other models approved as dictated by our customer base.

During fiscal year 2003, Avcon made an application to the FAA for the approval of the Learjet 20 RVSM MOD (including dual pitot tubes, dual digital altimeters, dual air data computers, autopilot refinements, and a standby altimeter) for the Learjet 20 series aircraft.

Effective January 2005, the FAA required that aircraft operating between 29,000 and 41,000 feet within the United States air space be RVSM compliant. RVSM stands for Reduced Vertical Separation Minimums and requires that aircraft are now separated by 1,000 feet vertically instead of the prior 2,000 feet.

In April 2004, the FAA issued a Learjet 20 Series RVSM Group Approval to Avcon for its Supplemental Type Certificate Number ST01195WI.

During fiscal 2007, Avcon received FAA approval to add the Learjet 30 Series RVSM upgrade modification (including dual pitot tubes, dual digital altimeters, dual air data computers, autopilot refinements, and a standby altimeter) to STC ST01195WI.

Avcon operates two FAA Authorized Repair Stations. The focus of our business includes the Learjet model 20 and 30 series, Beechcraft King Air, Cessna turbine engine, Cessna multi-engine piston, and Dassault Falcon 20 aircraft. The Repair Station is a convenience for our customers bringing aircraft to us for modification and maintenance. We also use the repair station for maintenance of aircraft purchased for modification and resale.

In April 2008 we acquired the L-3 "JET" product line. This acquisition allows us to support our Classic Aviation customers. In fiscal 2010, the "JET" product sales provided 6.6% of our aircraft modification revenue.

Avionics

Classic Aviation Products:

Our mission is to provide and support economical products for older aircraft, often referred to as "Classic" aircraft. As a result of more than 40 years in the aircraft switching unit business, we recognize the potential to support many aircraft in the last half of their expected service life. The business mission of the company promotes us as a designer and supplier of "Classic Aviation Products". A part of the Classic products are directed to supporting safety of flight for the older aircraft.

Butler National Corporation - Tempe, Arizona, manufactures and repairs airborne switching systems for Boeing McDonnell Douglas and their customers. Switching Units are used to switch the presentation to the flight crew from one radio system to another, from one navigational system to another, and to switch instruments in the aircraft from one set to another. The Switching Units were designed and have been manufactured since the 1960's to meet Boeing McDonnell Douglas and FAA requirements. Most Boeing McDonnell Douglas commercial aircraft are equipped with one or more Butler National Switching Units.

Marketing is accomplished directly with aircraft manufacturers and operators. Competition is minimal. However, sales are directly related to operator maintenance requirements. Avionics provides new replacement units and overhaul service directly to the major airlines using the aircraft manufactured by Boeing McDonnell Douglas.
We have in the ordinary course of business received purchase orders from the aircraft avionics upgrade suppliers for products with scheduled shipment dates into fiscal year 2012. However, should these customers financially reorganize or for some other reason decide not to accept shipment against these orders, we could suffer significant loss of revenue in the avionics division.

We typically purchase components for our products from third-party suppliers and assemble them in a clean room environment to reduce impurities and improve the performance of our products. Many of the components we purchase are standard products, although certain parts are made to our specifications. We continually identify alternative suppliers for important component parts. To date, we have not experienced any significant delays in delivery of our products caused by the inability to obtain either component parts or FAA approval of products incorporating new component parts.

Defense Contracting and Electronics: We supply defense commercial off the shelf products to various agencies and subcontractors.

Engineering design and specialized manufacturing solutions are provided to maintain and update classic military and commercial aviation systems. In general, we provide our customers the opportunity to update or extend the useful life of products with older components and technology. These products include Gun Control Units (GCU) for the Apache Helicopter and other weapon products, including the Hangfire Override Modules (HOM) for all Boeing derived Chain-Gun® cannons, and various weapon-related firing controls, cabling, and test equipment. We have upgraded the design of the GCU and expect to expand sales of the Butler National upgraded units to maintain the Apache fleet and other military aircraft. We have firm sales orders for these products that sometimes have delivery dates more than one year into the future.

Boeing 747 Classic Aircraft: We worked with Honeywell to design the Butler National Transient Suppression Device ("TSD"). The TSD is approved and certified by the Federal Aviation Administration ("FAA") under STC number ST00846SE and is owned, manufactured, and marketed by us. We sell TSDs to owners and/or operators of Boeing 747 Classic aircraft with a Honeywell Fuel Quantity Indicating System ("FQIS"). The TSD is one solution to the requirements of AD 98-20-40 issued by the FAA to protect the aircraft fuel tanks from hazardous energy levels introduced through the wiring of the FQIS. As a result of the TWA 800 accident in July 1996, the industry had until November 3, 2001 to comply with AD 98-20-40. All aircraft returned to service after that date must be in compliance.

We started shipments of the Butler National Boeing 747 TSD in April 2001. We continue to provide TSD protection for Boeing 747 Classic aircraft being returned to service. The FAA continued airworthiness provisions require that the TSD be returned to us for inspection after six (6) years or thirty-thousand (30,000) hours in service. Our first installation was January 2001.

Boeing 737 Classic Aircraft: We also designed a Butler National Transient Suppression Device ("TSD") for Boeing 737 Classic Aircraft. On January 14, 2003, the B737 TSD was approved and certified by the Federal Aviation Administration ("FAA") under STC number ST01160SE. TSDs are sold to the owners and/or operators of Boeing 737 Classic aircraft with an analog Fuel Quantity Indicating System ("FQIS"). The TSD is one solution to the requirements of AD 99-03-04 issued by the FAA to protect the aircraft fuel tanks from hazardous energy levels introduced through the wiring of the FQIS. As a result of the TWA 800 accident in July 1996, the industry had until March 9, 2003 to comply with AD 99-03-04. All aircraft returned to service after that date must be in compliance.

We started shipping the Butler National Boeing 737 TSD in February 2003. We continue to provide TSD protection for the Boeing 737 Classic aircraft being returned to service. The FAA continued airworthiness provisions require that the TSD be returned to us for inspection after six (6) years or thirty-thousand (30,000) hours in service.

Aircraft Fuel System Safety: The FAA issued a Special Federal Aviation Requirement ("SFAR") No. 88 titled "Fuel Tank System Fault Tolerance Evaluation Requirements" applicable to turbine-powered aircraft certified to carry 30 or more passengers or a certified payload capacity of 7,500 pounds or more. SFAR-88 has now become part of the fuel system safety regulations. When fully implemented by the FAA, we believe that potential regulations may open a market for Butler National designed TSD products to many more aircraft than the Boeing 747 and 737 Classics. One aspect of these regulations require protection for auxiliary fuel tanks. We used the basis from the 737 and 747 TSD designs to develop a TSD for auxiliary fuel tanks. We are actively working to manufacture TSDs to satisfy this market need.

The FAA has raised fuel tank awareness that should require protection for all systems that might provide an ignition source to the aircraft fuel tank system. In general, we believe that this requirement may require protective devices on other aircraft parts using electrical power in the fuel system such as fuel pumps, fuel valves, float switches, etc. To address this market, in July 2001, we applied to the FAA for an STC for a Ground Fault Interruption device ("GFI") for various Boeing aircraft. We are actively pursuing the completion of the STC. The Butler National GFI product line will be sensitive to unusual power requirements of the electrical systems related to the fuel system. We continue to evaluate the scope and size of this market but our initial estimates are that approximately 100,000 units will be sold to satisfy this requirement. We believe that there may be four or five suppliers for this market.

Gaming

BNSC is engaged in the business of providing management services to Indian tribes in connection with the Indian Gaming Regulatory Act of 1988. We have three management agreements; however, the performance of these agreements is contingent upon, and subject to approval by the Secretary of Interior, Bureau of Indian Affairs, National Indian Gaming Commission, and the appropriate state, if required. Also, we have signed consulting engagement letters with two tribes to study and develop plans for Indian gaming.

The "Management Agreement" between the Indian Tribe (the owner and operator) and Butler National Service Corporation (the manager) is the final approval document issued by the National Indian Gaming Commission ("NIGC") before Indian gaming is authorized. The Management Agreement or Contract is authorized and approved by the NIGC pursuant to the Indian Gaming Regulatory Act of 1988, PL 100-497, 102 Stat. 2467, 25 U.S.C. 2701-2721 (sometimes referred to as "IGRA"). Before the Management Agreement is approved by the NIGC, all required contracts with other parties must be approved; including, (a) the compact with the state for Class III gaming, if applicable, (b) compliance with the requirements of the National Environmental Protection Agency ("NEPA"), (c) a Tribal Gaming Ordinance approved by the NIGC, and (d) Indian land ownership or leases, if applicable approved by the Bureau of Indian Affairs ("BIA").

The management consulting engagement letters provide for advances of funds to the Indian tribes by BNSC for professional services, fees, licenses, travel, administrative costs, documentation, procedure manuals, purchases of property, equipment, and other costs related to the approval and opening of an establishment. These advances are considered to be a receivable from the Tribe and to be repaid by the Tribe from the funding to open the enterprise. The ability to collect these advances depends upon the opening of a gaming establishment or by the liquidation of acquired property. If the collection and/or liquidation efforts are not successful, BNSC may suffer a significant loss of asset value.

Butler National Service Corporation continues to consider obtaining the required licenses for the opening and operation of other potential gaming establishments. BNSC is governed by the law and regulations of the Indian Gaming Regulatory Act of 1988 and the state laws as they may apply to Indian gaming.

Stables Casino: We have a signed Management Agreement with the Modoc Tribe. A Class III Indian Gaming Compact for The Stables has been approved by the State of Oklahoma and by the Assistant Secretary, Bureau of Indian Affairs for the U.S. Department of the Interior. The Compact was published in the Federal Register on February 6, 1996, and is, therefore, deemed effective. The initial Compact authorized Class III (Off-Track Betting "OTB") along with Class II (high stakes bingo) at an Indian land location within the boundaries of the City of Miami, Oklahoma. The Stables opened in September 1998.

We are providing consulting and construction management services for the development of the facility and manage the joint-venture operation for the tribes. The Stables facility was expanded in April 2002 to approximately 30,000 square feet and is located directly south of the Modoc Tribal Headquarters building in Miami, Oklahoma. The complex contains Class III off-track betting windows, Class III gaming machines, Class III table games, Class II bingo machines, a bar, and a restaurant. Our Management Agreement was approved by the NIGC on January 14, 1997. The Oklahoma Class III compact for off-track betting was approved in 1996 and the Oklahoma Class III compact for full casino gaming was approved June 1, 2005. The Miami and the Modoc Tribes have agreed to amend the agreement to extend the expiration date through September 2013 and to maintain the management fee at 20% of the profits. At the end of the initial contract term, the Stables had fully paid all advances by Butler National related to the construction of the Stables. The amendment to the agreement was approved by the NIGC. While the joint venture agreement between the Miami Tribe and the Modoc Tribe expired in October of 2009, the Modoc Tribe continues to engage Butler National Service Corporation pursuant to the management agreement to provide professional management services for The Stables Casino.

Associated risks: The associated risk of Indian gaming is that a management agreement may not be approved and that the liquidation of the assets may not recover enough funds to cover our advances. We have been involved in this business since 1991 and have experienced significant project slow downs and holds but have not had any project terminate by the federal courts or regulatory agencies. All Management Agreements submitted for approval have been approved by the NIGC. There can be no assurance that current management agreements will continue in force, future management agreements will be approved and that the U.S. Congress will not outlaw Indian gaming. Should any of these events occur, we would choose alternative uses of the Indian land in cooperation with the Tribes to recover the advances. There is no assurance that all of the advances could be recovered.

Kansas Owned Gaming (KOG): In March of 2007 Kansas passed Senate Bill 66 for state-owned gaming in Kansas. The bill provides for state-owned casinos in at least four locations across Kansas. These locations include Ford County, Wyandotte County, Crawford or Cherokee County, and Sedgwick or Sumner County. State sponsored studies report that the implementation of this legislation could result in approximately $200 million annually to the State of Kansas.

This action by the Kansas Legislature could provide substantial tourism revenue especially in destinations like historic Boot Hill in Ford County and Western Wyandotte County.

Our subsidiary, Butler National Service Corporation received approval from the Kansas Lottery Commission of its management proposal and contract for the Southwest Gaming Zone. The Lottery Commission directed the Executive Director of the Kansas Lottery, on behalf of the State of Kansas, to forward the Management Contract with Butler National Service Corporation to the Lottery Gaming Facility Review Board.

On September 29, 2008, Butler National Corporation announced its wholly owned subsidiary Butler National Service Corporation had been named developer and manager of the Southwest Gaming Zone located in Dodge City, Kansas by the Lottery Gaming Facility Review Board.

On December 11, 2008, Butler National Corporation reported the Kansas Racing and Gaming Commission approved the contract and the results of the background investigation of its wholly-owned subsidiary Butler National Service Corporation to develop and manage a casino in the Southwest Gaming Zone located in Doge City, Kansas.

The Boot Hill Casino and Resort is designed to enhance and re-create the world famous 1879-1880's experience near the historic Boot Hill destination in Dodge City, Kansas. A State of Kansas research study of casino revenue in the Dodge City destination market, range from $40 million to $60 million per year. The Boot Hill Casino and Resort is designed to enhance and re-create the world famous 1879-1880's experience near the historic Boot Hill destination in Dodge City, Kansas. Phase I of the development required an expenditure in excess of $50 million. Phase II of the development is planned to be complete in 2012 at an estimated cost is of approximately $38 million.

The Boot Hill Casino and Resort commenced operations on December 15, 2009. We provide management services through our subsidiary BHCMC, LLC, a Kansas limited liability company jointly owned by BNSC and BHC Investment Company, L.C. (BHCI). BHCI is not a related party. Currently BHCMC, LLC is owned 99.6% by BNSC and 0.4% by BHCI. BHCI has the option to purchase an additional 39.6% of BHCMC to complete the ownership at 60% BNSC and 40% BHCI. BCHI ownership is subject to background investigation by the Kansas Gaming and Racing Commission.

Total Butler National investments related to Kansas Gaming assets at April 30, 2010 was $1,342,494 and $2,353,203 at April 30, 2009. The $1,010,709 reduction in investments was a result of the sale of 104 acres of land to BHC Development under the build-to-suit agreement with BHC Development.

Services

SCADA Systems and Monitoring Services

: BNS is engaged in the sale of monitoring and control equipment and the sale of monitoring services for water and wastewater remote pumping stations through electronic surveillance by radio or telephone. BNS contracts with government and private owners of water and wastewater pumping stations to provide both monitoring and preventive maintenance services for our customers. A high percentage of BNS business comes from municipally owned pumping stations. BNS is currently soliciting business only in Florida. While we have exposure to competitive forces in the monitoring and preventive maintenance business, management believes the competition is limited in the Florida area.

Corporate

Corporate / Professional Services:

We provide licensed architectural services through BCS Design, Inc. These services include commercial and industrial building design. We have expanded this segment to include aviation-related engineering consulting services and operate as the Butler National Aircraft Certification Center.

Patents and Trademarks: We have no patents, trademarks, licenses, franchises, or concessions that need to be held to do business other than the FAA, PMA, and Repair Station licenses. We maintain certain airframe alteration certificates, commonly referred to as Supplemental Type Certificates ("STC's"), issued to us by the FAA, for the Aircraft Modification and Avionics businesses. The STC, PMA, and Repair Station licenses are not patents or trademarks. The FAA will issue an STC to anyone, provided that the person or entity documents and demonstrates to the FAA that a change to an aircraft configuration does not endanger the safety of flight. The PMA and Repair Station licenses are available to any person or entity, provided that the person or entity maintains the appropriate documentation and follows the appropriate manufacturing, repair and/or service procedures. The FAA requires the aircraft owner to have the STC document in the aircraft log after each modification is complete.

Seasonality: Our business is generally not seasonal.

Customer Arrangements: Most of our products are custom-made. Except in isolated situations no special inventory-storage arrangements, merchandise return and allowance policies, or extended payment practices are involved in our business. We are not dependent upon any single customer except for Switching Units and defense products. Switching Units are sold to various Boeing McDonnell Douglas Aircraft operators.

We require deposits from our customers for aircraft modifications. We generally collect full payment for services before any modified aircraft is released. Long term projects, such as cargo door modifications and custom modifications projects, require interim payments from the customer.

Backlog

: Our backlog as of April 30, 2010, 2009, and 2008, was as follows:

Industry Segment	2010	2009	2008
Aircraft Modifications	$ 4,189,653	$ 6,018,620	$ 3,629,343
Avionics	2,039,510	4,067,592	3,504,013
Services - Monitoring Services	1,192,481	967,671	1,205,191
Corporate / Professional Services	50,000	143,444	211,351
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Total backlog	$7,471,644	$11,197,327	$8,549,898

Our backlog as of July 16, 2010 totaled $12,850,517; consisting of $9,375,517, $2,200,000, $1,200,000, and $75,000 respectively, for Aircraft Modifications, Avionics, Monitoring Services, and Corporate / Professional

Services The backlog includes firm pending and contract orders, which may not be completed within the next fiscal year. The backlog includes orders to be delivered after fiscal year 2011 in the amount of $2,844,663. This is standard for the industry in which modifications services and related contracts may take several months or years to complete. Such actions force backlog as additional customers request modifications, but must wait for other projects to be completed. There can be no assurance that all orders will be completed or that some may ever commence.

Employees: We employed 89 full time and 3 part time employees on April 30, 2010 compared to 97 full time and 3 part time employee on April 30, 2009. As of July 16, 2010, our staffing is 89 full time and 3 part time employees. Our staffing at Boot Hill Casino & Resort at July 16, 2010 is 237 full time employees and 28 part time employees. None of our employees are subject to any collective bargaining agreements.

Financial Information about Foreign and Domestic Operations, and Export Sales: International sales are made through authorized installation centers and direct to foreign customers to be completed and included in domestic operations. The sales to our customers outside the U.S. consisted of approximately $3,169,000 in the year ended April 30, 2010, $3,008,000 in the year ended April 30, 2009, and $1,466,714 in the year ended April 30, 2008. Sales from international operations are subject to changes in domestic and foreign laws, regulations and controls. All sales are made in U.S. dollars.

Available Information and Stock Exchange Information: Our internet address is www.butlernational.com. The content on our website is available for informational purposes only. You should not rely upon such content for investment purposes and such content is not incorporated by reference into this Form 10-K.

We make available free of charge on or through our Internet website under the heading "Corporate" our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file, or furnish, such reports to the Securities and Exchange Commission. Stockholders may request free copies of these documents from us by writing to Butler National Corporation, 19920 West 161st Street, Olathe, Kansas 66062 or by calling 913-780-9595, or by sending an email request to investorrelations@butlernational.com.

Item 1A. RISK FACTORS

Factors That May Affect Future Results of Operations, Financial Condition or Business: Statements made in this report, the Annual Report on Form 10-K the Annual Report to Stockholders in which this report is made a part, 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 this Item 1A. Risk Factors 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.

General Governmental Regulations of Financial Reporting: The Company reports information to its stockholders and the general public pursuant to the regulations of various Federal and State Commissions and Agencies. These regulations require conformance by the Company to Generally Accepted Accounting Principles, to pronouncements of the Financial Accounting Standards Board, and to accounting and reporting directives issued by the commissions and agencies. The political and regulatory environment in which the Company is operating is dynamic and rapidly changing. Adoption and/or changes in regulations defining accounting procedures or reporting requirements could have a materially adverse effect on the Company. The Company depends upon the financial institutions and capital markets for financing to continue operations and to finance and develop new opportunities.

General Governmental Regulation of Gaming: Operations - The approved and proposed gaming management operations are and will be subject to extensive gaming laws and regulations, many of which were recently adopted and have not been the subject of definitive interpretations and are still subject to proposed amendments and regulation. The political and regulatory environment in which the Company is and will be operating, with respect to gaming activities on both non-Indian and Indian land, is dynamic and rapidly changing. Adoption and/or changes in gaming laws and regulations could have a materially adverse effect on the Company. Interference with the execution of the steps defined by the gaming laws and regulations by interested third parties, although not included by the regulations, may significantly slow the approval process.

Fuel and Energy Costs: Our business depends on use of the aircraft for business transportation, freight transportation, and many special mission applications. Should our customers be unable to purchase fuel and energy and/or be unable to pass on disproportionate costs to their customers, the use of business and military aircraft by our customers may be curtailed. The value of the aircraft related assets would decrease and the revenue related to the aircraft equipment and modifications would decrease. These events could have a material adverse effect on our Company.

National Economy and Financing:
The recent downturn and in the national economy, the volatility and disruption of the capital and credit markets and adverse changes in the global economy could negatively impact our financial performance and our ability to access financing.

The recent severe economic downturn and adverse conditions in the local, regional, national and global markets have negatively affected our operations, and may continue to negatively affect our operations in the future. During periods of economic contraction such as the current period, our revenues may decrease while some of our costs remain fixed or even increase, resulting in decreased earnings. Gaming and Aviation activities we offer represent discretionary expenditures and participation in such activities may decline during economic downturns, during which consumers generally earn less disposable income. Even an uncertain economic outlook may adversely affect consumer spending in our gaming operations and related facilities, as consumers spend less in anticipation of a potential economic downturn. Furthermore, other uncertainties, including national and global economic conditions, terrorist attacks or other global events, could adversely affect consumer spending and adversely affect our operations.

Acts of terrorism and war, natural disasters and severe weather may negatively impact our future profits.

Terrorist attacks and other acts of war or hostility have created many economic and political uncertainties. We cannot predict the extent to which terrorism, security alerts or war, or hostilities throughout the world will continue to directly or indirectly impact our business and operating results. As a consequence of the threat of terrorist attacks and other acts of war or hostility in the future, premiums for a variety of insurance products have increased, and some types of insurance are no longer available. Given current conditions in the global insurance markets, we are substantially uninsured for losses and interruptions caused by terrorist acts and acts of war. If any such event were to affect our properties, we would likely be adversely impacted.

In addition, natural disasters such as major fires, floods, tornados, hurricanes and earthquakes could also adversely impact our business and operating results. Such events could lead to the loss of use of one or more of the facilities for which we provide management services for an extended period of time and disrupt our ability to attract customers to certain of our gaming facilities. If any such event were to affect our properties, we would likely be adversely impacted.

In most situations, we have insurance that should provide coverage for portions of any losses from a natural disaster, but it is subject to deductibles and maximum payouts in many cases. Although we may be covered by insurance from a natural disaster, the timing of our receipt of insurance proceeds, if any, is beyond our control.

Key Personnel: Our inability to retain key personnel may be critical to our ability to achieve our objectives. Key personnel are particularly important in maintaining relationships with Indian Tribes and with the operations licensed by the FAA, State of Kansas and the NIGC. Loss of any such personnel could have a materially adverse effect on the Company.

Our success depends heavily upon the continued contributions of these key persons, whose knowledge, leadership and technical expertise would be difficult to replace, and on our ability to attract and retain experienced professional staff. We entered into an employment agreement with our CEO; however, we do not maintain key person insurance on any of these key persons. If we were to lose the services of these key persons, our ability to execute our business plan would be harmed and we may be forced to cease operations until such time as we could hire suitable replacements.

Competition: Increased competition, including the entry of new competitors, the introduction of new products by new and existing competitors, or price competition, could have a materially adverse effect on the Company. Additionally, because of the rapid rate at which the gaming industry has expanded, and continues to expand, the gaming industry may be at risk of market saturation, both as to specific areas and generally. Overbuilding of gaming facilities by others at particular sites chosen by us may have a material adverse effect on our ability to compete and on our operations.

Major Customers: The termination of contracts with major customers or renegotiation of these contracts at less cost-effective terms could have a materially adverse effect on the Company. Irregularities in financial accounting procedures, financial reporting requirements and regulatory reporting requirements could cause major customers to become unstable and be unable to complete business transactions which could have a materially adverse effect on the Company.

Product Development: Difficulties or delays in the development, production, testing and marketing of products, could have a materially adverse effect. Our aviation business is subject, in part, to regulatory procedures and administration enacted by and/or administered by the FAA. Accordingly, our business may be adversely affected in the event the Company is unable to comply with such regulations relative to its current products and/or if any new products and/or services to be offered by the Company can or may not be formally approved by such agency. Moreover, our proposed new aviation modification products will depend upon the issuance by the FAA of a Supplemental Type Certificate with related parts manufacturing authority and repair station license, the issuance of which no assurances can be given.

International Sales: Our international sales may be subject to local government laws, regulations and procurement policies and practices which may differ from U.S. Government regulation, including regulations related to products being installed on aircraft, exchange controls, as well to varying currency, geo-political and economic risks. We also are exposed to risks associated with any relationships with foreign representatives, consultants, partners and suppliers for international sales and operations.

Adverse Actions: Adverse actions by regulators, customers, competitors and/or professionals engaged to regulate or to serve us may cause project delays and excessive administrative costs are not controllable by us.

Administrative Expenditures: Higher service, administrative, additional regulatory requirements, or general expenses occasioned by the need for additional legal, consulting, advertising, marketing, or administrative expenditures may decrease income to be recognized by the Company.

Strategic Acquisitions and Investments: We continually review, evaluate and consider potential investments and acquisitions in pursuing our business strategy. In evaluating such transactions, we are making difficult judgments regarding the value of business opportunities, technologies and other assets, and the risk and cost of potential liabilities. Acquisitions and investments involve certain other risks and uncertainties, including the difficulty in integrating newly-acquired businesses, the challenges in reaching our strategic objectives and other benefits expected from acquisitions or investments. Other risks include the diversion of our attention and resources from our current operations, the potential of impairment of acquired assets and the potential loss of key employees of acquired businesses.

Joint Ventures and Other Arrangements: We have entered, and may continue to enter, into joint venture and other arrangements. These activities involve risk and uncertainties, including the risk of the joint venture or applicable entity failing to satisfy its obligations, which may result in certain liabilities to us for guarantees or other commitments. Additional risks involve the challenges in achieving strategic objectives and expected benefits of the business arrangement, including the risk of conflicts arising between us and others and the difficulty of managing and resolving such conflicts and the difficulty of managing or otherwise monitoring such business arrangements.

Impairment of Intangible Property: We evaluate intangible assets for impairment annually during the fourth quarter and in any interim period in which circumstances arise that indicate our intangible asset may be impaired. Indicators of impairment include, but are not limited to, the loss of significant business and, or significant adverse changes in industry or market conditions. No events occurred during the periods presented that indicated the existence of an impairment with respect to our intangible assets related to the JET acquisition. Preparation of forecasts for use in the long-range plan and the selection of the discount rate involve significant judgments that we base primarily on existing firm orders, expected future orders and general market conditions. Significant changes in these forecasts or the discount rate selected could affect the estimated fair value and could result in an impairment charge in a future period. There was no indication of intangible assets impairment for continuing operations as a result of our impairment analysis. If we are required to record an impairment charge in the future, it could materially affect our results of operations.

Low-Priced Penny Stock: Because our common stock is deemed a low-priced "Penny" stock, an investment in our common stock should be considered high risk and subject to marketability restrictions.

Since our common stock is a penny stock, as defined in Rule 3a51-1 under the Securities Exchange Act, it will be more difficult for investors to liquidate their investment even if and when a market develops for the common stock. Until the trading price of the common stock rises above $5.00 per share, if ever, trading in the common stock is subject to the penny stock rules of the Securities Exchange Act specified in rules 15g-1 through 15g-10. Those rules require broker-dealers, before effecting transactions in any penny stock, to:

- Deliver to the customer, and obtain a written receipt for, a disclosure document;
- Disclose certain price information about the stock;
- Disclose the amount of compensation received by the broker-dealer or any associated person of the broker-dealer;
- Send monthly statements to customers with market and price information about the penny stock; and

- In some circumstances, approve the purchaser's account under certain standards and deliver written statements to the customer with information specified in the rules.

Consequently, the penny stock rules may restrict the ability or willingness of broker-dealers to sell the common stock and may affect the ability of holders to sell their common stock in the secondary market and the price at which such holders can sell any such securities. These additional procedures could also limit our ability to raise additional capital in the future.

In addition, some provisions of our Articles of Incorporation and Bylaws could make it more difficult for a potential acquirer to acquire a majority of our outstanding voting stock. This includes, but is not limited to, provisions that: provide for a classified board of directors, prohibit stockholders from taking action by written consent, and restrict the ability of stockholders to call special meetings. We are also subject to provisions of Kansas law K.S.A. 17-12, 101 that prohibit us from engaging in any business combination with any interested stockholder for a period of three years from the date the person became an interested stockholder, unless certain conditions are met, which could have the effect of delaying or preventing a change of control.

Regulation Under Federal Aviation Administration: Our Avionics and Aircraft Modifications segments are subject to regulation by the Federal Aviation Administration ("FAA"). We manufacture products and parts under FAA Parts Manufacturing Authority (PMA) requiring qualification and traceability of all materials and vendors used by us. We make aircraft modifications pursuant to the authority granted by Supplemental Type Certificates issued by the FAA. We repair aircraft parts pursuant to the authority granted by our FAA Authorized Repair Station. Violation or changes to FAA regulations could be detrimental to our operation in these business segments.

Licensing and Regulation under Federal Indian Law: Before commencing gaming operations (Class II or Class III) on Indian Land, we must obtain the approval of various regulatory entities. Gaming on Indian land is extensively regulated by Federal, State, and Tribal governments and authorities. Regulatory changes could limit or otherwise materially affect the types of gaming that may be conducted on Indian Land. All aspects of our proposed business operations on Indian Lands are subject to approval, regulation, and oversight by the Bureau of Indian Affairs ("BIA"), the Secretary of the United States Department of the Interior ("Secretary"), and the National Indian Gaming Commission ("NIGC"). Our management of Class III gaming operations is also subject to approval of a Class III Gaming Compact between the Indian Tribe and the respective state. Failure to comply with applicable laws or regulations, whether Federal, State or Tribal, could result in, among other things, the termination of any management agreements which would have a material adverse effect on us. Management agreement terms are also regulated by the Indian Gaming Regulatory Act ("IGRA"), which restricts initial terms to five years and management fees to 30% of the net profits of the casino, except in certain circumstances where the term may be extended to seven years and the management fee increased to 40%. Management agreements with Indian Tribes will not be approved by the NIGC unless, among other things, background checks of the directors and officers of the manager and its ten largest holders of capital stock have been satisfactorily completed. We will also be required to comply with background checks as specified in Tribal-State Compacts before we can manage gaming operations on Indian land. Background checks by the NIGC may take up to 180 days and may be extended to 270 days. There can be no assurance that we would continue to be successful in obtaining the necessary regulatory approvals for our proposed gaming operations on a timely basis, or at all.

Licensing and Regulation under State Law: Our present and future stockholders are and will continue to be subject to review by regulatory agencies. Gaming licenses and/or background investigations ("license") may be required in connection with our management of a State of Kansas owned Lottery Gaming Facility (a casino) and/or a Class III Indian casino on Indian land. Our management personnel, Butler National and/or the managing subsidiaries, the key personnel of all entities and if applicable the appropriate Indian Tribe may be required to have gaming licenses for Class III gaming and/or a Lottery Gaming Facility gaming licenses in the respective state prior to conducting operations. The failure of the Company or the key personnel to obtain or retain a license could have a material adverse effect on the Company or on its ability to obtain or retain Class III licenses in other jurisdictions. Each such State Gaming Agency has broad discretion in granting, renewing, and revoking licenses. Obtaining such licenses and approvals will be time consuming and cannot be assured.

The State of Kansas has approved state-owned Lottery Gaming Facilities, pari-mutuel dog and/or horse racing for non-Indian organizations. The State of Kansas operates a state lottery, keno games, and plans to operate state-owned Lottery Gaming Facilities for the benefit of the State. The Lottery Gaming Facility management contract approval process requires that any entity or person owning one-half of one percent (0.5%) of the ownership interest of the management company must be found suitable to be an owner by the State of Kansas. The Kansas Supreme Court announced its ruling affirming the constitutionality of the Kansas Expanded Lottery Act (KELA) as the law was enacted. There can be no assurances that other constitutionality challenges will not occur.

As a condition to obtaining and maintaining our various gaming approvals, we must submit reports to the Indian Tribe and the respective federal and state regulatory Agencies ("the Agency"). Any person owning or acquiring 5% or more of the Common Stock of the Company must be found suitable by one or more of the agencies or the Indian Tribes ("the Interest"). Any Agency has the authority to require a finding of suitability with respect to any stockholder regardless of the percentage of ownership.

If found unsuitable by any Agency or the Indian Tribe, the stockholder must offer all of the Ownership Interest in Company stock held by such stockholder to the Company for cash at the current market bid price less a fifteen percent (15%) administrative charge and the Company must purchase such Interest within six months of the offer. The stockholder is required to pay all costs of investigation with respect to a determination of his/her suitability. In addition, regardless of ownership, each member of the board of directors and certain officers of the Company are subject to a finding of suitability by any Agency and the Indian Tribe.

There is no assurance that a Tribal/State Compact between the Tribes and the State of Kansas can be completed. If the Compact is not approved, there could be a material adverse effect on our plans for management of Class III gaming on Indian lands within the territorial boundaries of Kansas.

Item 2. PROPERTIES

Corporate:

Our corporate headquarters are located in a 9,000 square foot owned facility for office and storage space at 19920 West 161st Street, in Olathe, Kansas.

Avionics: Butler National Corporation has its principal offices and manufacturing operations at 4654 South Ash Ave, Tempe, Arizona in a 16,110 square foot owned facility.

Modifications: Our Aircraft Modifications Division is located at 714 North Oliver Road, Newton, Kansas, in a 42,700 square foot leased facility of hangar and office space at the municipal airport in Newton, Kansas, at an annual rent of approximately $143,000.

Butler National Aircraft Certification Center is located at One Aero Plaza, New Century, Kansas in a 1,000 square foot plus three hangar spaces with a month to month lease at the New Century Airport in New Century, Kansas. The expected annual rent is approximately $75,000.

Services: Butler National Services, Inc. has its principal offices at 2772 NW 31st Ave, Ft. Lauderdale, Florida at an annual rent of approximately $46,000.

Gaming: Butler National Services Corporation through its subsidiary, BHCMC, LLC rents real property, improvements and equipment at 4000 W. Comanche in Dodge City, Kansas of approximately 60,000 square feet related to the Boot Hill Casino and Resort facility at an annual rent of approximately $6,060,000.

Management believes our properties have been well maintained, are suitable and adequate for us to operate at present levels, and the current productive capacity. The utilization of these facilities are appropriate for our existing real estate requirements. However, significant increases in customer orders and/or future acquisitions may require expansion of our current properties or the addition of new properties.

Item 3. LEGAL PROCEEDINGS

The management agreement with the Miami Tribe of Oklahoma concerning the Maria Christiana Miami Reserve No. 35 that has been the subject of litigation since 1996 may be resubmitted to the National Indian Gaming Commission for approval. We cannot reliably predict the outcome of any further submissions to the NIGC or possible subsequent litigation.

Butler National Service Corporation and BHCMC, LLC filed a lawsuit on September 4, 2009 in the United States District Court for the District of Kansas against Larry J. Woolf and Navegante, Inc. a Las Vegas based consulting firm for damages for failing to perform and defective performance related to a written and executed consulting agreement. In October of 2009, Navegante filed a lawsuit with the District Court against Butler National Service Corporation, seeking damages for breach of an alleged oral agreement to provide management services. Navegante has alleged damages in excess of $75,000. Butler National Service Corporation denies the Navegante allegations and is vigorously defending the matter. Butler National Service Corporation is pursuing the recovery of its damages for breaches of contract.

A lawsuit was filed on January 2009 by individuals with relationships to two pilots in the United States District Court for the District of Kansas against our subsidiary Avcon Industries, Inc. alleging among other things, the failure to maintain a Learjet Model 24 that impacted the ground in Mexico. Avcon responded to inquiries from the attorney showing no maintenance relationships to the airplane involved in the incident, and Avcon was subsequently dismissed from the lawsuit on August 21, 2009.

Butler National filed a lawsuit in the United States District Court for the Eastern District of Texas against General Electric in May 2008 and others related to overhaul of two CJ-610 aircraft jet engines. We are aggressively prosecuting the case. We cannot reliably predict the outcome of this litigation at this time.

As of July 16, 2010, there are no other 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 4. SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS
(Removed and Reserved)

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

COMMON STOCK (BUKS):

(a) **Market Information:** We were initially listed in the national over-the-counter market in 1969, under the symbol "BUTL." Effective June 8, 1992, the symbol was changed to 'BLNL.' On February 24, 1994, we were listed on the NASDAQ Small Cap Market under the symbol "BUKS." Our common stock was delisted from the small cap category effective January 20, 1999 and is now quoted in the over-the-counter (OTCBB) category. Approximately eighteen (18) market makers offer and trade the stock.

The range of the high and low bid prices per share of the our common stock, for fiscal years 2010 and J009, as reported by NASDAQ, is set forth below. Such market quotations reflect intra-dealer prices, without retail mark-up, markdown or commissions, and may not necessarily represent actual transactions.

	Year Ended April 30, 2010		Year Ended April 30, 2009	
	Low	High	Low	High
First Quarter	$ .190	$ .440	$ .350	$ .580

Second Quarter	$ .210	$ .380	$ .210	$ .550
Third Quarter	$ .260	$ .450	$ .180	$ .330
Fourth Quarter	$ .330	$ .480	$ .130	$ .240

b. Holders: The approximate number of holders of record of our common stock, as of July 16, 2010, was 2,900. The price of the stock as of July approximately $0.35 per share.

c. Dividends: We have not paid any cash dividends on common stock, and the Board of Directors does not expect to declare any cash dividends in future.

SECURITIES CONVERTIBLE TO COMMON STOCK:

As of July 16, 2010 there were no Convertible Preferred shares or Convertible Debenture notes outstanding.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights		Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities re available for future iss under equity compens plans (excluding secu reflected in column
	(a)		(b)	(c)
Equity compensation plans approved by stockholders	1,071,834 153,000	$	.9000 ..1400	6.
Equity compensation plans not approved by stockholders	0		0	
Total	1,224,834	$	.8000	6.

(1) See Note 5 to the audited consolidated financial statements for a description of the equity compensation plan for securitie available for future issuance.

Changes in Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased		Average Price Paid per Share	Maximum Number Approximate Dollar V Shares that May Ye Purchased under the P Programs
	(a)		(b)	(c)

May 1, 2009 through April 30, 2010	0		0	0
Total	0	$	0	0

Item 6. SELECTED FINANCIAL DATA

The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Results of Operations and Financial Cond the Consolidated Financial Statements and related Notes included elsewhere in the report.

		Year Ended April 30 (In thousands except per share data)							
		2010		2009		2008		2007	
Net Revenue	$	32,577	$	18,093	$	17,647	$	14,681	$
Net Income	$	2,890	$	829	$	1,274	$	606	$
Basic Per Share									
Net Income	$	0.05	$	0.02	$	0.02	$	0.01	$
Selected Balance Sheet Information									
Total Assets	$	29,566	$	25,798	$	27,104	$	20,445	$
Long-term Obligations (excluding current maturities)	$	4,305	$	6,345	$	6,416	$	2,521	$
Cash dividends declared per common share		None		None		None		None	

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERAT

Fiscal 2010 compared to Fiscal 2009

Revenue and Operating Profit

Our revenue for fiscal 2010 was $32,576,708, an increase of 80.1% from fiscal 2009 revenue of $18,093,088. We experienced increase in earnings before taxes from fiscal 2009 to fiscal 2010. Our operating profit for 2010 was $3,343,748 compared to $ 2009, an increase of 82.5%. Approximately $496,000 of the operating profit can be attributed to the sale of land in Dodge Cit

Discussion of the specific changes by operation at each business segment follows (the results of operations are based on pre-c allocations and minority interest of $874).

Aircraft Modifications:

Revenue from Aircraft Modifications segment for the fiscal year ending April 30, 2010, was $13,486,358, an increase of 15.1 2009 with revenue of $11,713,497, and an increase of 56% from fiscal 2008, with revenue of $8,646,562. The modifications s an operating profit of $2,146,533 in the fiscal year ended April 30, 2010, an operating profit of $2,012,085 in fiscal 2009, and in fiscal 2008. The reclassification of aircraft to a long term asset resulted in additional depreciation expense of approximately reducing our operating profit for fiscal 2010.

During the past few years we have seen a significant increase in aircraft camera modification. Several custom engineering pro completed in fiscal 2010 which accounted for our change in revenue. As the economy grows aircraft owners may elect to upd and purchase business aircraft. A shift to business aircraft ownership positively impacts our aircraft modification revenues. Al cannot anticipate the future we must always consider the negative impact of items such as the September 11, 2001 event, incr prices, and general economic downturns.

Avionics:

Revenue from Avionics for the fiscal year ending April 30, 2010 was $5,497,408, an increase of 144% from fiscal 2009 with $2,255,776, and an increase of $9.4% from fiscal 2008 with revenue of $5,024,781. The avionics segment had an operating pr $2,169,643 in fiscal 2010, $338,468 for fiscal 2009, and $1,762,553 for fiscal 2008. The increase in operating profit is directl the significant increases in revenue. The work in process was approximately $1,324,000 at April 30, 2009 compared to work i approximately $165,000 at April 30, 2010. Management expects increased revenue for the fuel system protection devices whe requirements necessitate the TSD, GFI, and other classic aviation products.

Services - SCADA Systems and Monitoring Services:

Revenue decreased from $1,771,755 for fiscal 2009 to $1,608,468 for fiscal 2010. During fiscal 2010, we maintained a relativ volume of long-term contracts with municipalities. We anticipate increases in revenue from additional lift station rehabilitatio next three to four years. Revenue fluctuates due to the introduction of new products and services and the related installations o of products. Our contracts with our two largest customers have been renewed through fiscal 2010. An operating profit of $297 Monitoring Services was recorded for fiscal 2010, compared to a profit of $354,316 for fiscal 2009, a decrease of 16.1%. We service business has had revenue stability over the past few years and we expect this to continue.

Corporate / Professional Services:

Services in this segment include the architectural services of BCS Design, Inc., activities related to gaming and other real esta development, on site contract management of gaming establishments, and engineering consulting services.

During fiscal 2010 and 2009 revenues consisting of architectural services and revenues related to completed construction proj $1,978,570 for fiscal 2010 and $1,058,776 for fiscal 2009. Operating profits related to architectural and construction projects $375,350 for the twelve months to a profit of $59,631 at April 30, 2010 from an operating loss of $315,719 at April 30, 2009.

Revenues related to gaming and other real estate development, on site contract management of gaming establishments for fisc
$1,691,860 compared to $1,293,284 for fiscal 2009, an increase of 31%. Operating profits from management services related
decreased from $1,110,081 for fiscal 2009 to $352,784 for fiscal 2010. Additional operating profits of $496,433 can be attribu
of 104 acres of property developed for a casino in Dodge City, Kansas. We incurred additional expenses of approximately $1,
adjust reserves on our Indian gaming endeavors.

Gaming - Boot Hill: Boot Hill Casino and Resort (BHCR) opened for business on December 15, 2009. At April 30, 2010 BH
revenues of $16,068,838. Kansas mandated taxes and distributions of 52% reduced our gross revenue by $7,754,797 leaving
$8,314,043 to BHCMC. Profit before tax was $397,147. Kansas state-owned lottery gaming facility revenue related to the cas
on the Kansas Lottery website.

Selling General and Administrative

Expenses were $13,534,872 or 41.5% of revenues, in fiscal 2010, and $4,759,470, or 26.3% of revenue in fiscal 2009. Selling
administrative costs increased by approximately $8,775,000 in fiscal 2010 compared to fiscal year 2009. Marketing expense
Hill Casino accounted for approximately $662,000 of the increase. There was an additional $4,934,000 consisting mostly of s
rent for Boot Hill Casino that accounted for 56% of the increase in expenses. We incurred additional expenses of $1,259,000
adjustment in reserves on our Indian Gaming endeavors. The additional depreciation and expense related to company aircraft
another $1,690,000.

Other Income (Expense)

Other interest income and expense decreased from $497,422 in fiscal 2009 to $443,454 in fiscal 2010. Interest expense decrea
$49,002 from $504,829 in fiscal 2009 as a result of a reduction of our financing activities of more than $3,942,000.

Earnings:

Our operating profit for fiscal 2010 was $3,343,747 compared to $1,831,882 in 2009, an increase of 82.5%. Approximately $
operating profit can be attributed to the sale of land in Dodge City, Kansas.

Consolidated Net Income: As a result of the factors described above, our net income for fiscal year 2010 was $2,890,126 co
$829,315 in fiscal 2009, an increase of $2,061,685 or 249%. The increase in net income before taxes for fiscal 2010 was $1,5
which casino operations in Dodge City contributed 25%.

Fiscal 2009 compared to Fiscal 2008

Revenue and Operating Profit

Our revenue for fiscal 2009 was $18,093,088, an increase of 2.5% from fiscal 2008 revenue of $17,646,565. We experienced
decrease in earnings before taxes from fiscal 2008 to fiscal 2009. Our operating profit for 2009 was $1,831,882 compared to $
2008, a decrease of 16.8%. Discussion of specific changes by segment are as follows.

Aircraft Modifications: Sales from the Aircraft Modifications including modified aircraft increased 35.5% from $8,646,562
to $11,713,497 in 2009. The modifications segment had an operating profit of $2,012,085 in 2009, compared to a profit of $1,
2008. The majority of the increase was from special mission modifications.

We believe we may sell and install approximately 15 to 25 Lear 20 & 30 series RVSM kits during the next two years. In addit RVSM sales, we expect to experience some increase in our base modification sales. During the past few years we have seen a increase in aircraft camera modifications. Custom engineering projects and aircraft modifications have also attributed to our i sales. As the economy slows aircraft owners may elect to delay the updates modifications, and purchases of business aircraft. have not experienced a decrease in sales we cannot anticipate the future, and we must always consider the negative impact of the 9-11 event, increases in fuel prices, and general economic downturns.

Aircraft Acquisitions and Sales: There were no aircraft sales in fiscal 2009 or fiscal 2008. We acquired no aircraft during fiscal 2009 or fiscal 2008.

Avionics: Sales from Avionics decreased 55%, from $5,024,781 in fiscal 2008, to $2,255,776 in fiscal 2009. This decrease is directly related to sales of d Operating profits decreased from $1,762,553 in fiscal 2008 to $338,468 in fiscal 2009. The decrease in operating profit is related to several large build to work in process was approximately $1,324,000 at April 30, 2009 compared to work in process of approximately $359,000 at April 30, 2008. Unaudited s products have exceeded $1,800,000 in the first two months of fiscal year 2010.

Services - SCADA Systems and Monitoring Services: Revenue from Monitoring Services increased from $1,557,792 in fiscal 2008 to $1,771,755 in fis increase of 13.7%. During fiscal 2009, we maintained a relatively level volume of long-term contracts with municipalities. We anticipate increases in rev additional lift station rehabilitations over the next four years. Revenue fluctuates due to the introduction of new products and services and the related insta types of products. Our contracts with our two largest customers have been renewed through fiscal 2010. An operating profit of $354,317 in Monitoring S recorded in fiscal 2009, compared to a fiscal 2008 profit of $278,133 an increase of 27.4%. We believe the service business has had revenue stability over years and we expect this to continue.

Corporate / Professional Services

: Services in this segment include the architectural services of BCS Design, Inc., activities related to gaming and other real es development, on-site contract management of gaming establishments, and engineering consulting services.

During fiscal 2009 and 2008 revenues consisting of architectural services and revenues related to completed construction proj $1,058,776 for fiscal 2009 and $910,381 for fiscal 2008. Operating losses related to architectural and construction projects in $52,914 for twelve months to a loss of $315,719 at April 30, 2009 from an operating loss of $262,804 for the twelve months 30, 2008.

Revenues related to gaming and other real estate development, on site contract management of gaming establishments for fisc $1,293,284 compared to $1,507,049 for fiscal 2008, a decrease of 14.2%. Operating profits from management services related increased $389,102 from $720,979 for fiscal 2008 to $1,110,081 for fiscal 2009. Profits can be attributed to a reduction in out consulting services.

Selling General and Administrative

Expenses were $4,759,470, or 26.3% of revenue, in fiscal 2009, and $5,343,755, or 30.3% of revenue in fiscal 2008. Selling, Administrative costs decreased by approximately $584,000 in fiscal 2009 compared to fiscal year 2008. During fiscal 2009 w expenses related to gaming by approximately $603,000. Payroll costs increased approximately $260,000, or 5% from the prio Outside professional services decreased by approximately $195,000.

As we grow, we anticipate that overhead expenses may increase. We continue to monitor and evaluate our overhead expenses efficiently manage our operations.

Other Income (Expense)

Other interest income and expense decreased from $567,560 in fiscal 2008 to $497,422 in fiscal 2009. Interest expense decrea
$134,904 from $639,732 in fiscal 2008 as a result of a reduction of our financing activities of more than $1,445,000.

Earnings:

Our operating profit for fiscal 2009 was $1,831,882, compared to $2,202,560 for fiscal 2008, a decrease of 16.8%.

Consolidated Net Income: As a result of the factors described above, our net income for fiscal 2009 was $829,315 compared
$1,274,478 for fiscal 2008 a decrease of $445,164 or 34.9%. The decrease of net income before taxes from fiscal 2008 to fisca
$300,539 of which avionics operations contributed a majority of the decrease.

Liquidity and Capital Resources

At April 30, 2010, the Company had one line of credit totaling $1,000,000. The unused line at April 30, 2010 was $930,200. I
current year these funds were primarily used for the purchase of inventory for the modifications and avionics operations.

We believe the line of credit will be extended when it is due and do not anticipate the full repayment of this note in fiscal 201
credit has been extended to August 2010. If the Bank were to demand repayment of all notes payable, we currently do not hav
cash to pay off the notes without materially adversely affecting the financial condition of the Company. These notes are collat
the first and second positions on all assets of the Company.

At April 30, 2010, there were several notes collateralized by aircraft security agreements totaling $1,095,283. These notes we
purchase and modifications of these collateralized aircraft.

There are two notes at a bank totaling $1,779,651 for real estate located in Olathe, Kansas and Tempe, Arizona. The due date
notes is in March 2013.

Four notes to a bank were entered into between March and April 2006 for the purchase of a building and several vacant lots in
City, Kansas. One note has been paid in full and the remaining notes total $233,458. The construction notes have renewed bia
the past three years.

Two notes totaling $713,207 were made in November 2007 and June 2009 for real estate purchased in Dodge City, Kansas.

One note with a balance of $907,698 is collateralized by the first and second position on all assets of the Company. This was
for our daily business operations in 2006. There are several other notes collateralized by automobiles and equipment totaling a
$155,170.

In March 2008 we acquired an avionics product line. As part of this acquisition we have remaining obligations of $908,874.

We are not in default of any of our notes as of July 16, 2010.

We believe that our current banks will provide the necessary capital for our business operations. However, we continue to ma
with other banks that have an interest in funding our working capital needs to continue our growth in operations in 2011 and b

Obligations related to the gaming facility in Dodge City, Kansas (the Boot Hill Casino and Resort) are the rent payments by o
BHCMC, L.L.C. (BHCMC) for the agreement for the turn-key casino. BNSC and BHC Investment Company, L.C. (BHCI) jo
BHCMC. BHCMC is currently owned 99.6% by BNSC and 0.4% by BHCI. BHCI has the option to purchase an additional 39
BHCMC to complete the ownership at 60% BNSC and 40% BHCI. BHCI ownership is subject to background investigation b

Gaming and Racing Commission.

BHC Investment Company, L.C. (BHCI) is not a related party. We do not own nor do our officers or directors have ownershi
The Kansas State owned casino known as Boot Hill Casino and Resort was constructed and equipped by BHC Development,
unrelated real estate development company, and BHC Development, L.C. rents that facility to BHCMC, LLC.

The terms of the agreement between the Kansas Lottery and BNSC/BHCMC require the completion of an addition to the Boo
and Resort that is planned to open in late 2012. We may need additional funding to complete this expansion.

Analysis and Discussion of Cash Flow

During fiscal year 2010 our cash position increased by $6,728,508. This increase is attributed to the following. Cash provided
activities was $9,177,143. We reported net income of $2,891,000 during fiscal year 2010. Non-cash charges to income for de
amortization were $1,040,256, of which $561,159 was aircraft depreciation. We recorded an adjustment to the net realizable
gaming reserves in the amount of $1,259,091. We disposed of an additional $1,053,681 for two aircraft engines and one aircr
used in operating activities included an increase in accounts receivable of $1,595,810 and a decrease in customer deposits of $
changes in accounts receivable by segment were 20% Aircraft Modification, 45% Avionics, 29% Gaming-Boot Hill, and 6%
and Services. A deferred tax asset was recorded in the amount of $1,226,000 as management felt the Company may realize ta
received deposits from BHC Development, LC (an unrelated development company) totaling $1,700,000 as a part of the buil
agreement to fund the initial Boot Hill Casino vault bank balance. Accounts payable and accrued liabilities and other liabilitie
net contribution of $3,214,469, of which $1,660,000 were the State of Kansas mandated expenses and $651,000 were Boot H
payroll. We accrued $1,025,000 for federal and state taxes. An increase in prepaid expenses and other current assets resulted i
cash of $25,688. Inventory decreased by approximately $1,458,000. During the fiscal year we had several large shipments of
our avionics segment lowering our inventory by $596,000 and the sale of new homes in Junction City, Kansas for the twelve
lowered inventory by approximately $784,000. In June 2009 we sold developed casino land in Dodge City, with a cost of $1,

Cash provided by investing activities was $1,493,515. We invested approximately $441,000 for the purchase of additional lan
City, Kansas. We used an additional $65,000 for the purchase of machinery and office equipment. During the first quarter of
sold approximately 100 acres of property developed for a part of the casino in Dodge City, Kansas for approximately $2,000,

Cash used in financing activities was $3,942,150. We reduced our debt by approximately $3,702,000 and our line of credit by
$615,000 in fiscal 2010. Financing activities provided $375,000 for the purchase of land.

Critical Accounting Policies and Estimates:

We believe that there are several accounting policies that are critical to understanding our historical and future performance, a
policies affect the reported amount of revenue and other significant areas involving management judgments and estimates. Th
significant accounting policies relate to revenue recognition, bad debts, the use of estimates, long-lived assets, Supplemental
Certificates, advances to Indian gaming developments, and advances to state owned Lottery Gaming Facilities. These policies
procedures related to these policies are described in detail below and under specific areas within this "Management Discussio
Analysis of Financial Condition and Results of Operations." In addition, Note 1 to the consolidated financial statements expa
discussion of our accounting policies.

Revenue Recognition: Generally, we perform aircraft modifications under fixed-price contracts. Revenues from fixed-price
recognized on the percentage-of-completion method, measured by the direct labor and material costs incurred compared to to
direct labor costs. Each quarter our management reviews the progress and performance of our significant contracts. Based on
any adjustment to sales, cost of sales and/or profit is recognized as necessary in the period they are earned. Changes in estima
sales, cost of sales and profits are recognized using a cumulative catch-up, which is recognized in the current period of the cu
effect of the change on current or prior periods. Revenue for off-the-shelf items and aircraft sales is recognized on the date of

Casino gaming revenue is the gross gaming win as reported by the Kansas Lottery casino reporting systems less the mandated
by and for the State of Kansas.

Revenue from Avionics products are recognized when shipped. Payment for these Avionics products are due within 30 days c
date after shipment. Revenue for SCADA services, Gaming Management, and other Corporate/Professional Services is recog
service is rendered and invoiced. Payments for these service invoices are usually received within 30 days.

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

Allowance for Doubtful Accounts: Allowance for doubtful accounts are calculated on the historical write-off of doubtful acc
individual subsidiaries. Invoices are generally considered a doubtful account if no payment has been made in the past 90 days
these policies on a quarterly basis, and based on these reviews, we believe we maintain adequate reserves.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles (GAA
management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the fina
statements and the reported amounts of revenues and expenses during the reporting period. Future events and their effects can
determined with certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could di
those estimates, and any such differences may be material to our financial statements.

Impairment of Goodwill, Other Intangible Assets and Long-lived Assets: The Company assesses our goodwill and other a
impairment at least annually or whenever events or circumstances indicate the carrying value of that asset may not be recover
Impairment is measured by comparing the carrying value of the long-lived asset to the estimated undiscounted future cash flo
to result from the use of the assets and their eventual disposition.

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, installa
assemblies on applicable customer-owned aircraft. Costs incurred to obtain STCs are capitalized and subsequently amortized
revenues being generated from aircraft modifications associated with the STC. The costs are expensed as services are rendere
aircraft through costs of sales using the units of production method. The legal life of an STC is indefinite. We believe we hav
future sales to fully amortize our STC development costs.

Advances for Gaming Developments: We are advancing funds for the establishment of gaming. These funds have been capi
on the cost associated with the acquisition, development, and construction of real estate and real estate-related projects to be c
part of that project.

Our advances represent costs to be reimbursed upon approval of gaming in several locations. We have agreements in place wh
payments to be made to us for the respective projects upon opening of Indian gaming facilities. Once gaming facilities have g
approvals, we plan to enter into a note receivable arrangement with the Tribe to secure reimbursement of advanced funds for t
project.

Changing Prices and Inflation

We experienced little pressure from inflation in 2010. From fiscal year 2009 to fiscal year 2010 a majority of the increases we
were in material costs. This additional cost may not be transferable to our customers resulting in lower income in the future. W
fuel costs and possibly interest rates to rise in fiscal 2011 and 2012.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations:

Tabular Disclosure of Contractual Obligations

	Payments Due By Period (Dollars in thousands)											
Contractual Obligations		Total		Less than 1 Year		2 Years FY 2010		3 Years FY 2011		4 Years FY 2012		5 Years FY 2013
Long-Term Debt/Capital Lease Obligations	$	5,793	$	1,488	$	1,167	$	2,267	$	464	$	34
Operating Lease Obligations	$	833	$	182	$	142	$	142	$	142	$	14
Facility Rent Obligations	$	30,300	$	6,060	$	6,060	$	6,060	$	6,060	$	6,06
Promissory Notes	$	70	$	70	$	0	$	0	$	0	$	
		---------		---------		---------		---------		---------		--------
TOTAL	$	36,996	$	7,800	$	7,369	$	8,469	$	6,666	$	6,54
		=====		=====		=====		=====		=====		====

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Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

The table below provides information about our other financial instruments that are sensitive to changes in interest rates including debt obligations.

For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. Weighted average variable rates are based on implied forward rates based upon the rate at the reporting date.

Expected Maturity Date
(Dollars in thousands)

	2011	2012	2013	2014	2015	There-after	Total	Fair Value
Assets								
Note receivable:	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Variable rate Average interest rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Liabilities								
Promissory Notes	$ 70	$ 0	$ 0	$ 0	$ 0	$ 0	$ 70	$ 70
Long-term debt:	$ 1,488	$ 1,167	$ 2,267	$ 464	$ 342	$ 64	$ 5,793	$ 5,793
Variable rate Average interest rate	6.5%	7.0%	7.5%	8.0%	8.0%	8.5%	7.6%	7.6%

Interest Payments							
Est. Interest Payments:	$ 97	$ 82	$ 87	$ 37	$ 27	$ 6	$ 336

Scheduled interest payments are calculated on a fixed rate basis, if known, and the remaining interest will be calculated on the average current rate, including imputed interest calculations at 7%.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements of the Registrant are set forth on pages 44 through 65 of this report.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

We have had no changes in or disagreements with the accountants.

Item 9A. 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 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-K and have determined that such disclosure controls and procedures are effective, based on criteria in Internal Control-Integrated Framework, issued by COSO.

Evaluation of disclosure controls and procedures: Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (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-K, 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 April 30, 2010. 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 April 30, 2010.

Internal Control Over Financial Reporting

Management Report on Internal Control Over Financial Reporting: Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal controls over financial reporting based on the framework in Internal Control -Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of April 30, 2010.

Our internal control over financial reporting includes policies and procedures that (1) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of the assets of the Company; (2)

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Company assets that could have a material effect on the financial statements.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management report was not subject to attestation by the Company registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

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 material changes in the Company internal controls over financial reporting during the three months ended April 30, 2010 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Item 9B. Other Information

We believe all material information is reported on Form 8-K reports.

PART III

Qualifications and Skills of Directors:

The Company believes that its Board as a whole should encompass a range of talent, skill, diversity, and expertise enabling it to provide sound guidance with respect to the Company's operations and interests. In addition to considering a candidate's background and accomplishments, candidates are reviewed in the context of the current composition of the Board and the evolving needs of our businesses.

The Board of Directors identifies candidates for election to the Board of Directors; reviews their skills, characteristics and experience. The Board of Directors seeks directors with strong reputations and experience in areas relevant to the strategy and operations of the Company's businesses, particularly industries and growth segments that the Company serves, such as avionics, aircraft modifications and gaming. Each of the Company's current Directors has experience in core management skills, such as strategic and financial planning, public company financial reporting, corporate governance, risk management, and leadership development.

The Board of Directors also believes that each of the current Directors has other key attributes that are important to an effective board: integrity and demonstrated high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; diversity of origin, background, experience, and thought; and the commitment to devote significant time and energy to service on the Board and its Committees.

Diversity as a Factor in Selection of Board Candidates: The board does not have a formal policy with respect to diversity. However, the Board believes that it is essential that the Board members represent diverse viewpoints, with a broad array of experiences, professions, skills and backgrounds that, when considered as a group, provide a sufficient mix of perspectives to allow the Board to best fulfill its responsibilities to the long-term interests of the Company's stockholders.

Board's Role in Risk Oversight and Board Leadership Structure: The Board has determined that the positions of Chairman of the Board and Chief Executive Officer should be held by different persons. Under our corporate governance principles, the Chairman of the Board is responsible for coordinating the Board's activities, including scheduling of meetings of the full Board, scheduling executive sessions of the non-employee directors and setting relevant items on the agenda (in consultation with the Chief Executive Officer as necessary or appropriate). The Board believes this leadership structure enhances the Board's oversight of Company management, the ability of the Board to carry out its roles and responsibilities on behalf of our stockholders, and our overall corporate governance.

The board as a whole has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant board committees. These committees then provide reports to the full board. The oversight responsibility of the board and its committees is enabled by management reporting processes that are designed to provide visibility to the board about the identification, assessment, and management of critical risks. These areas of focus include strategic, operational, financial and reporting, succession and compensation, compliance, and other risks. The board and its committees oversee risks associated with their respective areas of responsibility, as summarized above.

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Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The names and ages of the directors, their principal occupations for at least the past five years are set forth below based on information furnished to us by the directors.

Name of Nominee and Director, Age	Served Since	Principal Occupation for Last Five Years and Other Directorships

and Term		
Clark D. Stewart (70) Up for re-election for fiscal year end 2012	1989	President of the Company from September 1, 1989 to present.
R. Warren Wagoner (58) Up for re-election for fiscal year end 2012	1986	Chairman of the Board of Directors of the Company since August 30, 1989.
David B. Hayden (64) Up for re-election for fiscal year end 2011	1996	Co-owner and President of Kings Avionics, Inc. since 1974. Director since 1996.
Bradley K. Hoffman (36) Up for re-election for fiscal year end 2013	2010	Regional Manager of ISG Technology, Inc. in Kansas City, Kansas since 2005. Director since June 9, 2010.
Michael J. Tamburelli (47) Up for re-election for fiscal year end 2014	2010	General Manager of the Isle of Capri Kansas City, Missouri 2004-2008, General Manager Boot Hill Casino & Resort 2009-2010, General Manager of Cherokee National Casino, West Siloam Springs, Oklahoma since 2010. Director since May 1, 2010.

The executive officers of the Company are elected each year at the annual meeting of the Board of Directors held in conjunction with the annual meeting of stockholders and at special meetings held during the year. The executive officers are as follows:

Name	Age	Position

R. Warren Wagoner	58	Chairman of the Board of Directors
Clark D. Stewart	70	President and Chief Executive Officer
Christopher J. Reedy	44	Vice President and Secretary
Angela D. Shinabargar	46	Chief Financial Officer

R. Warren Wagoner was General Manager, Am-Tech Metal Fabrications, Inc. from 1982 to 1987. From 1987 to 1989, Mr. Wagoner was President of Stelco, Inc. Mr. Wagoner was Sales Manager for Yamazen Machine Tool, Inc. from March 1992 to March 1994. Mr. Wagoner was President of the Company from July 26, 1989, to September 1, 1989. He became Chairman of the Board of the Company on August 30, 1989.

Clark D. Stewart was President of Tradewind Industries, Inc., a manufacturing company, from 1979 to 1985. From 1986 to 1989, Mr. Stewart was Executive Vice President of RO Corporation. In 1980, Mr. Stewart became President of Tradewind Systems, Inc. He became President of the Company in September 1989.

Christopher J. Reedy worked for Colantuono & Associates, LLC from 1997 to 2000 in the area of aviation, general business and employment counseling, and from 1995 to 1997 with the Polsinelli, White firm. He was involved in aviation product development and sales with Bendix/King, a division of Allied Signal, Inc. from 1988 through 1993. Mr. Reedy joined the Company in November 2000.

Angela D. Shinabargar was the controller of A&M products, a subsidiary of First Brands Corporation from 1995 to 1998. From 1998 to 2000 Ms. Shinabargar was a Senior Business Systems Analyst for Black & Veatch of Kansas, the largest privately held engineering firm in the United States. Ms. Shinabargar was the CFO of Peerless Products, Inc. a manufacturer of customized windows from 2000 to 2001. Ms. Shinabargar joined the Company in October 2001.

Directorships Held within the Past Five Years:

Current Directorships:		
Name	Company	Date(s) of Directorship
Clark D. Stewart	Butler National Corporation	Since 1989
R. Warren Wagoner	Butler National Corporation	Since 1986
David B. Hayden	Butler National Corporation	Since 1996
Michael J. Tamburelli	Butler National Corporation	Since June 9, 2010
Bradley K. Hoffman	Butler National Corporation	Since May 1, 2010
Past Directorships:		

Clark D. Stewart	None	
R. Warren Wagoner	None	
David B. Hayden	None	
Michael J. Tamburelli	None	
Bradley K. Hoffman	None	

Legal Proceedings Involving a Director or Executive Officer

During the past ten years no director or officer has been convicted in a criminal proceeding or is a named subject of a pending criminal proceeding, exclusive of traffic violations.

No petitions under the Federal bankruptcy laws have been filed by or against any business or property of any director or officer of the Company nor has any bankruptcy petition been filed against a partnership or business association where these persons were general partners or executive officers.

No director or officer has been permanently or temporarily enjoined, barred, suspended or otherwise limited from involvement in any type of business, securities or banking activities.

No director or officer been convicted of violating a federal or state securities or commodities law.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company pursuant to Rule 16(a)-3(e) during the most recent fiscal year and Form 5 and amendments thereto furnished to the Company with respect to the most recent fiscal year, the Company believes that no person who at any time during the fiscal year was a director, officer, beneficial owner of more than 10% of any class of equity securities registered pursuant to Section 12 of the Exchange Act failed to file on a timely basis reports required by Section 16(a) of the Exchange Act during the most recent fiscal year or prior fiscal years.

Code of Ethics

The Company has adopted a code of ethics for our executive and senior financial officers, violations of which are required to be reported to the audit committee. The Company will furnish a copy without charge upon written request to the Company at 19920 West 161st Street, Olathe, Kansas 66062, Attn: Secretary or a copy is available on our website at www.butlernational.com/codeofethics.pdf.

Audit Committee and Audit Committee Expert of the Company

The current members of the Audit Committee are Mr. David B. Hayden, Mr. Bradley K. Hoffman, and Mr. Tad McMahon. Mr. Hoffman is an independent member under the Nasdaq listing standards. The Audit Committee met five times during fiscal year 2010, excluding actions by unanimous written consent.

Each member of the Audit Committee has experience or education in business or financial matters sufficient to provide him or her with a working familiarity with basic finance and accounting matters of the company.

The Audit committee is primarily concerned with the effectiveness of the Company accounting policies and practices, financial reporting and internal controls. The Audit Committee is authorized (i) to make recommendations to the Board of Directors regarding the engagement of the Company independent auditors, (ii) to review the plan, scope and results of the annual audit, the independent auditors' letter of comments and management response thereto, (iii) to approve all audit and non-audit services, (iv) to review the Company policies and procedures with respect to internal accounting and financial controls and (v) to review any changes in accounting policy.

Audit Committee Financial Expert

The Company's board of directors does not have an "audit committee financial expert," within the meaning of such phrase under applicable regulations of the Securities and Exchange Commission, serving on its audit committee. The board of directors believes that all members of its audit committee are financially literate and experienced in business matters, and that one or more members of the audit committee are capable of (i) understanding generally accepted accounting principles ("GAAP") and financial statements, (ii) assessing the general application of GAAP principles in connection with our accounting for estimates, accruals and reserves, (iii) analyzing and evaluating our financial statements, (iv) understanding our internal controls and procedures for financial reporting; and (v) understanding audit committee functions, all of which are attributes of an audit committee financial expert. However, the board of directors believes that there is not any audit committee member who has obtained these attributes through the experience specified in the SEC's definition of "audit committee financial expert." Further, like many small companies, it is difficult for the Company to attract and retain board members who qualify as "audit committee financial experts," and competition for these individuals is significant. The board believes that its current audit committee is able to fulfill its role under SEC regulations despite not having a designated "audit committee financial expert."

Item 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS:

Our compensation programs are designed to support our business goals and promote both short-term and long-term growth. This section of the proxy statement explains how our compensation programs are designed and operate in practice with respect to our listed officers. Our listed officers are the CEO, CFO, Vice President, and Chairman of the Board. There are only four executive officers of Butler National Corporation. The "Executive Compensation" section presents compensation earned by the listed officers for fiscal years ending April 30, 2010, 2009 and 2008.

The Compensation Committee of the Board of Directors determines the compensation for Butler National executive officers. Our executive officers have the broadest job responsibilities and policy-making authority in the company. The Committee reviews and determines all components of executive officer compensation, including making individual compensation decisions and reviewing and revising the executive officer compensation plans, programs, and guidelines as appropriate. The Committee also consults with management regarding non-executive employee compensation programs.

Our Compensation Philosophy

The core element of our overall compensation philosophy is the alignment of pay and performance. Total compensation varies with individual performance and Butler National's performance in achieving financial and non-financial objectives. Our equity plans are designed to ensure that executive compensation is aligned with the long-term interests of our stockholders. The Committee and our management believe that compensation should help to recruit, retain, and motivate the employees that the company will depend on for current and future success. The Committee and our management also believe that the proportion of "at risk" compensation (variable cash compensation and equity) should rise as an employee's level of responsibility increases. This philosophy is reflected in the following key design priorities that govern compensation decisions:

- pay for performance
- employee recruitment, retention, and motivation
- cost management
- egalitarian treatment of employees
- alignment with stockholders' interests
- continued focus on corporate governance

Each element of compensation reflects one or more of these design priorities. In most cases, our employees, including executive officers, are employed at will, without employment agreements, severance payment arrangements (except as required by local law), or payment arrangements that would be triggered by a "change in control" of Butler National. Retirement plan programs are broad-based; Butler National does not provide special retirement plans or benefits solely for executive officers.

Total compensation for the majority of our employees including executive officers, includes two or more of the following components:

- base salary
- annual and semiannual incentive cash payments
- equity grants (no grants since fiscal 2003)
- employee stock purchase plan
- retirement benefits
- health and welfare benefits

The Compensation Committee and management continue to believe that a similar method of compensating all employees with cash, equity and retirement benefits supports a culture of fairness, collaboration, and egalitarianism.

Determining Executive Compensation

The Committee reviews and determines the compensation for Butler executive officers. The Committee process for determining compensation includes a review of Butler executive compensation and practices, and an analysis, for each Butler executive officer, of all elements of compensation. The Committee compares these compensation components separately and in total to compensation in the industry and each geographic location. In determining base salary the Committee reviews company and individual performance information.

Base Salary

The Committee establishes executive officers' base salaries at levels that it believes are reasonable for comparable positions. When the Committee determines the executive officers' base salaries during the first quarter of the year, the Committee takes into account each officer's role and level of responsibility at the company. In general, executive officers with the highest level and amount of responsibility have received the highest base salaries. In

February 2010, the Committee increased base salaries for the listed officers based on the Committee's review of the officers' current performance and expected future contributions.

PAY COMPONENT	BRIEF DESCRIPTION
Base Salary	Described in detail in separate paragraph above titled Base Salary.
Annual and Semiannual Incentive Cash Payments	Paid as discretionary cash bonuses to individual employees for outstanding performance of a task.
Equity Grants	Since 2003 we have elected not to award equity grants.
Employee Stock Purchase Plan	Any employee may purchase the Company stock at the fair market value at the date of purchase without broker or issue fees. The stock is restricted and not considered a stock reward. We have the 1981 Employee Stock Purchase plan. No shares have been purchased under this plan since 1988.
Retirement Benefits	We pay the required federal and state retirement contributions, the required unemployment contributions and match the employee's contribution to their account in the Butler National Corporation 401(k) plan.
Health and Welfare Benefits	Employees electing to participate in the various insurance plans offered by the Company receive a payment for a share of the health, dental, vision and life insurance costs for the employee.

Grant Date Fair Value of Stock Option Awards

The following table summarizes compensation paid to non-employee directors during fiscal year 2010. We did not pay any cash compensation to our non-employee directors in fiscal year 2010.

Name	Stock Awards ($)(1)	
David B. Hayden	0	
Michael J. Tamburelli	0	
Bradley K. Hoffman	0	

Material Adverse Effect of Compensation Policies and Procedures

The Compensation Committee regularly reviews the Company's compensation policies and practices, including the risks created by the Company's compensation plans. In addition, the Company also conducted a review of its compensation plans and related risks to the Company. The Company reviewed its analysis with the Compensation Committee, and the Compensation Committee concluded that the compensation plans reflected the appropriate compensation goals and philosophies. Based on this review and analysis, the Company has concluded that any risks arising from its employee compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

Performance Measures and Decision-Making Process for Fiscal Year 2010

The Committee set base salaries for executive officers for 2010 in April 2009, with payment beginning in April 2009.

- The performance measures used by the Committee in determining executive compensation for fiscal year 2010 were:

- the absolute one-year and multi-year company performance as measured by market share, revenue growth, profit from operations and total shareholder return;

- one-year and multi-year performance on the same measures as compared with competitors in the comparator group; and

- Company progress toward its strategic goals.

To make its decisions on executive compensation, the Committee reviewed in detail each of the performance measures above and reviewed compensation market data. The Committee also reviewed the total compensation and benefits of the executive officers and considered the impact that their retirement, or termination under various other scenarios, would have on their compensation and benefits.

The CEO provided the entire board of directors with an assessment of his own performance with respect to the performance measures listed above, which the board considered in its assessment of his performance for fiscal year 2010. The CEO reviewed the performance of the other executive officers (except the Chairman) with the Committee and made recommendations regarding the components of their compensation.

Before making its compensation decisions, the Committee discussed levels of compensation for the Chairman, the CEO and the other executive officers with the full board of directors in an executive session.

Determination of CEO Compensation

In fiscal year 2010, Butler National Corporation reached projected levels of revenue, profit from operations, operating margin and operating cash flow.

With regard to progress toward strategic goals, BNC improved its products and technology positions and strengthened its relationships with customers.

Taking into account Company performance, both absolute and relative to competition and the executive officers contribution to that performance, the Committee set its targeted compensation levels so as to be commensurate with that relative performance. The Committee made the following determinations for fiscal year 2010 with respect to each component of compensation for the CEO and his existing contract and the other executive officers:

Base Salary - In keeping with its strategy, the Committee base salary decisions for fiscal year 2010 were generally intended to provide salaries somewhat lower than the median level of salaries for similarly situated executives of the comparator companies.

Performance Bonus - In general, the Committee granted no annual performance awards

Long-Term Compensation - The Committee granted no equity compensation.

Compensation of the Chairman

Because Mr. Wagoner was among the four most highly compensated executive officers in the Company, SEC rules require disclosure of his compensation. In making the determinations, the Committee considered his role as Chairman, his contribution to the Company performance and strategic direction, and the compensation of employee-chairmen of comparator companies.

Report of the Compensation Committee

The Compensation Committee, which is composed of the Board of Directors, assists the Board in fulfilling its responsibilities with regard to compensation matters, and is responsible under its charter for determining the compensation of the Company's executive officers. The Compensation Committee has reviewed and discussed the "Compensation Discussion and Analysis" section of this Annual Report on Form 10-K with management, including our CEO, Clark D. Stewart and our CFO, Angela D. Shinabargar. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the "Compensation Discussion and Analysis" section be included in the Company's Annual Report on Form 10-K.

Compensation Committee

Mr. David B. Hayden	Mr. R. Warren Wagoner
Mr. Clark D. Stewart	Mr. Bradley K. Hoffman (effective June 9, 2010)
Mr. Michael J. Tamburelli (effective May 1, 2010)	

Executive Compensation

SUMMARY

The following table below sets forth certain compensation information concerning the Chief Executive Officer, Chief Financial Officer, and our two additional most highly compensated executive officers for the fiscal years ended April 30, 2010, 2009 and 2008. Our listed officers are the CEO, CFO, Vice President, and Chairman of the Board. There are only four executive officers of Butler National Corporation. The "Executive Compensation" section presents compensation earned by the listed officers for fiscal years ending April 30, 2010, 2009 and 2008:

Summary Compensation Table
-

Name and Principal Position	YR	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards and Stock Appreciation Rights ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings($)	All Other Compensation ($)(1)	Tot ($)(
Clark D. Stewart, CEO President and Director (Contract back pay)	10	419,391	---	---	---	---	---	39,412	506,4
	10	47,656							
	09	367,633	---	---	---	---	---	34,582	402,2
	08	361,250						37,236	588,4
	08	190,000	---	---	---	---	---		
(Contract back pay)									
R. Warren Wagoner Director - Chairman of the Board	10	248,719	---	---	---	---	---	24,233	272,9
	09	228,984	---	---	---	---	---	20,702	249,6
	08	219,961	---	---	---	---	---	22,420	242,3
Christopher J. Reedy Vice President and Secretary	10	192,542	---	---	---	---	---	22,378	214,9
	09	178,418	---	---	---	---	---	21,205	199,6
	08	175,245	---	---	---	---	---	21,353	196,5
Angela D. Shinabargar Chief Financial Officer	10	133,380	10,000	---	---	---	---	8,916	152,2
	09	123,583	20,000	---	---	---	---	10,386	153,9
	08	121,382	---	---	---	---	---	13,880	135,2

Name	Year	Airplane and Automobile Usage	Health Benefits	Memberships	Matching Contributions to 401(k) (3)

Clark D. Stewart	2010	7,200		8,076	9,435		14,700	
R. Warren Wagoner	2010	---		9,730	---		14,503	
Christopher J. Reedy	2010	---		4,463	6,686		11,229	
Angela D. Shinabargar	2010	---		537	---		8,378	

(1) All Other Compensation includes the amounts in the tables above.

(2) All benefits are provided for in the tables, summaries, and footnotes above. We did not participate in any of the following transactions and such items are therefore not reported in table format: Equity Award Table, Pension Benefit Table, Nonqualified Deferred Compensation Table, and Director Compensation Table.

(3) Includes catch-up contribution made by the employee and matched by the Company.

OPTION GRANTS, EXERCISES AND HOLDINGS

No options were granted to any named executive officer in the last fiscal year.

The following table provides information with respect to the named executive officers concerning options exercised and unexercised options held as of the end of the our last fiscal year:

Aggregated Option Exercises in Last Fiscal Year
and Fiscal Year End Option Values

			Number of Securities Underlying Unexercised Options at FY-End (no.)	Value of Unexercised In-the-Money Options at FY-End ($)
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Exercisable/ Unexercisable	Exercisable/ Unexercisable
Clark D. Stewart, Chief Executive Officer	-	-	886,429 / 0	0 / 0

R. Warren Wagoner, Director - Chairman of the Board	-	-	12,143 / 0	0 / 0
Christopher J. Reedy, Vice President and Secretary	-	-	0 / 0	0 / 0
Angela D. Shinabargar, Chief Financial Officer	-	-	0 / 0	0 / 0
David B. Hayden, Director	-	-	0 / 0	0 / 0

The unexercised options at April 30, 2010 listed in the table above have an exercise price of $0.90 and will expire on December 31, 2010.

COMPENSATION OF DIRECTORS

Each non-officer director is entitled to a director's fee of $100 for meetings of the Board of Directors which he attends. Officer-directors are not entitled to receive fees for attendance at meetings.

No fees were paid in fiscal 2010 or fiscal 2009.

EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS.

On April 30, 2001, the Company extended the Employment Agreement through August 31, 2006 with Clark D. Stewart under the terms of which Mr. Stewart was employed as the President and Chief Executive Officer of the Company. On February 24, 2009 the Company extended the Employment Agreement with Mr. Stewart with the terms as currently provided including annual increases of 5% through December 31, 2020. In the event Mr. Stewart is terminated from employment with the Company other than "for cause," Mr. Stewart shall receive as severance pay an amount equal to the unpaid salary for the remainder of the term of the Employment Agreement. Mr. Stewart is also granted an automobile allowance of $600 per month which is reported by us as Salary Expense and to Mr. Stewart as Wages. Under the terms of the Employment Agreement with Mr. Stewart, the Company is obligated to pay company related expenses and salary. Included in accrued liabilities are $33,148 and $99,057 as of April 30, 2010, and 2009 respectively for amounts owed to our CEO for accrued compensation.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of the Board of Directors is comprised of Mr. Wagoner, Chairman of the Board, Mr. Stewart, CEO, President and Board member, and Mr. Hayden, Board member, Mr. Tamburelli (effective May 1, 2010) and Mr. Hoffman (effective June 9, 2010)

. The company does not employ the use of any compensation consultants in determining or recommending the amount or form of executive and director compensation.

In the normal course of business, we purchased modifications services and avionics of approximately $88,142, $74,442, and $89,398 from a company partially owned by David Hayden, a director for the Company during fiscal 2010, 2009, and 2008 respectively.

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Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, with respect to the Company common stock (the only class of voting securities), the only persons known to be beneficial owners of more than five percent (5%) of any class of the Company voting securities as of July 16, 2010.

Name and Address of **Beneficial Owner**	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Clark D. Stewart 19920 West 161st Street Olathe, Kansas 66062	4,017,592(2)	7.1%
R. Warren Wagoner 19920 West 161st Street Olathe, Kansas 66062	3,882,729(3)	6.9%

(1) Unless otherwise indicated by footnote, nature of beneficial ownership of securities is direct, and beneficial ownership as shown in the table arises from sole voting power and sole investment power. The beneficial ownership includes the shares held in the Butler National 401(k) Profit Sharing Plan for the benefit of the individual.
(2) Includes 886,429 shares which may be acquired by Mr. Stewart pursuant to the exercise of stock options which are exercisable.
(3) Includes 12,143 shares which may be acquired by Mr. Wagoner pursuant to the exercise of stock options which are exercisable.

The following table sets forth as of April 30, 2010, with respect to the Company common stock (the only class of voting securities), (i) shares beneficially owned by all directors and named executive officers of the Company, and (ii) total shares beneficially owned by directors and officers as a group, as of April 30, 2010.

Name of Beneficial	Amount and Nature of Beneficial Ownership (1)	Percent of Class

Owner			
David B. Hayden	1,357,225		2.4%
Christopher J. Reedy	693,729		1.2%
Clark D. Stewart	4,017,592	(2)	7.1%
R. Warren Wagoner	3,882,729	(3)	6.9%
Angela D. Shinabargar	314,922		0.6%
Bradley K. Hoffman	0		0
Michael J. Tamburelli	0		0
All Directors and Executive Officers as a Group (7 persons)	10,266,197	(4)	18.3%

(1) Unless otherwise indicated by footnote, nature of beneficial ownership of securities is direct and beneficial ownership as shown in the table arises from sole voting power and sole investment power.
(2) Includes 886,429 shares, which may be acquired by Mr. Stewart pursuant to the exercise of stock options, which are exercisable.
(3) Includes 12,143 shares, which may be acquired by Mr. Wagoner pursuant to the exercise of stock options, which are exercisable.
(4) Includes 898,572 shares for all directors and executive officers as a group, which may be acquired pursuant to the exercise of stock options, which are exercisable.

The Company does not have any equity compensation plans which have not been approved by the stockholders.

Equity Compensation Plan Information					
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a))	
	(a)		(b)	(c)	

Equity compensation plans approved by stockholders	1,071,834 153,000	$	.9000 ..1400	6,037,229	(1)
Equity compensation plans not approved by stockholders	0		0	0	
Total	1,224,834	$	.8000	6,037,229	

(1) See Note 5 to the audited consolidated financial statements for a description of the equity compensation plan for securities remaining available for future issuance.

Period	Total Number of Shares Purchased		Average Price Paid per Share	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased under the Plans or Programs	
	(a)		(b)	(c)	
May 1, 2009 through April 30, 2010	0		0	0	
Total	0	$	0	0	

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

In the normal course of business we purchased modification services and avionics of approximately $88,142, $74,442, and $89,398 from a company partially owned by David Hayden, a director for the Company during fiscal 2010, 2009, and 2008 respectively.

Included in accrued liabilities are $56,646 and $99,057 as of April 30, 2010, and 2009 respectively for amounts owed to our CEO for accrued compensation.

In fiscal 2010, there were three related-person transactions under the relevant standards: Butler National employed the brother (Wayne Stewart), son (Craig Stewart) and son-in-law (Jeff Shinkle) of Clark D. Stewart, an executive officer, as an engineer, a sales representative and public relations person, and an architect. Compensation for these related-persons was calculated in the same manner as the Summary Compensation table resulting in compensation of $180,886, $215,653 and $133,483, respectively, for fiscal 2010, $166,699, $205,070 and $118,805, respectively, for fiscal 2009 and $168,452, $181,079, and $120,428, respectively for fiscal 2008.

The policies and procedures for payment of goods and services for related transactions follow our normal course of business standards and require the necessary review and approval process as outlined in our Policies and Procedures manual and as set forth by our Compensation Committee.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

	Fee Type	Fiscal 2010	Fiscal 2009	
	Audit fees (a)	$86,450	$82,850	
	Audit related fees (b)	1,250	4,210	
	Tax fees (c)	18,900	18,715	
	All other fees (d)	-	-	
		--------	--------	
	Total	$105,350	$105,775	
		=====	=====	

(a) Includes fees billed for professional services rendered in connection with the audit of the annual financial statements and for the review of the quarterly financial statements.

(b) Includes fees billed for professional services rendered in connection with assurance and other activities not explicitly related to the audit of Butler financial statements, including the audits of Butler employee benefit plans, contract compliance reviews and accounting research.

(c) Includes fees billed for domestic tax compliance and tax audits, corporate-wide tax planning and executive tax consulting and return preparation.

(d) Includes fees billed for financial systems design and implementation services.

The Audit Committee has adopted a policy requiring pre-approval by the committee of all services (audit and non-audit) to be provided to Butler by its independent auditor. In accordance with that policy, the Audit Committee has given its approval for the provision of audit services by Weaver and Martin LLC for fiscal 2010. Each year stockholders are asked to affirm the selection of the auditor by a vote requested in the proxy.

The audit committee has approved 100% of the fees listed in the above table.

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PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed As Part of Form 10-K Report.

(1) **Financial Statements**:

Description	Page No.
Report of Independent Registered Public Accounting Firm	43
Consolidated Balance Sheets as of April 30, 2010 and 2009	44
Consolidated Statement of Operations for the years ended April 30, 2010, 2009, and 2008	45
Consolidated Statements of Stockholders' Equity for the years ended April 30, 2010, 2009, and 2008	46
Consolidated Statements of Cash Flows for the years ended April 30, 2010, 2009, and 2008	47
Notes to Consolidated Financial Statements	48-65

(2) **Financial Statement Schedules**

Schedule	Description	Page No.
II.	Valuation and Qualifying Accounts and Reserves for the years ended April 30, 2010, 2009, and 2008	65

All other financial statements and schedules not listed have been omitted because the required information is inapplicable or the information is presented in the financial statements or related notes.

(3) **Exhibits Index**:

No.	Description	Page No.
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.	*
3.2	Bylaws, as amended, are incorporated by reference to Exhibit A of our Form DEF 14A filed on December 15, 2003.	*
4.1		*

	Certificate of Rights and Preferences of $100 Class A Preferred Shares of the Company, are incorporated by reference to Exhibit 4.1 of our Form 10-K/A, as amended, for the year ended April 30, 1994.	
4.2	Certificate to Set Forth Designations, Preferences and Rights of Series C Participating Preferred Stock of the Company, are incorporated by reference to Exhibit 1 of our Form 8-A (12G) filed on December 7, 1998.	*
10.1	1989 Nonqualified Stock Option Plan is incorporated by reference to our Form 8-K filed on September 1, 1989 and as amended on Exhibit 4(a) of our Form S-8 filed on February 20, 1998.	*
10.2	Nonqualified Stock Option Agreement dated September 8, 1989 between the Company and Clark D. Stewart is incorporated by reference to our Form 8-K filed on September 1, 1989.	*
10.3	Agreement dated March 10, 1989 between the Company and Woodson Electronics, Inc. is incorporated by reference to our Form 10-K for the fiscal year ended April 30, 1989.	*
10.4	Agreement of Stockholder to Sell Stock dated January 1, 1992, is incorporated by reference to our Form 8-K filed on January 15, 1992.	*
10.5	Private Placement of Common Stock pursuant to Regulation D, dated December 15, 1993, is incorporated by reference to our Form 8-K filed on January 24, 1994.	*
10.6	Stock Acquisition Agreement of RFI dated April 21, 1994, is incorporated by reference to our Form 8-K filed on July 21, 1994.	*
10.7	Employment Agreement between the Company and Brenda Lee Shadwick dated July 6, 1994, are incorporated by reference to Exhibit 10.7 of our Form 10-K/A, as amended, for the year ended April 30, 1994.*	*
10.8	Employment Agreement between the Company and Clark D. Stewart dated March 17, 1994, are incorporated by reference to Exhibit 10.8 of our Form 10-K/A, as amended, for the year ended April 30, 1994.*	*
10.9	Employment Agreement among the Company, R.F., Inc. and Marvin J. Eisenbath dated April 22, 1994, are incorporated by reference to Exhibit 10.9 of our Form 10-K/A, as amended, for the year ended April 30, 1994.*	*
10.10	Real Estate Contract for Deed and Escrow Agreement between Wade Farms, Inc. and the Company, are incorporated by reference to Exhibit 10.10 of our Form 10-K/A, as amended, for the year ended April 30, 1994.	*
10.11	1993 Nonqualified Stock Option Plan, are incorporated by reference to Exhibit 10.11 of our Form 10-K/A, as amended, for the year ended April 30, 1994 and as amended on Exhibit 4(a) of our Form S-8 filed on February 20, 1998.	*

10.12	1993 Nonqualified Stock Option Plan II, are incorporated by reference to Exhibit 10.12 of our Form 10-K/A, as amended, for the year ended April 30, 1994 and as amended on Exhibit 4(a) of our Form S-8 filed on February 20, 1998.	*
10.13	Industrial State Bank principal amount of $500,000 revolving credit line, as amended, are incorporated by reference to Exhibit 10.13 of our Form 10-K/A, as amended, for the year ended April 30, 1994.	*
10.14	Bank IV guaranty for $250,000 dated October 14, 1994, are incorporated by reference to Exhibit 10.14 of our Form 10-K/A, as amended, for the year ended April 30, 1994.	*
10.15	Bank IV loan in principal amount of $300,000 dated December 30, 1993, are incorporated by Reference to Exhibit 10.15 of our Form 10-K/A, as amended, for the year ended April 30, 1994.	*
10.16	Letter of Intent to acquire certain assets of Woodson Electronics, Inc., is incorporated by reference to Exhibit 10.16 of our Form 10-K, as amended for the year ended April 30, 1995.	*
10.17	Asset Purchase Agreement between the Company and Woodson Electronics, Inc. dated May 1, 1996, is incorporated by reference to Exhibit 10.17 of our Form 10-K, as amended for the year ended April 30, 1996.	*
10.18	Non-Exclusive Consulting, Non-Disclosure and Non-Compete agreement with Thomas E. Woodson dated May 1, 1996, is incorporated by reference to Exhibit 10.18 of our Form 10-K, as amended for the year ended April 30, 1996.	*
10.19	1995 Nonqualified Stock Option Plan dated December 1, 1995, is incorporated by reference to Exhibit 10.19 of our Form 10-K, as amended for the year ended April 30, 1996 and as amended on Exhibit 4(a) of our Form S-8 filed on February 20, 1998.	*
10.20	Settlement Agreement and Release - Marvin J. Eisenbath and the Company dated April 30, 1997, is incorporated by reference to Exhibit 10.20 of our Form 10-K, as amended for the year ended April 30, 1997.	*
10.21	Settlement Agreement and Release - Brenda Shadwick and the Company dated May 1, 1997, is incorporated by reference to Exhibit 10.21 of our Form 10-K, as amended for the year ended April 30, 1997.	*
10.22	Preferred Stock Purchase Rights and Rights Agreement dated October 26, 1998 between the Company and Norwest Bank Minnesota are incorporated by reference to Exhibit 4(a) of our Form 8-A filed on December 7, 1998.	*
14	Standards of Business Conduct and Ethics, incorporated by reference to Exhibit 14 of the Company's Form 10-K for the year ended April 30, 2008.	*

21	List of Subsidiaries.	66
23.1	Consent of Independent Public Accountants.	67
99	Cautionary Statement for Purpose of the "Safe Harbor" Provisions of the Private Securities Reform Act of 1995.	68-72
31.1	Certificate pursuant to 18 U.S.C 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	73
31.2	Certificate pursuant to 18 U.S.C 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	74
32.1	Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	75
32.2	Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	76

* Relates to executive officer employment compensation.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

July 28, 2010

BUTLER NATIONAL CORPORATION

/s/ Clark D. Stewart
Clark D. Stewart, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

Signature	Title	Date

/s/ Clark D. Stewart Clark D. Stewart	President, Chief Executive Officer and Director (Principal Executive Officer)	July 28, 2010
/s/ R. Warren Wagoner R. Warren Wagoner	Chairman of the Board and Director	July 28, 2010
/s/ David B. Hayden David B. Hayden	Director	July 28, 2010
/s/ Angela D. Shinabargar Angela D. Shinabargar	Chief Financial Officer (Principal Accounting Officer)	July 28, 2010

Report of Independent Registered Public Accounting Firm

Stockholders and Directors
Butler National Corporation
Olathe, Kansas

We have audited the accompanying consolidated balance sheets of Butler National Corporation as of April 30, 2010 and 2009 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended April 30, 2010, and the financial statement schedule listed at Schedule II on page 65. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Butler National Corporation as of April 30, 2010 and 2009 and the consolidated results of its operations, shareholders' equity, and cash flows for each of the three years in the period ended April 30, 2010 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Valuation and Qualifying Accounts and Reserves (Schedule II) on page 65 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Weaver & Martin, LLC
Kansas City Missouri
July 28, 2010

BUTLER NATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2010 AND 2009

	2010	2009		2010	2009
ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash	$ 8,706,546	$1,978,038	Bank overdraft payable	$ 257,852	$ 100,762
			Promissory notes payable	69,800	684,608
Accounts receivable (net of allowance for doubtful accounts of $229,969 in 2010 and $111,840 in 2009)	2,139,835	544,025	Current maturities of long-term debt and capital lease obligations	1,488,343	2,775,651
			Accounts payable	712,643	517,483
			Customer deposits	826,443	1,119,958
Inventories - (net of obsolete of $1,244,216 in 2010 and $1,114,007			Deposits other	1,700,000	-
				1,659,683	-

in 2009)			Kansas mandated payments		
Raw materials	4,669,138	4,817,761	Accrued liabilities		
Work in process	1,129,907	1,765,423	Compensation and compensated absences	1,091,973	573,884
Finished goods	1,086,276	1,760,245	Accrued income tax	847,419	275,000
Aircraft	-	4,819,740	Other	299,063	187,033
	6,885,321	13,163,169	Total current liabilities	8,953,219	6,234,379
Prepaid expenses and other current assets	452,609	262,026	LONG-TERM DEBT, AND CAPITAL LEASE NET OF CURRENT MATURITIES:	4,304,999	6,345,033
Total current assets	18,184,311	15,947,258			
			Total liabilities	13,258,218	12,579,412
PROPERTY, PLANT AND EQUIPMENT:					
Land and building	3,057,144	4,119,441	COMMITMENTS AND CONTINGENCIES		
Aircraft	3,766,059	-	STOCKHOLDERS' EQUITY:		
Machinery and equipment	2,372,382	2,312,383	Preferred stock, par value $5:		
Office furniture and fixtures	823,493	818,278	Authorized 50,000,000 shares, all classes		
Leasehold improvements	4,249	4,249	Designated Classes A and B 200,000 shares		
			$1,000 Class A,		

	10,023,327	7,254,351	9.8%, cumulative if earned liquidation and redemption value $100,		
Accumulated depreciation	(3,483,811)	(2,635,360)	no shares issued and outstanding	-	-
	------------	------------			
	6,539,516	4,618,991	$1,000 Class B, 6%, convertible cumulative, liquidation and redemption value $1,000 no shares issued and outstanding	-	-
SUPPLEMENTAL TYPE CERTIFICATES: (net of amortization of $2,349,328 in 2010 and $2,251,264 in 2009	1,774,057	1,872,121	Common stock, par value $.01: Authorized 100,000,000 shares		
ADVANCES FOR GAMING DEVELOPMENTS:	547,460	1,806,551	issued and outstanding 56,562,698 shares in 2010 and 55,997,031 in 2009	565,627	559,970
(net of reserves of $4,171,531 in 2010 and $3,346,623 in 2009)			Common stock, owed but not issued 278,573 shares in 2010 and in 2009	2,786	2,786
OTHER ASSETS:				11,458,809	11,266,482

			Capital contributed in excess of par		
Deferred tax asset	1,226,000	-	Treasury stock at cost, 600,000 shares	(732,000)	(732,000)
Other assets (net of accumulated amortization of $198,727 in 2010 and $104,988 in 2009)	1,294,603	1,553,236	Minority Interest	874	-
	--------------	--------------	Retained earnings	5,011,633	2,121,507
	2,520,603	1,553,236		--------------	--------------
			Total stockholders' equity	16,307,729	13,218,745
	--------------	--------------		--------------	--------------
Total Assets	$29,565,947	$25,798,157	Total liabilities and stockholders' equity	$29,565,947	$25,798,157
	=========	=========		=========	=========

The accompanying notes are an integral part of these financial statements

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED APRIL 30, 2010, 2009 AND 2008

	2010	2009	2008
REVENUE			
Aircraft / Modifications	$ 13,486,358	$11,713,497	$ 8,646,562
Avionics / Defense	5,497,407	2,255,776	5,024,781
Management / Professional Services	5,278,900	4,123,815	3,975,222
Gaming - Boot Hill	8,314,043	-	-
	--------------	--------------	--------------
Net Revenue	32,576,708	18,093,088	17,646,565
COST OF SALES			
Aircraft / Modifications	9,046,653	8,444,622	6,084,283
Avionics / Defense	2,447,289	1,135,310	2,362,073
Management / Professional Services	2,380,572	1,921,804	1,653,894
Gaming - Boot Hill	2,320,007	--	-
	--------------	--------------	--------------
Total Cost of Sales	16,194,521	11,501,736	10,100,250

GROSS PROFIT	16,382,187	6,591,352	7,546,315
OPERATING EXPENSES MARKETING, GENERAL & ADMINISTRATIVE	11,222,100	4,759,470	5,343,755
IMPAIRMENT OF INDIAN ADVANCES	1,259,091	-	-
LOSS ON RETIREMENT OF AIRCRAFT	1,053,681	-	-
GAIN ON SALE OF LAND	(496,433)	-	-
OPERATING INCOME	3,343,748	1,831,882	2,202,560
OTHER INCOME (EXPENSE)			
Interest Expense	(455,827)	(504,829)	(639,732)
Other	12,372	7,407	72,172
		(497,422)	(567,560)
Other Income (Expense)	(443,455)		
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	2,900,293	1,334,460	1,635,000
INCOME TAX EXPENSE			
Deferred Income Tax Benefit	(1,226,000)	-	-
Income Tax Expense	1,235,293	505,146	360,522
Total Income Tax Expense (Benefit)	9,293	505,146	360,522
NET INCOME BEFORE MINORITY INTEREST	2,891,000	829,314	1,274,478
MINORITY INTEREST GAMING - BOOT HILL	(874)		
NET INCOME	$ 2,890,126	$ 829,314	$ 1,274,478
BASIC EARNINGS PER COMMON SHARE	$ 0.05	$ 0.02	$ 0.02
Shares used in per share calculation	55,398,581	54,864,138	53,815,092

DILUTED EARNINGS PER COMMON SHARE	$ 0.05	$ 0.02	$ 0.02
	==========	==========	==========
Shares used in per share calculation	55,502,899	54,934,092	53,928,434
	==========	==========	==========

The accompanying notes are an integral part of these financial statements

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED APRIL 30, 2010, 2009, AND 2008

	Common Stock	Common Stock Owed but Not Issued	Capital Contributed in Excess of Par	Treasury Stock	Minority Interest	Retained Earnings (deficit)	Total Stockholders' Equity
BALANCE, April 30, 2007	$ 538,247	$ 5,877	$10,817,792	$(732,000)	$	$ 17,715	$10,647,631
Issuance of stock owed from prior period	3,091	(3,091)	-	-	-	-	-
Issuance of stock Benefit Plan	9,573	-	258,446	-	-	-	268,019
Net income	-	-	-	-	-	1,274,478	1,274,478
	---------------	---------------	---------------	---------------	---------------	---------------	---------------
BALANCE, April 30, 2008	$ 550,911	$ 2,786	$11,076,238	$(732,000)	$	$1,292,193	$12,190,128

Issuance of stock owed from prior period							
Issuance of stock Benefit Plan	9,059	-	190,244	-	-	-	199,303
Net income						829,314	829,314
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BALANCE, April 30, 2009	$ 559,970	$ 2,786	$1,266,482	$(732,000)	$ -	$2,121,507	$3,218,745
Issuance of stock owed from prior period							
Issuance of stock Benefit Plan	5,657	-	192,327	-	-	-	197,984
Net income	-	-	-	-	874	2,890,126	2,891,000
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BALANCE, April 30, 2010	$ 565,627	$ 2,786	$11,458,809	$(732,000)	$ 874	$5,011,633	$16,307,729
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The accompanying notes are an integral part of these financial statements.

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30, 2010, 2009, AND 2008

	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 2,891,000	$ 829,314	$ 1,274,478
Adjustments to reconcile net income (loss) to net cash			
provided by (used in) operations -			
Depreciation and amortization	942,192	391,826	160,933
Impairment of fixed assets	-	111,963	302,537
Amortization (Supplemental Type Certificates)	98,064	184,898	258,156
Provision for obsolete inventories	130,209	605,760	20,130
Stock issued for benefit plan	197,984	199,303	268,019
(Gain) Loss on disposal of fixed asset	-	(500)	70,224
Impairment of Indian advances	1,259,091	-	-
Loss on retirement of aircraft	1,053,681	-	-
Deferred income tax asset	(1,226,000)	-	-
Gain on sale of land	(496,433)	-	-
Changes in assets and liabilities -			
Accounts receivable	(1,595,810)	745,872	(328,394)
Inventories	1,327,898	(1,472,780)	(811,991)
Prepaid expenses and other current assets	(25,688)	(54,607)	(1,669,910)
Accounts payable	352,250	(83,864)	27,912
Customer deposits	(293,514)	(297,546)	859,483
Deposits other	1,700,000	-	-
Accrued liabilities	1,169,845	12,631	179,162
Kansas mandated payment	1,659,683	-	-
Other liabilities	32,691	-	-
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Cash provided by (used in) operating activities	9,177,143	1,172,270	610,739

CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(506,485)	(198,407)	(2,659,520)
Supplemental Type Certificates (STC)	-	-	(820,000)
Proceeds from sale of land	2,000,000	-	-
Cash provided by (used in) investing activities	1,493,515	(198,407)	(3,479,520)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings under promissory notes, net	(614,808)	(26,473)	(38,703)
Borrowings of long-term debt and capital lease obligations	375,000	5,701,562	7,838,718
Repayments of long-term debt and capital lease obligations	(3,702,342)	(7,640,629)	(3,750,688)
Cash provided by (used in) financing activities	(3,942,150)	(1,965,540)	4,049,327
NET INCREASE (DECREASE) IN CASH	6,728,508	(991,677)	1,180,546
CASH, beginning of year	1,978,038	2,969,715	1,789,169
CASH, end of year	$ 8,706,546	$ 1,978,038	$ 2,969,715
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest paid	$ 462,687	$ 510,633	$ 615,649
Income taxes paid	662,874	554,789	95,879
NON CASH FINANCING ACTIVITIES			
Stock Issued for benefit plan	$ 197,984	$ 199,303	$ 268,019

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

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements include the accounts of Butler National Corporation (BNC) and its wholly-owned active subsidiaries, Avcon Industries, Inc., AVT Corporation, BCS Design, Inc., Butler National Services, Inc., Butler National Service Corporation, Butler National Corporation-Tempe, Butler National, Inc., Butler Temporary Services, Inc., and Kansas International Corporation, Kansas International DDC, LLC, and BHCMC, LLC (a majority-owned subsidiary) (collectively, The Company). All significant intercompany transactions have been eliminated in consolidation.

Avcon Industries, Inc. modifies business category aircraft at its Newton, Kansas facility. Modifications can include passenger-to-freighter configuration, addition of aerial photography capability, and stability enhancing modifications. Butler National Inc. acquires airplanes, principally Learjets, to refurbish and sell. Butler National Corporation-Tempe is primarily engaged in the manufacture of airborne switching units used in Boeing McDonnell Douglas aircraft, electronic upgrades for classic weapon control systems used by the military, and transient suppression devices for Boeing Classic aircraft. Butler National Services is principally engaged in monitoring remote water and wastewater pumping stations through electronic surveillance. Butler National Service Corporation is a management consulting and administrative services firm providing business planning and financial coordination to Indian tribes interested in owning and operating casinos under the terms of the Indian Gaming Regulatory Act of 1988. BHCMC, LLC is majority-owned and provides management services for the Boot Hill Casino & Resort under a management agreement with the State of Kansas. BCS Design provides professional architectural services.

a. Allowance for Doubtful Accounts: Allowance for doubtful accounts are calculated on the historical write-off of doubtful accounts of the individual subsidiaries. Invoices are generally considered a doubtful account if no payment has been made in the past 90 days. We review these policies on a quarterly basis, and based on these reviews, we believe we maintain adequate reserves.
b. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues 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.
c. Inventories: Inventories are priced at the lower of cost, determined on a first-in, first-out basis, or market. Inventories include material, labor and factory overhead required in the production of our products.

   Inventory obsolescence is examined on a regular basis. Inventory that has been inactive for a period of three years without use in normal and current productions are reserved as obsolete. The obsolete inventory generally consists of Falcon and Learjet parts and electrical components. At April 30, 2010 and 2009 obsolete inventory was valued at $1,244,216 and $1,114,007 respectively.
d. Property and Related Depreciation: Machinery and equipment are recorded at cost and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis. The lives used for the significant items within each property classification range from 3 to 39 years.

   Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets retired are removed from the accounts and any resulting gains or losses are reflected as income or expense.
e. Impairment of Goodwill, Other Intangible Assets and Long-lived Assets: The Company assesses our goodwill and other assets for impairment at least annually or whenever events or circumstances indicate the

carrying value of that asset may not be recoverable. Impairment is measured by comparing the carrying value of the long-lived asset to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition.

f. Advances for Gaming Developments: We are advancing funds for the establishment of gaming. These funds have been capitalized based on costs associated with the acquisition, development, and construction of real estate and real estate-related projects to be capitalized as part of that project.

Our advances represent costs to be reimbursed upon approval of gaming in several locations. We have agreements in place which require payments to be made to us for the respective projects upon opening of Indian gaming facilities. Once gaming facilities have gained proper approvals, we plan to enter into a note receivable arrangement with the Tribe to secure reimbursement of advanced funds for that particular project.

We have advanced and invested a total of $4,718,991 at April 30, 2010 and $5,153,174 at April 30, 2009 in gaming developments. We have reserves of $4,171,531, at April 30, 2010 and $3,346,623 at April 30, 2009. We believe it is necessary to establish reserves against the advances because all of the proposed casinos involve legal and government approvals. The reserve amount is an estimate of the value we would receive if a casino was not opened and we were forced to liquidate the assets that we have acquired with our advances. These assets were intended to be used with casinos and consist of the purchase of land and land improvements related to the development of gaming facilities. We believe that these tracts could be developed and sold for residential and commercial use to recover our advances if the gaming enterprises do not open.

g. 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 against revenues being generated from aircraft modifications associated with the STC. The costs are expensed as services are rendered on each aircraft through costs of sales using the units of production method. The legal life of an STC is indefinite. We believe we have enough future sales to fully amortize our STC development costs. Consultant costs, as shown below, include costs of engineering, legal and aircraft specialists. STC capitalized costs are as follows:

			2010		2009	
		-------------		-------------		
	Direct labor	$	417,514	$	417,514	
	Direct materials		280,262		280,262	
	Consultant costs		1,914,829		1,914,829	
	Overhead		690,780		690,780	
	"JET" STCs		820,000		820,000	
		-------------		-------------		
			4,123,385		4,123,385	

	Less-Amortized costs	2,349,328	2,251,264
		-------------	-------------
	STC balance	$ 1,774,057	$ 1,872,121
		=======	=======

h. Bank Overdraft Payable: Our cash management program results in checks outstanding in excess of bank balances in the general disbursement account. When checks are presented to the bank for payment, cash deposits in amounts sufficient to fund the checks are made from funds provided under the terms of our promissory notes agreement.
i. Financial Instruments: The carrying value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable, accrued expenses, and accrued employee costs approximate fair value because of the short-term maturity of these instruments. Fair values are based on quoted market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of perceived risk. Based upon borrowing rates currently available, the carrying value of notes payable long-term debt and capital lease obligations approximate fair value.
j. Revenue Recognition: Generally, we perform aircraft modifications under fixed-price contracts. Revenues from fixed-price contracts are recognized on the percentage-of-completion method, measured by the direct labor and material costs incurred compared to total estimated direct labor costs. Each quarter our management reviews the progress and performance of our significant contracts. Based on this analysis, any adjustment to sales, cost of sales and/or profit is recognized as necessary in the period they are earned. Changes in estimates of contract sales, cost of sales and profits are recognized using a cumulative catch-up, which is recognized in the current period of the cumulative effect of the change on current or prior periods. Revenue for off-the-shelf items and aircraft sales is recognized on the date of sale.

   Casino gaming revenue is the gross gaming win as reported by the Kansas Lottery casino reporting systems less the mandated distributions by and for the State of Kansas.

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

   In regard to 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 financial statements.
k. Advanced Payments and Billings in Excess of Costs Incurred: We receive advances, performance-based payments and progress payment from customers which may exceed costs incurred on certain contracts. We classify advance payments and billings in excess of costs incurred, other than those reflected as a reduction of contracts in process, as current liabilities.
l. Earnings Per Share: Earnings per common share is based on the weighted average number of common shares outstanding during the year. Stock options have been considered in the dilutive earnings per share calculation.

The computation of the Company basic and diluted earnings per common share is as follows:

		2010		2009		2008
Net income	$	2,890,126	$	829,314	$	1,274,478
Weighted average common shares outstanding		55,398,581		54,864,138		53,815,092
Dilutive effect of non-qualified stock		104,318		69,954		113,342

option plans										
Weighted average common shares outstanding, assuming dilution			55,502,899			54,934,092			53,928,434	
Basic earnings per common share		$	.05		$	.02		$	.02	
Diluted earnings per common share		$	.05		$	.02		$	.02	

m. Stock-based Compensation: We account for non-employee stock-based awards in which goods or services are the consideration received for the equity instruments issued.

We have nonqualified stock option plans which provide key employees and consultants an opportunity to acquire ownership in the Company. Options are granted under these plans at exercise prices equal to fair market value at the date of the grant, generally exercisable immediately, and expire in 10 years. The Company did not grant options for the fiscal years ending 2010, 2009, and 2008; therefore, there are no expenses relating to option grants for those periods. There are 6,037,229 approved option shares available to grant under these plans. The approved plan expiration date is December 31, 2010.

n. Income Taxes: Amounts provided for income tax expense are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable under tax laws. Deferred taxes, which arise principally from temporary differences between the period in which certain income and expense items are recognized for financial reporting purposes and the period in which they affect taxable income, are included in the amounts provided for income taxes. Under this method, the computation of deferred tax assets and liabilities give recognition to enacted tax rates in effect in the year the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to amounts that we expect to realize.

o. Cash and Cash Equivalents: Cash and cash equivalents consist primarily of cash and investments in a money market fund. We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. We maintain cash in bank deposit accounts that, at times, may exceed federally insured limits. At April 30, 2010 we had $4,304,435 in bank deposits that exceeded the federally insured limits.

p. Concentration of Credit Risk: We extend credit to customers based on an evaluation of their financial condition and collateral is not required. We perform ongoing credit evaluations of our customers and maintain an allowance for doubtful accounts.

q. Research and Development: We charge to operations research and development costs. The amount charged in the year ended April 30, 2010 and 2009 was approximately $1,720,168 and $1,892,305 respectively.

r. Warranties: We warrant to our customer that our products and services are in good working order at the time of delivery. We warrant that these products will continue to be serviceable for periods from 90 days to up to a maximum of 36 months. Our products are tested and accepted by the customer prior to their release. For the years ended April 30, 2010, 2009, 2008 we had no beginning warranty reserve, no additions to warranty reserves, and no reductions to the warranty reserve.

In each of the three years ended April 30, 2010, 2009, 2008 our warranty expense was immaterial.

s. Recent Accounting Pronouncements: The FASB issued ASC subtopic 855-10 (formerly SFAS 165 "Subsequent Events"), incorporating guidance on subsequent events into authoritative accounting literature and clarifying the time following the balance sheet date which management reviewed for events and transactions that may require disclosure in the financial statements. The Company has adopted this standard. The standard increased our disclosure by requiring disclosure reviewing subsequent events. ASC 855-10 is included in the "Subsequent Events" accounting guidance.

In April 2009, the FASB issued ASC subtopic 820-10 (formerly Staff Position No. FAS 157-4, Determining Fair Value When Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly"). ASC 820-10 provides guidance on how to determine the fair value of assets and liabilities when the volume and level of activity for the asset/liability has significantly decreased. FSP 157-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly. In addition, FSP 157-4 requires disclosure in interim and annual periods of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques. The Company determined that adoption of FSP 157-4 did not have a material impact on its results of operations and financial position.

In July 2006, the FASB issued ASC subtopic 740-10 (formerly Interpretation No. ("FIN") 48, "Accounting for Uncertainty in Income Taxes"). ASC 740-10 sets forth a recognition threshold and valuation method to recognize and measure an income tax position taken, or expected to be taken, in a tax return. The evaluation is based on a two-step approach. The first step requires an entity to evaluate whether the tax position would "more likely than not," based upon its technical merits, be sustained upon examination by the appropriate taxing authority. The second step requires the tax position to be measured at the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement. In addition, previously recognized benefits from tax positions that no longer meet the new criteria would no longer be recognized. The application of this Interpretation will be considered a change in accounting principle with the cumulative effect of the change recorded to the opening balance of retained earnings in the period of adoption. Adoption of this new standard did not have a material impact on our financial position, results of operations or cash flows.

In April 2008, the FASB issued ASC 815-40 (formerly Emerging Issues Task Force ("EITF") 07-05, "Determining whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock"). ASC815-40 applies to any freestanding financial instruments or embedded features that have the characteristics of a derivative, and to any freestanding financial instruments that are potentially settled in an entity's own common stock. ASC 815-40 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of this pronouncement did not have a material impact on its financial position, results of operations or cash flows.

In June 2009, the FASB issued ASC 105 Accounting Standards Codification TM and the Hierarchy of Generally Accepted Accounting Principles. The FASB Accounting Standards Codification TM (the "Codification") has become the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with Generally Accepted Accounting Principles ("GAAP"). All existing accounting standard documents are superseded by the Codification and any accounting literature not included in the Codification will not be authoritative. Rules and interpretive releases of the SEC issued under the authority of federal securities laws, however, will continue to be the source of authoritative generally accepted accounting principles for SEC registrants. Effective September 30, 2009, all references made to GAAP in our consolidated financial statements will include references to the new Codification. The Codification does not change or alter existing GAAP and, therefore, will not have an impact on our financial position, results of operations or cash flows.

In June 2009, the FASB issued changes to the consolidation guidance applicable to a variable interest entity (VIE). FASB ASC Topic 810, "Consolidation," amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. FASB ASC 810 also requires enhanced disclosures about an enterprise's involvement with a VIE. Topic 810 is effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009. This will not have an impact on the Company's financial position, results of operations or cash flows.

In June 2009, the FASB issued Financial Accounting Standards Codification No. 860 - Transfers and Servicing. FASB ASC No. 860 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. FASB ASC No. 860 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The adoption of FASB ASC No. 860 will not have an impact on the Company's financial statements.

International Financial Reporting Standards: In November 2008, the Securities and Exchange Commission ("SEC") issued for comment a proposed roadmap regarding potential use of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Under the proposed roadmap, the Company would be required to prepare financial statements in accordance with IFRS in fiscal year 2014, including comparative information also prepared under IFRS for fiscal 2013 and 2012. The Company is currently assessing the potential impact of IFRS on its financial statements and will continue to follow the proposed roadmap for future developments.

t. Accounts receivable: Accounts receivable are carried on a gross basis, with no discounting, less the allowance for doubtful accounts. Management estimates the allowance for doubtful accounts based on existing economic conditions, the financial conditions of the customers, and the amount and the age of past due accounts. Receivables are considered past due if full payment is not received by the contractual due date. Past due accounts are generally written off against the allowance for doubtful accounts only after all collection attempts have been exhausted.

Reclassifications: Certain reclassifications within the financial statement captions have been made to maintain consistency in presentation between years.

2. DEBT:

Principal amounts of debt at April 30, 2010 and 2009, consist of the following:

Promissory Notes	2010	2009
Bank Line of Credit, available LOC $1,000,000	$ 69,800	$ 684,608

interest at prime plus 2% (7.0% at April 30, 2010 - with a floor of 7%) due August 2010, collateralized by a first or second position on all assets of the Company.				
		-------------		-------------
	$	69,800	$	684,608
		=========		=========

Other Notes Payable and Capital Lease Obligations

Note payable, interest at prime plus 1%, (4.25% at April 30, 2010) due August 2009 collateralized by Aircraft Security Agreements.	-	80,000
Note payable, interest at prime plus 1%, (4.25% at April 30, 2010) due June 2010 collateralized by Aircraft and Engine Security Agreements	269,841	389,841
Note payable, interest at bank prime (3.25% at April 30, 2010) due March 2013, collateralized by real estate.	498,579	539,742
Note payable, interest at bank prime (3.25% at April 30, 2010) due March 2013, collateralized by real estate.	1,281,072	1,386,836
Note payable, interest at 6.0% due February 28,	91,023	95,291

2024 collateralized by real estate.		
Note payable, interest at 5.0% at April 30, 2010, renewed and due October 2010, collateralized by real estate.	20,671	632,820
Note payable, interest at 5.0% at April 30, 2010, renewed and due August 2010, collateralized by real estate.	121,765	656,050
Note payable, interest at 7.5% at April 30, 2010, due November 2012, collateralized by real estate.	346,611	1,330,186
Note payable, interest at 6.25% at April 30, 2010, due June 14, 2014, collateralized by real estate.	366,596	-
Note payable, interest at prime plus 2% (7.0% at April 30, 2010 - with a floor of 7%), due January 2014, collateralized by a first or second position on all assets.	907,698	1,111,701
Notes payable, interest Libor rate plus 3.0%, (10.65% at April 30, 2010) renewed May 2009, due May 2014, collateralized by Aircraft and Engine Security Agreements.	825,441	1,208,733

Note payable, with quarterly payments of $125,000 through		908,874		1,480,334
2012. Imputed interest calculated at 7.0%				
Other Notes Payable and Capital Lease Obligations		155,170		209,150
due May 2011 to May 2013 with interest rates between				
3.9% and 8.5%.		--------------		--------------
	$	5,793,342	$	9,120,684
Less: Current maturities		1,488,343		2,775,651
		--------------		--------------
	$	4,304,999	$	6,345,033
		=========		=========

Maturities of long-term debt and capital lease obligations are as follows:

Year Ending April 30		Amount
--------------		--------------
2011	$	1,488,343
2012		1,167,015
2013		2,266,953
2014		464,391
2015		342,415
Thereafter		64,225

	$	5,793,342

========

3. INCOME TAXES:

Deferred taxes are determined based on the estimated future tax effects of differences between the financial statements and tax basis of assets and liabilities given the provision of the enacted tax laws. Significant components of the Company's deferred tax liabilities and assets as of April 30, 2010 and 2009 are as follows:

		April 30, 2010		April 30, 2009
Deferred tax liabilities:				
Depreciation	$	(160,000)	$	(240,000)
Deferred tax assets:				
Accounts receivable reserve		89,000		43,000
Inventory and other reserves		1,225,000		883,000
Vacation accruals		72,000		63,000
Total gross deferred tax assets		1,386,000		989,000
Less valuation allowance		-		(749,000)
Net deferred tax assets	$	1,226,000	$	-

Net deferred tax assets at April 30, 2009 was fully offset by a valuation allowance as management felt the Company may not realize any tax benefits, however a deferred tax asset was recorded at April 30, 2010 because management believes the Company may receive tax benefits.

With increased management income and improved income from operations in the aviation division management at April 30, 2010 believes the Company will be able to utilize tax benefits in subsequent years.

The reconciliation of the federal statutory income tax rate to the effective tax rate is as follows:

	April 30, 2010	April 30, 2009
Statutory federal income tax rate	34.00%	34.00%
Nondeductible expenses - net	3.00%	(10.60%)
Change in valuation reserve	15.00%	23.20%
Credits	(11.00%)	(22.60%)
	41.00%	24.00%

Income tax expense:		
Deferred income tax benefit	$ (1,226,000)	$ -
Current income tax	1,235,293	505,146
Total income tax expense	$ 9,293	$ 505,146

Current income tax expense of $1,235,293 and $505,146 are comprised of $1,100,000 and $561,830 in federal income tax and $135,293 state income tax and $56,684 state income tax refunds for the years ended April 30, 2010 and 2009, respectively.

The Company has accrued income taxes due to federal and state taxing authorities of approximately $1,025,000 and $275,000 for the years ended April 30, 2010 and 2009, respectively.

4. STOCKHOLDERS' EQUITY:

Common Stock Transactions

During the year ended April 30, 2010, we did not issue any shares of common stock that were owed as of April 30, 2008. As of April 30, 2010, we had 278,573 shares of common stock owed but not issued.

During the year ended April 30, 2010, we issued 565,667 shares valued at $197,984 as the match to the Company 401(k) plan.

During the year ended April 30, 2009, we did not issue any shares of common stock that were owed as of April 30, 2008. As of April 30, 2009, we had 278,573 shares of common stock owed but not issued.

During the year ended April 30, 2009, we issued 905,922 shares valued at $199,303 as the match to the Company 401(k) plan.

During the year ended April 30, 2008, we issued 957,213 shares valued at $268,019 as the match to the Company 401(k) plan.

During the year ended April 30, 2008, we issued 309,195 shares of common stock that were owed as of April 30, 2007. As of April 30, 2008, we had 278,573 shares of common stock owed but not issued.

During the year ended April 30, 2005, we agreed to issue, in a cashless exercise, 11,825,598 shares in connection with the exercise of employee stock options granted through the Company Non Qualified Stock Option Plans. As of April 30, 2010, 11,237,864 of these shares have been issued and 278,573 shares have not been issued and are shown on the financial statements as "Stock owed but not issued".

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5. STOCK OPTIONS AND INCENTIVE PLANS

The following represents the outstanding and exercisable number of shares, weighted average exercise price and weighted average remaining contractual life of options outstanding and exercisable.

We have nonqualified stock option plans which provide key employees and consultants an opportunity to acquire ownership in the Company. Options are granted under these plans at exercise prices equal to fair market value at the date of the grant, generally exercisable immediately, and expire in 10 years. The Company did not grant options for the fiscal years ending 2010, 2009, and 2008; therefore, there are no expenses relating to option grants for those periods. As of April 30, 2010 there are 6,037,229 approved option shares available to grant under these plans. The approved plan expiration date is December 31, 2010.

	2010	2009	2008	
Options exercisable at April 30	1,224,834	1,244,834	1,493,763	
Weighted average fair value per share Options granted per year	.80	.79	.81	

Range of Exercise	Number Outstanding and	Weighted Average Remaining Contract Life	Weighted Average Exercise and Outstanding Price	

Prices	Exercisable			
$0.9000	1,071,834	1.7 years	.9000	
$0.1400	153,000	3.7 years	.1400	

	Options	Average Price
Outstanding Beginning 04/30/2007	1,493,763	$ 0.81
Granted	-	-
Expired	-	-
Exercised	-	-
Outstanding Ending 04/30/2008	1,493,763	$ 0.81
Outstanding Beginning 04/30/2008	1,493,763	$ 0.81
Granted	-	-
Expired	248,929	0.90
Exercised	-	-
Outstanding Ending 04/30/2009	1,244,834	$ 0.79
Outstanding Beginning 04/30/2009	1,244,834	$ 0.79
Granted	-	-
Expired	20,000	.0625
Exercised	-	-
	1,224,834	$ 0.80

Outstanding Ending 04/30/2010					

6. COMMITMENTS

:

Lease and Rent Commitments

We lease and rent space with initial terms of three (3) years, (5) years and ten (10) years. Total rental expense incurred for the years ended April 30, 2010, 2009, and 2008, was $1,672,603, $243,133, and $239,600, respectively.

Minimum lease and rent agreement commitments under noncancellable operating leases and rental agreements for the next five (5) years are as follows:

Year Ending April 30		Amount
2011	$	6,241,715
2012		6,202,489
2013		6,202,489
2014		6,202,489
2015		6,202,489
	$	31,051,671

7. CONTINGENCIES:

We are involved in various lawsuits incidental to our business. Management believes the ultimate liability, if any, will not have an adverse effect on the Company financial position or results of operations.

Due to our financial condition, and the need to reduce expenses, the board of directors approved the elimination of product liability insurance in August, 1989.

Obligations related to the gaming facility in Dodge City, Kansas (the Boot Hill Casino and Resort) are the rent payments by our subsidiary BHCMC, L.L.C. (BHCMC) for the agreement for the turn-key casino. BNSC and BHC Investment Company, L.C. (BHCI) jointly own BHCMC. BHCMC is currently owned 99.6% by BNSC and 0.4% by BHCI. BHCI has the option to purchase an additional 39.6% of BHCMC to complete the ownership at 60% BNSC and 40% BHCI. BHCI ownership is subject to background investigation by the Kansas Gaming and Racing Commission.

8. RELATED-PARTY TRANSACTIONS:

In the normal course of business we purchased modifications services and avionics of approximately $88,142, $74,442, and $89,398 from a company partially owned by David Hayden, a director for the Company during fiscal 2010, 2009, and 2008 respectively.

Included in accrued liabilities are $56,646 and $93,057 as of April 30, 2010, and 2009 respectively for amounts owed to our CEO for accrued compensation.

9. 401(k) SAVINGS PLAN

We have a defined contribution plan authorized under Section 401(k) of the Internal Revenue Code. All benefits-eligible employees with at least thirty days of service are eligible to participate in the plan; however there are only two entry dates per calendar year. Employees may contribute up to twelve percent of their pre-tax covered compensation through salary deductions. The Plan may match subject to the annual approval of the Board of Directors, 100 percent of every pre-tax dollar an employee contributes up to 6% of the employee's salary. Employees are 100 percent vested in the employer's contributions immediately. Our matching share contribution, at the then current market value, in 2010, 2009, and 2008 was approximately $197,983, $199,303, and $268,020 respectively. If approved by the Board of Directors, the Company match is paid in common stock of the Company.

10. INDUSTRY SEGMENTATION AND SALES BY MAJOR CUSTOMER:

Industry Segmentation

Company operations are classified into six segments in Fiscal Years 2010, 2009, and 2008.

Aircraft Modifications

- principally includes the modification of customer and company owned business-size aircraft from passenger to freighter configuration, addition of aerial photography capability, and stability enhancing modifications for Learjet, Beechcraft, Cessna, and Dassault Falcon aircraft along with other specialized modifications. We provide these services through our subsidiary, Avcon Industries, Inc. ("Aircraft Modifications" or "Avcon"). In March 2008, Butler National Corporation, through its subsidiary Avcon Industries, Inc. acquired the JET autopilot product line for the Classic Learjets. The Company plans a transition of the acquisition to continue the service and support of all customers operating the JET autopilot and related equipment in the near future. In the interim period the company has extended an agreement for transition services until the FAA approves the new circuit boards.

Avionics - principally includes the manufacture, sale, and service of airborne electronic switching units used in DC-9, DC-10, DC-9/80, MD-80, MD-90, and the KC-10 aircraft, Transient Suppression Devices (TSDs) for fuel tank protection on Boeing Classic 737 and 747 aircraft, and other Classic aircraft using a capacitance fuel quantity indicating system ("FQIS"), airborne electronics upgrades for classic weapon control systems used on military aircraft and vehicles, and consulting services with airlines and equipment manufacturers regarding fuel system safety requirements. We provide the products through our subsidiary, Butler National Corporation -

Tempe, Arizona and the services through Butler National Corporation - Olathe, Kansas ("Avionics", "Classic Aviation Products", "Safety Products", or "Switching Units").

Services - SCADA (Supervisory Control and Data Acquisition) Systems and Monitoring Services - principally includes monitoring and related repair services of water and wastewater remote pumping stations through electronic surveillance for municipalities and the private sector. We provide these services through our subsidiary, Butler National Services, Inc. ("Monitoring Services" or "BNS").

Corporate / Professional Services - principally includes providing as a management service licensed architectural services through our subsidiary, BCS Design, Inc. These services include commercial and industrial building design. We have expanded this segment to include aviation-related engineering consulting services and operate as the Butler National Aircraft Certification Center ("BNACC").

Gaming - principally includes business management services and advances to Indian tribes in connection with the Indian Gaming Regulatory Act of 1988. The Boot Hill Casino and Resort commenced operations on December 15, 2009. We provide management services through our subsidiary BHCMC, LLC, a Kansas limited liability company jointly owned by BNSC and BHC Investment Company, L.C. (BHCI). BHCI is not a related party. Currently BHCMC, LLC is owned 99.6% by BNSC and 0.4% by BHCI. BHCI has the option to purchase an additional 39.6% of BHCMC to complete the ownership at 60% BNSC and 40% BHCI. BHCI ownership is subject to background investigation by the Kansas Gaming and Racing Commission. We provide these management services and advances through our subsidiary, Butler National Service Corporation ("Management Services", "Gaming" or "BNSC").

Year ended April 30, 2010

	Gaming	Avionics	Modifications	Services	Corporate	Consolidated
Net Revenue	10,005,903	5,497,408	13,486,358	1,608,468	1,978,571	32,576,708
Depreciation/Amortization	-	69,191	812,045	18,313	140,705	1,040,254
Operating profit	53,215	1,293,643	806,533	2,301	1,188,056	3,343,748
Capital Expenditures, net	(1,062,298)	-	60,000	-	5,215	(997,083)
Interest Expense						(455,827)
Other income						12,372
Income before tax						2,900,293
Income tax expense						9,293
Net Income						2,890,126
Identifiable assets	7,897,464	4,262,775	6,009,939	958,821	10,436,947	29,565,947

Year ended April 30, 2009

	Gaming	Avionics	Modifications	Services	Corporate	Consolidated
Net Revenue	1,198,284	2,155,776	11,713,497	1,771,755	1,058,776	18,093,088
Depreciation/Amortization	-	82,444	172,040	18,598	303,642	576,724
Operating profit	655,581	(87,532)	967,085	24,316	272,432	1,831,882
Capital Expenditures, net	(96,879)	24,375	223,488	21,021	26,902	198,907
Interest Expense						(504,829)

Other income						7,407
Income before tax						1,334,460
Income taxes						505,146
Net Income						829,314
Identifiable assets	4,388,715	4,159,006	5,504,679	424,579	11,321,178	25,798,157

Year ended April 30, 2008

	Gaming	Avionics	Modifications	Services	Corporate	Consolidated
Net Revenue	$ 1,507,049	$ 5,024,781	$ 8,646,562	$ 1,557,792	$ 910,381	$ 17,646,565
Depreciation/Amortization	-	85,679	26,476	18,154	30,624	160,933
Operating profit	380,979	842,553	814,599	138,133	26,296	2,202,560
Capital Expenditures, net	2,015,899	11,019	14,047	-	618,555	2,659,520
Interest Expense						(639,732)
Other income						72,172
Income before tax						1,635,000
Income taxes						360,522
Net Income						1,274,478
Identifiable assets	4,302,662	5,927,915	4,924,442	364,198	11,584,641	27,103,858

Major Customers:

Revenue from major customers (10 percent or more of consolidated revenue) were as follows:

	2010	2009	2008
Modifications	N/A*	10.9%	N/A*
Avionics	N/A*	N/A*	15.8%
Indian Management Services	N/A*	N/A*	N/A*
Environmental Services (City Contract)	N/A*	N/A*	N/A*

%.*Revenue represented less than 10% of consolidated revenue.

In fiscal 2010 the Company derived 29% of total sales from five customers. The top customer provided 9.4%

of total sales while the next top four customers ranged from 4.5% to 5.4

11. SELF FUNDED INSURANCE

In November 2008 we discontinued our Self Funded insurance plan. The increase in administrative burden along with the substantial liability to the plan resulted in a change to a standard insurance plan with a national carrier.

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12. FAIR VALUE MEASURMENTS

The Company adopted ASC Topic 820-10 at the beginning of 2009 to measure the fair value of certain of its financial assets required to be measured on a recurring basis. The adoption of ASC Topic 820-10 did not impact the Company's financial condition or results of operations. ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC Topic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability. The three levels of the fair value hierarchy under ASC Topic 820-10 are described below:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 - Valuations based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 - Valuations based on inputs that are supportable by little or no market activity and that are signifigant to the fair value of the asset or liability.

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of April 30, 2009:

	Level 1	Level 2	Level 3	Fair Value
Cash and CDs	$1,978,038	$ -	$ -	$ 1,978,038
Accounts receivable	-	544,025	-	544,025
Accounts payable	-	618,245	-	618,245
Accrued liabilities	-	1,035,917	-	1,035,917

Notes payable	-	9,120,684	-	9,120,684
	--------------	--------------	---------------	---------------
	$ 1,978,038	$ 11,318,871	$ -	$ 13,296,909

The following table presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis as of April 30, 2010:

	Level 1	Level 2	Level 3	Fair Value
Cash and CDs	$ 8,706,546	$ -	$ -	$ 8,706,546
Accounts receivable	-	2,139,835	-	2,139,835
Accounts payable	-	970,495	-	970,495
Accrued liabilities	-	3,898,138	-	3,898,138
Notes payable	-	5,793,342	-	5,793,342
	--------------	--------------	---------------	---------------
	$ 8,706,546	$ 12,801,810	$ -	$ 21,508,356

13. PRODUCT LINE ACQUISITION

On April 10, 2008, our subsidiary Avcon Industries, Inc. acquired the JET product line to add to our product line of "Classic Aviation Products". This product line includes product inventory, test equipment, technical documentation, intellectual property and other assets totaling approximately $3,000,000. We paid cash for a portion of this product line and signed an obligation to the seller for the payment of the balance in four annual payments. On December 7, 2009 we signed an amendment to the purchase agreement that L-3 communication would provide "Transition Services" through December 2010. We signed two additional amendments to extend the transition agreement on December 9, 2008 and June 5, 2009.

14. DODGE CITY LAND ACQUISITION

On November 15, 2007, our subsidiary Butler National Service Corporation closed the purchase of property in Dodge City, Kansas. We invested $1,919,020 in this property including the land, architecture fees, engineering fees, legal fees and related expenses to annex the property into the City of Dodge City and zone the property suitable for gaming under the KELA. This land investment was in support of the Gaming Management Contract.

In June 2009 we sold 104 acres of land to BHC Development as a part of the build-to-suit agreement for $2,000,000. The cost associated with this sale was $1,503,567. On June 15, 2009, our subsidiary, Kansas International DDC, LLC exercised our option to purchase approximately 49 acres east of Highway 50 Bypass across from the future location of the Boot Hill Casino and Resort in Dodge City, Kansas. After option fee payments and additional deposits we borrowed approximately $375,000 to make this purchase.

15. SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure.

16. SUMMARY OF QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth selected unaudited financial information for each quarter of fiscal 2010, 2009, and 2008 (in thousands, except per share amounts).

2010	First	Second	Third	Fourth	Total
Revenue	$ 6,069	$ 4,411	$ 8,924	$ 13,173	$ 32,577
Operating Income (Loss)	1,198	113	977	1,056	3,344
Nonoperating Income (Expense)	(480)	(94)	(334)	455	(453)
Net Income (Loss)	718	19	643	1,510	2,890
Basic Earnings (Loss) per Share*	.01	.00	.01	.03	.05
Diluted Earnings (Loss) per Share*	.01	.00	.01	.03	.05

*Rounded to nearest tenth

2009	First	Second	Third	Fourth	Total
Revenue	$ 5,204	$ 4,056	$ 4,545	$ 4,288	$ 18,093
Operating Income (Loss)	656	(5)	503	678	1,832
Nonoperating Income (Expense)	(338)	(41)	(225)	(398)	(1,002)
Net Income (Loss)	318	(46)	278	279	829
Basic Earnings (Loss) per Share*	.01	.01	.01	.01	.02
Diluted Earnings (Loss) per Share*	.01	.01	.01	.01	.02

*Rounded to nearest tenth

2008	First	Second	Third	Fourth	Total
Revenue	$ 4,707	$ 4,234	$ 4,259	$ 4,446	$ 17,646
Operating Income (Loss)	410	335	442	1,015	2,202
Nonoperating Income (Expense)	(178)	(148)	(249)	(353)	(928)
Net Income (Loss)	232	187	193	662	1,274
Basic Earnings (Loss) per Share*	.00	.01	.01	.01	.02
Diluted Earnings (Loss) per Share*	.00	.01	.01	.01	.02

*Rounded to nearest tenth

The individual quarter and fiscal year earnings per share are presented as shown in our quarterly and annual filings with the Securities and Exchange Commission. These numbers are rounded up to the nearest tenth.

SCHEDULE II

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE YEARS ENDED APRIL 30, 2010, 2009 AND 2008

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions	Balance at End of Year

Year ended April 30, 2010				
Allowance for doubtful accounts	$ 111,840	$ 118,129	$ -	$ 229,969
Reserve for inventory obsolescence	1,114,007	165,384	-	1,244,216
Reserve for Indian gaming development	3,346,623	1,259,091	434,183	4,171,531
Income tax valuation allowance	749,000	-	749,000	-
Year ended April 30, 2009				
Allowance for doubtful accounts	$ 75,040	$ 36,800	$ -	$ 111,840
Reserve for inventory obsolescence	477,254	636,753	-	1,114,007
Reserve for Indian gaming development	3,346,623	-	-	3,346,623
Income tax valuation allowance	784,000	-	35,000	749,000
Year ended April 30, 2008				
Allowance for doubtful accounts	$ 154,233	$ -	$ 79,193	$ 75,040
Reserve for inventory obsolescence	452,942	24,312	-	477,254
Reserve for Indian gaming development	2,912,440	434,183	-	3,346,623
Deferred interest (1)	15,446	-	15,446	-
Income tax valuation allowance	1,551,000	-	767,000	784,000

(1) Interest to be paid as part of the note payable on discontinued operations.