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 Exchange Act of 1934 (Fee Required)
For the fiscal year ended **April 30, 2009**
or
[ ]Transition Report Pursuant to Section 13 or 15(d) of the Security Exchange Act of 1934 (No Fee Required)

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 **$20,754,645** at July 2, 2009, when the average bid and asked prices of such stock was $0.40.

The number of shares outstanding of the Registrant's Common Stock, $0.01 par value, as of July 2, 2009, was **55,997,031** shares.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

This Form 10-K consists of 73 pages (including exhibits). The index to exhibits is set forth on pages 38-40.

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 an agreement for transition services and continued support for the acquired JET product line.
>
> **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").
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> **Aircraft - Acquisition, Modification and Sales -** principally includes purchasing, modifying and selling airplanes (mostly Learjets) directly to customers or receiving or receives a broker fee for placing an airplane with a customer through our subsidiary, Butler National Inc. Also, the Company-owned aircraft are sometimes used to prove the design, testing, and compliance of STC modifications during the FAA approval process.
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> **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").
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> **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. We provide these management services and advances through our subsidiary, Butler National Service Corporation ("Management Services", "Gaming" or "BNSC").

Assets as of April 30, 2009 and Revenue for the year ended April 30, 2009.

Industry Segment	**Assets**	**Revenue**
Aircraft Modifications	21.3%	64.7%
Aircraft	19.0%	0.0%
Avionics	16.1%	12.5%
Gaming	17.0%	7.1%
Monitoring Services	1.6%	9.8%
Corporate / Professional Services	25.0%	5.9%

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 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 state 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).

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. These actions cleared the project to begin in Dodge City. Construction of the new casino is under way and we are anticipating our grand opening this 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. A State of Kansas research study of casino revenue in the Dodge City destination market, range from $40 million to $60 million per year. Phase I of the development will require an investment of approximately $45 million and is planned to open this year. Phase II of the development is planned to be complete in 38 months and the estimated cost is an additional $42.5 million.

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 year ended April 30, 2009.

Narrative Description of Business

<u>Aircraft Modifications</u>

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 2009, the "JET" product sales provided 9.3% of our aircraft modification revenue.

Aircraft - Acquisition, Modification and Sales

We actively purchase airplanes, through our subsidiary Butler National, Inc., principally Learjets. Avcon modifies these planes and then we sell them directly to customers or to brokers. Company owned aircraft are sometimes used to prove the design, testing, and compliance of the STC modifications during the FAA approval process.

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 2010. 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 designed the 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.

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 is in the process of 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.

Princess Maria Casino: We have a Management Agreement with the Miami Tribe to provide management services. On July 9, 1992, the Tribe requested a compact with the State of Kansas for Class III Indian gaming, on Indian land, known as the Maria Christiana Miami Reserve No. 35, located in Miami County, Kansas. Under the Management Agreement, as approved by the NIGC on January 7, 2000, the Company, as manager, is to receive a 30% share of the profits during the five year term and reimbursement of development costs. We purchased and currently own an additional 160 acres of land contiguous to the Indian land providing access.

The Miami Tribe's 1992 compact was the subject of a lawsuit filed in February 1993, in the Federal District Court, by the Miami Tribe, alleging the failure to negotiate a compact in good faith by the State of Kansas. The United States District Court dismissed the Miami Tribe's suit against the State of Kansas, citing the United States Supreme Court's ruling in Seminole v. State of Florida. The Supreme Court ruled that the "failure to negotiate" provision of the IGRA did not allow an Indian tribe to compel a state by litigation to negotiate a compact.

In February 1993, then Kansas Governor Finney requested a determination of the suitability of the Miami Indian land for Indian Gaming, under the IGRA, from the Bureau of Indian Affairs (the "BIA"). In May 1994, the NIGC again requested the same determination. Finally in May 1995, an Associate Solicitor within the BIA issued an opinion letter stating that the Miami Tribe has not established jurisdiction over the Miami land in Kansas. This was the first definitive statement received from the central office of the BIA in three years. That opinion was contrary to a September 1994 opinion of the Tulsa Field Solicitor, in an Indian probate, stating that the Miami Tribe has jurisdiction over the Miami Indian land in Kansas. On July 11, 1995, the U.S. Department of Justice issued a letter to the Associate Solicitor expressing concern about the conclusions reached, based upon the analysis of the case.

The Miami Tribe challenged this opinion in Federal Court. To prove and protect the sovereignty of the Miami Tribe, and other Indian tribes, relating to their lands, on April 11, 1996, the Court ruled that the Miami Tribe did not have jurisdiction because the BIA had not approved the Tribal membership of the Princess Maria heirs, at the time the management agreement was submitted; therefore, the Court ordered that the NIGC's determination (that Reserve No. 35 is not "Indian land suitable for gaming", pursuant to IGRA) was affirmed. However, the Court noted in its ruling that nothing precludes the Tribe from resubmitting its management agreement to the NIGC, along with evidence of the current owners' consent, and newly adopted tribal amendments. On February 22, 1996, the BIA approved the Miami Tribe's constitution and the membership of the heirs. The Tribe resubmitted the management agreement. Although the Court noted that the Tribe could resubmit the management agreement, the Court did not pass on whether or not a new submission will obtain approval.

The Tribe resubmitted the management agreement and land question to the NIGC in June 1996. In July 1996, the NIGC again requested an opinion from the BIA. On July 23, 1997, the Tribe and the Company were notified that the BIA had again determined that the land was not suitable for gaming, for political policy reasons, without consideration of the membership in the Miami Tribe or recent case law, and the NIGC had to again deny the management agreement. The Tribe filed a suit in the United States District Court in Kansas City, Kansas. On May 15, 1998, the Court determined that the land may be suitable for gaming and remanded the case to the NIGC for the documentation. Therefore, even though the Company and the Tribe believe the BIA and NIGC will agree that the land is "Indian land", and in compliance with all laws and regulations, for a variety of reasons, there is no assurance that the Management Agreement will be approved.

A lawsuit was filed in the United States District Court for the District of Kansas by the State of Kansas against us, the United States, the Business Committee members of the Miami Tribe and others on October 14, 1999, challenging the determination by the NIGC and the United States District Court for the District of Kansas that the Miami Princess Maria Reserve No. 35 was Indian land. The State of Kansas requested an order by the Court preventing further development of gaming on the Indian land.

On June 25, 2002, the question in the case was remanded to the NIGC for further review. We believe the determination of Indian land is a power reserved for the United States by the Constitution of the United States. The NIGC has not made a further determination on the question. The Miami Tribe expects to eventually receive a favorable determination.

The total advances and investment related to the Princess Maria at April 30, 2009 and 2008 were $888,802. This amount is net of a reserve of $1,413,511.

Stables Casino: We have a signed Management Agreement with the Miami and Modoc Tribes. A Class III Indian Gaming Compact for a joint venture by the Miami and Modoc Tribes, both of Oklahoma, 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.

Shawnee Reserve No. 206: In 1992, we signed a consulting agreement and have maintained a business relationship with approximately seventy Indian and non-Indian heirs (the "Owners") of the Newton McNeer Shawnee Reserve No. 206 ("Shawnee Reserve No. 206"). This relationship includes advances for assistance in the defense of the property against adverse possession (by one family member) in exchange for being named the manager of any Indian gaming enterprises that may be established on the land. As a result of our assistance, the Owners are in the process of becoming the undisputed beneficial owners of approximately 72 acres of the Shawnee Reserve No. 206, as ordered by the United States District Court for the District of Kansas. We purchased and currently own an additional 4 acres contiguous to the Indian land providing access.

Shawnee Reserve No. 206 has been a part of the Shawnee Reservation in Kansas Territory since 1831 and was reserved as Indian land and not a part of the State of Kansas, when Kansas became a state in 1861. The Indian land is approximately 25 miles southwest from downtown Kansas City, Missouri.

We believe that there may be a significant opportunity for Indian gaming on the Shawnee Reserve No. 206. No agreements have been approved by the BIA, or the NIGC, or any other regulatory authority. There can be no assurance that these or future agreements will be approved nor that any Indian gaming will ever be established on the Shawnee Reserve, or that we will be the Management Company.

The total advances and investment related to Shawnee Reserve No. 206 at April 30, 2009 and 2008, was $805,248. This amount is net of a reserve of $1,049,222.

Modoc Casino: We signed a consulting agreement with the Modoc Tribe on April 21, 1993. As a part of this project, we have a management agreement with the Modoc Tribe to construct and operate an Indian gaming facility on Modoc Reservation lands in Eastern Oklahoma. The Management Agreement was filed with the NIGC on June 7, 1994 for review and approved on July 11, 1997. The Tribe and the Company have not determined a schedule for this project.

The total advances and investment related to the Modoc Tribe at April 30, 2009 and 2008, was $112,501. This amount is net of a reserve of $373,271.

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 positive action by the Kansas Legislature could provide substantial tourism revenue especially in destinations like historic Boot Hill in Ford County and the booming economic development in 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 proudly 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. These actions cleared the project to begin in Dodge City. Construction of the new casino is under way and we are anticipating our grand opening this 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. A State of Kansas research study of casino revenue in the Dodge City destination market, range from $40 million to $60 million per year. Phase I of the development will require an investment of approximately $45 million and is planned to open this year. Phase II of the development is planned to be complete in 38 months and the estimated cost is an additional $42.5 million.

Total investments related to Kansas Gaming assets at April 30, 2009 was $2,353,203 and $2,450,082 at April 30, 2008. The amount of the reserve is $434,000 at April 30, 2009 and 2008. The $96,879 reduction in investments was a result of reimbursed expenses under the build-to-suit lease.

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.

Through BCS Design, Inc. we developed, for sale, single family housing units in Junction City, Kansas. The city is adjacent to the U.S. Army post at Fort Riley, Kansas. Construction started on eight units in July 2006. At April 30, 2009, three townhome units have been sold and five townhome units are for sale. During the fiscal year three single family homes were sold and five are available for sale.

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, 2009, 2008, and 2007, was as follows:

Industry Segment	2009	2008	2007
Aircraft Modifications	$ 6,018,620	$ 3,629,343	$ 6,340,304
Avionics	4,067,592	3,504,013	5,197,103
Services - Monitoring Services	967,671	1,205,191	2,443,065
Corporate / Professional Services	143,444	211,351	262,361
Total backlog	**$11,197,327**	**$8,549,898**	**$14,242,833**

Our backlog as of July 2, 2009 totaled $11,412,695; consisting of $6,866,138, $3,292,021, $982,536, and $272,000 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 2010 in the amount of $688,000. 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 97 full time and 3 part time employees on April 30, 2009 compared to 88 full time and 1 part time employee on April 30, 2008. As of July 2, 2009, our staffing is 94 full time and 1 part time employees. None of our employees are currently subject to any collective bargaining agreements.

Financial Information about Foreign and Domestic Operations, and Export Sales: Information with respect to Domestic Operations may be found at Note 10 of Notes to Consolidated Financial Statements. 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 $3,008,000 in the year ended April 30, 2009, $1,466,714 in the year ended April 30, 2008, and $677,000 in the year ended April 30, 2007. 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: Potential lenders may have suffered losses and additional regulations due to the general weakening of the national economy and increased financial instability of many borrowers. As a result, lenders may become insolvent, tighten their lending standards and incorporate risk adverse lending practices which could make it more difficult for both our customers and us to borrow or obtain new financing on favorable terms, or at all. Our financial condition and results of operation could be adversely effected if our customers or if we are unable to obtain cost-effective financing in the future.

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. 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 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.

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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 $52,000.

Services: Butler National Services, Inc. has its principal offices at 2772 NW 31st Ave, Ft. Lauderdale, Florida at an annual rent of approximately $40,000.

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

A lawsuit was filed in the United States District Court for the District of Kansas by the State of Kansas against us, the United States, the Business Committee members of the Miami Tribe and others on October 14, 1999, challenging the determination by the NIGC and the United States District Court for the District of Kansas that the Miami Princess Maria Reserve No. 35 is Indian land for the purposes of gaming under the Indian Gaming Regulatory Act. The State of Kansas requested an order by the Court preventing further development of gaming on the Indian land.

The question in the case has been remanded to the NIGC for further review. The BIA has issued a negative opinion concerning jurisdiction over the land. An interim lawsuit was filed to protect rights related to the opinion and the federal court of appeals dismissed the lawsuit as premature. The NIGC has not made a further determination on the question. The Miami Tribe expects to eventually receive a favorable determination. We cannot reliably predict the outcome of the case.

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 denies the allegations and is vigorously defending against the allegations. We cannot reliably predict the outcome of this litigation at this time.

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 2, 2009, 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.

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Item 4. SUBMISSION OF MATTERS TO A VOTE OF STOCKHOLDERS

(a) On February 24, 2009 Butler National Corporation held its Annual Meeting of Shareholders.

(b) The following director was elected for a three-year term with the indicated number of votes set forth below:

David B. Hayden: For: 44,190,699 Against: 447,649 Abstain: 96,986

The continuing directors, who were not up for election at the Annual Meeting of Shareholders, are Clark D. Stewart and R. Warren Wagoner.

(c) The proposal for the ratification of the appointment of Weaver & Martin, LLC as Independent Auditors for the fiscal year ending April 30, 2009 was voted on and approved at the meeting by the following vote: For: 43,294,139 Against: 1,318,396 Abstain: 40,644.

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 2009 and 2008, 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, 2009		Year Ended April 30, 2008	
	Low	**High**	**Low**	**High**
First Quarter	$ .350	$ .580	$ .350	$ .490
Second Quarter	$ .210	$ .550	$ .220	$ .430
Third Quarter	$ .180	$ .330	$ .260	$ .390
Fourth Quarter	$ .130	$ .240	$ .250	$ .390

(b) Holders: The approximate number of holders of record of our common stock, as of July 2, 2009, was 2,900. The price of the stock as of July 2, 2009 was approximately $0.40 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 the foreseeable future.

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SECURITIES CONVERTIBLE TO COMMON STOCK:

As of July 2, 2009 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 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	$	.9000	6,017,229	(1)
	20,000		.0625		
	153,000		.1400		
Equity compensation plans not approved by stockholders	0		0	0	
Total	1,244,834	$	.7900	6,017,229	

(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.

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 (or Approximate Dollar Value) of Shares that May Yet be Purchased under the Plans or Programs	
	(a)		**(b)**	**(c)**	
May 1, 2008 through April 30, 2009	0		0	6,017,229 shares	(1)
Total	0	$	0	6,017,229 shares	

(1) Shares that may yet be purchased under the Butler National Board action as reported on Form 8-K by the Company on March 28, 2005.

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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 Condition", and with the Consolidated Financial Statements and related Notes included elsewhere in the report.

	Year Ended April 30 (In thousands except per share data)				
	2009	**2008**	**2007**	**2006**	**2005**
Net Revenue	$ 18,093	$ 17,647	$ 14,681	$ 15,307	$ 23,390
Net Income	$ 829	$ 1,274	$ 606	$ 366	$ 2,446
Basic Per Share Net Income	$ 0.02	$ 0.02	$ 0.01	$ 0.01	$ 0.06
Selected Balance Sheet Information					
Total Assets	$ 25,798	$ 27,104	$ 20,445	$ 18,138	$ 17,279
Long-term Obligations (excluding current maturities)	$ 6,345	$ 6,416	$ 2,521	$ 1,844	$ 2,089
Cash dividends declared per common share	None	None	None	None	None

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

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 a 18.4% decrease in earnings before taxes from fiscal 2008 to fiscal 2009. Our operating profit for 2009 was $1,831,882 compared to $2,202,560 in 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 in fiscal 2008, to $11,713,497 in 2009. The modifications segment had an operating profit of $967,085 in 2009, compared to a profit of $814,599 in 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 addition to the RVSM sales, we expect to experience some increase in our base modification sales. During the past few years we have seen a significant increase in aircraft camera modification. Custom engineering projects and aircraft modifications have also attributed to our increase in sales. As the economy slows aircraft owners may elect to delay the updates modifications, and purchases of business aircraft. Although we have not experienced a decrease in sales we cannot anticipate the future, and we must always consider the negative impact of items such as 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. Management expects this business segment to have limited activity until more favorable economic conditions exist. FAA required modifications to the business aircraft fleet may increase customer demand for company owned aircraft.

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 defense products. Operating profits decreased from $842,553 in fiscal 2008 to a loss of $87,532 in fiscal 2009. The 110% decrease in operating profit is related to several large build to print jobs. The 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 sales of defense products have already exceeded $1,800,000 in the first two months of fiscal year

2010. Management expects increased sales for the fuel system protection devices, when certified, like the TSD, GFI, and other classic aviation and defense products.

Services - SCADA Systems and Monitoring Services: Revenue from Monitoring Services increased from $1,557,792 in fiscal 2008 to $1,771,755 in fiscal 2009, an increase of 13.7%. During fiscal 2009, we maintained a relatively level volume of long-term contracts with municipalities. We anticipate increases in revenue from additional lift station rehabilitations over the next four years. Revenue fluctuates due to the introduction of new products and services and the related installations of these types of products. Our contracts with our two largest customers have been renewed through fiscal 2010. An operating profit of $24,317 in Monitoring Services was recorded in fiscal 2009, compared to a fiscal 2008 profit of $138,133 a decrease of 82.4%. We believe the service business has had revenue stability over the past few years and we expect this to continue.

Gaming: Revenue from management services related to gaming decreased 14.2% from $1,507,049 in fiscal 2008, to $1,293,284 in fiscal 2009. Revenues continue to remain relatively stable due to the established customer base in Oklahoma.

We have advanced and invested a total of $5,153,174 at April 30, 2009 and at April 30, 2008 in gaming developments. We have reserves of $3,346,623, at April 30, 2009 and at April 30, 2008. 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.

In fiscal year 2009 and 2008, we maintained a reserve of approximately $434,000 for Dodge City gaming developments. We determine annually the amount of any increase in reserves based on our determination of the fair value of assets acquired by our advances for gaming developments.

Corporate / Professional Services: These services include the architectural services of BCS Design, Inc., arrangements for financing, on site contract management of gaming establishments, flight, and engineering services. Management consulting and professional fees, including sales related to completed projects, were $491,756 in fiscal 2009 and $579,381in fiscal 2008 a decrease of 15%. Sales related to construction projects were approximately $567,000 for fiscal 2009, an increase of 71%.

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, General and Administrative costs decreased by approximately $584,000 in fiscal 2009 compared to fiscal year 2008. During fiscal 2009 we decreased expenses related to gaming by approximately $603,000. Payroll costs increased approximately $260,000, or 5% from the prior year. 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 in order to 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 decreased by $134,904 from $639,732 in fiscal 2008 as a result of a reduction of our financing activities of more than $1,445,000.

Fiscal 2008 compared to Fiscal 2007

Revenue and Operating Profit

Our revenue for fiscal 2008 was $17,646,565, an increase of 20% from fiscal 2007 revenue of $14,681,042. We experienced a 128% increase in earnings before taxes from fiscal 2007 to fiscal 2008. Our operating profit for 2008 was $2,202,560 compared to $1,251,330 in 2007, an increase of 76%. Discussion of specific changes by segment are as follows.

Aircraft Modifications: Sales from the Aircraft Modifications including modified aircraft increased 29.1% from $6,696,737 in fiscal 2007, to $8,646,562 in 2008. The modifications segment had an operating profit of $814,599 in 2008, compared to a loss of $227,368 in 2007. Avcon RVSM sales decreased by approximately $553,000. Revenue generated from other modification services increased $2,054,645 in fiscal 2008.

We believe we may sell and install approximately 25 to 35 Lear 20 & 30 series RVSM kits during the next two years. In addition to the RVSM sales, we expect to experience some increase in our base modification sales. During the past few years we have seen a significant increase in aircraft camera modification. Custom engineering projects and aircraft modifications have also attributed to our increase in sales. As the economy grows aircraft owners may elect to update, modify, and purchase business aircraft. A shift to business aircraft ownership positively impacts our aircraft modification revenue. Although we cannot anticipate the future we must always consider the negative impact of items such as the 9-11 event, increases in fuel prices, and general economic downturns.

Aircraft Acquisitions and Sales: There were no aircraft sales in fiscal 2008 or fiscal 2007. We acquired no aircraft during fiscal 2008. Management expects this business segment to have increased sales in the next year. FAA required modifications to the business aircraft fleet may increase customer demand for company owned aircraft.

Avionics: Sales from Avionics increased 42%, from $3,538,422 in fiscal 2007, to $5,024,781 in fiscal 2008. This increase is directly related to sales of defense products. Operating profits increased from $286,995 in fiscal 2007 to $842,553 in fiscal 2008. The 194% increase in operating profit is related to streamlined assembly processes and a stable and experienced production staff. Management expects increased sales for the fuel system protection devices, when certified, like the TSD, GFI, and other classic aviation and defense products.

Services - SCADA Systems and Monitoring Services: Revenue from Monitoring Services decreased from $2,403,065 in fiscal 2007 to $1,557,792 in fiscal 2008, a decrease of 35.2%. During fiscal 2008, we maintained a relatively level volume of long-term contracts with municipalities. We had decreased revenues due to budget cuts faced by the municipalities resulting from the decrease in property taxes in the State of Florida. We anticipate the revenues from additional lift station rehabilitations to resume and generate additional revenue over the next four years. Revenue fluctuates due to the introduction of new products and services and the related installations of these types of products. Our contracts with our two largest customers have been renewed through fiscal 2009. An operating profit of $138,133 in Monitoring Services was recorded in fiscal 2008, compared to a fiscal 2007 profit of $185,736 a decrease of 25.6%. We believe the service business has had revenue stability over the past few years and we expect this to continue.

Gaming: Revenue from management services related to gaming decreased 9.7% from $1,668,227 in fiscal 2007, to $1,507,049 in fiscal 2008. The decrease is primarily related to the forced closing during the flood in July 2007 and extreme inclement weather during the winter months in Northeast Oklahoma.

We have advanced and invested a total of $5,153,174 at April 30, 2009 and at April 30, 2008 in gaming developments. We have reserves of $3,346,623, at April 30, 2009 and at April 30, 2008. 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.

In fiscal year 2009 and 2008, we maintained a reserve of approximately $434,000 for Dodge City gaming developments. We determine annually the amount of any increase in reserves based on our determination of the fair value of assets acquired by our advances for gaming developments.

Corporate / Professional Services: These services include the architectural services of BCS Design, Inc., arrangements for financing, on site contract management of gaming establishments, flight, and engineering services. Management consulting and professional fees, including sales related to completed projects, were $579,381 in fiscal 2008 and $374,591 in fiscal 2007. Sales related to construction projects were approximately $331,000 at April 30, 2008.

Selling General and Administrative

Expenses were $5,343,755, or 30.3% of revenue, in fiscal 2008, and $3,795,772, or 25.8% of revenue in fiscal 2007. Selling, General and Administrative costs increased by approximately $1,548,000 in fiscal 2008 compared to fiscal year 2007. During fiscal 2008 we increased expenses related to gaming by approximately $633,000. We experienced an increase related to building and occupancy expenses of approximately $75,000. Throughout the year our overall personnel costs increased by approximately $300,000, 25% of the personnel expenses were related to an increase in healthcare expenses.

As revenue and our employment continue to grow we would anticipate overhead expenses to increase. We continue to monitor and evaluate our overhead expenses in order to efficiently manage our operations.

Other Income (Expense)

Other interest and expense increased from $534,105 in fiscal 2007 to $567,560 in fiscal 2008. Interest expense increased by $71,020 from $568,712 in fiscal 2007 as a result of financing additional real estate purchases.

Liquidity and Capital Resources

At April 30, 2009, the Company had one line of credit totaling $1,000,000. The unused line at April 30, 2009 was $315,392. During the 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 2010. Our line of credit has been extended to August 2009. If the Bank were to demand repayment of all notes payable, we currently do not have enough cash to pay off the notes without materially adversely affecting the financial condition of the Company. These notes are collateralized by the first and second positions on all assets of the Company.

At April 30, 2009, there were several notes collateralized by aircraft security agreements totaling $1,678,574. These notes were used for the purchase and modifications of these collateralized aircraft.

There are two notes at a bank totaling $1,926,578 for real estate located in Olathe, Kansas and Tempe, Arizona. The due date for these 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 Junction City, Kansas. One note has been paid in full and the remaining notes total $1,384,161. The construction notes have renewed biannually over the past three years.

One note with a balance of $1,330,186 was made in November 2007 for real estate purchased in Dodge City, Kansas.

One note with a balance of $1,111,701 is collateralized by the first and second position on all assets of the company. This was used as capital for our daily business operations in 2006. There are several other notes collateralized by automobiles and equipment totaling an additional $209,150.

In March 2008 we acquired an avionics product line. As part of this acquisition we have remaining obligations of $1,480,334.

We are not in default of any of our notes as of July 2, 2009.

We believe that our current banks will provide the necessary capital for our business operations. However, we continue to maintain contact with other banks that have an interest in funding our working capital needs to continue our growth in operations in 2010 and beyond.

Obligations related to the gaming facility in Dodge City, Kansas (the Boot Hill Casino and Resort) are expected to be the lease payments by a new subsidiary BHCMC, L.L.C. (BHCMC) related to a build-to-suit lease agreement for the turn-key casino. BNSC and BHC Investment Company, L.C. (BHCI) will jointly own BHCMC. Initially, BHCMC is planned to be 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. The structure of the Lease and build-to-suit arrangement is subject to final approval by the Kansas Lottery and the Kansas Gaming and Racing Commission. This approval is expected in the second quarter 2009.

The terms of the agreement between the Kansas Lottery and BNSC/BHCMC require the completion of an addition to the Boot Hill Casino and Resort to open in late 2013. Funding for this expansion is expected to come from operations and additional debt secured by the Boot Hill Casino and Resort.

Other than obligations related to the management of a gaming facility in Dodge City, Kansas, we do not, as of April 30, 2009, have any material commitments for other capital expenditures other than the terms of the Indian Management Agreements should any additional casinos be authorized. We will need additional funds to complete our planned Indian gaming opportunities.

After a few gaming facilities become operational, gaming operations will generate additional working capital for the start up and construction of other gaming facilities. We expect that our start up and construction financing of gaming facilities will be replaced by other financial lenders, long term financing through debt issues, or equity issues.

Analysis and Discussion of Cash Flow

During Fiscal Year 2009, our cash position decreased by $991,677. Cash provided by operating activities was $1,172,270. We reported net income of $829,314. Our non-cash charges to income were depreciation and amortization of $576,724, an impairment of our Junction City properties for $111,963, an increase in inventory obsolescence of $605,760 and we issued common stock to match employee contributions to their 401(k) benefit plan resulting in a charge of $199,303. Cash used to increase inventories was $1,472,780. Approximately $1,000,000 of this increase was due to support a large defense related build-to -print order. The remaining inventory increase was to support several larger aircraft modification projects. Accounts payable, accrued liabilities, and prepaid expenses in total decreased by approximately $126,000. Customer deposits decreased by approximately $297,000, while accounts receivable decreased to provide more than $745,000 cash for our operating activities.

We invested $198,407 in a CNC machine and other equipment and three new vehicles. We had no additions to our Supplemental Type Certificates or other intellectual property.

Cash used by financing activities was $1,965,540. We reduced our debt by approximately $689,000 from the sale of several properties in Junction City Kansas. Nearly $520,000 was used to reduce our obligation for the JET" products acquired in Fiscal Year 2008, and $543,000 was used to reduce our aircraft debt.

Critical Accounting Policies and Estimates:

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

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.

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.

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.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of 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.

Impairment of Goodwill, Other Intangible Assets and Long-lived Assets: We comply with the provisions of Statement of Financial Standards No. 142, Goodwill and Other Intangible Assets (SFAS No. 142), which requires that we evaluate 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. We determined that as of April 30, 2008 an impairment of $111,963 was necessary.

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. The STC amortization of our newly acquired "JET" product line is calculated at 5% of the gross sales.

Advances for Gaming Developments: We are advancing funds for the establishment of gaming. These funds have been capitalized in accordance with Statements of Financial Accounting Standards No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects (SFAS No. 67). This standard requires 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 $5,153,174 at April 30, 2009 and at April 30, 2008 in gaming developments. We have reserves of $3,346,623, at April 30, 2009 and at April 30, 2008. 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.

In fiscal year 2009 and 2008, we maintained a reserve of approximately $434,000 for Dodge City gaming developments. We determine annually the amount of any increase in reserves based on our determination of the fair value of assets acquired by our advances for gaming developments.

Changing Prices and Inflation

We experienced little pressure from inflation in 2009. From fiscal year 2008 to fiscal year 2009 a majority of the increases we experienced were in material costs. This additional cost may not be transferable to our customers resulting in lower income in the future. We anticipate fuel costs and possibly interest rates to rise in fiscal 2010 and 2011.

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**		**More than 5 Years**
Long-Term Debt/Capital Lease Obligations	$	7,640	$	2,295	$	755	$	798	$	3,239	$	461	$	92
Operating Lease Obligations	$	1,020	$	187	$	182	$	142	$	142	$	142	$	225
Purchase Obligations	$	1,480	$	480	$	500	$	500	$	0	$	0	$	0
Promissory Notes	$	685	$	685	$	0	$	0	$	0	$	0	$	0
		---------		---------		---------		---------		---------		---------		---------
TOTAL	$	10,825	$	3,647	$	1,437	$	1,440	$	3,381	$	603	$	317
		=====		=====		=====		=====		=====		=====		=====

For additional information please refer to Note 2 DEBT found in the Notes to Consolidated Financial Statements on page 51.

Item 7(a). 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)

	2010	2011	2012	2013	2014	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	$ 685	$ 0	$ 0	$ 0	$ 0	$ 0	$ 685	$ 685
Long-term debt:	$ 2,775	$ 1,255	$ 1,298	$ 3,239	$ 461	$ 92	$ 9,120	$ 9,120
Variable rate								
Average interest rate	6.03%	6.25%	7.0%	7.5%	8.0%	8.5%	7.2%	7.2%
Interest Payments								
Est. Interest Payments:	$ 167	$ 79	$ 91	$ 95	$ 37	$ 8	$ 477	

Scheduled interest payments are calculated on a fixed rate basis, if known, and the remaining interest will be calculated on the average current rate.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements of the Registrant are set forth on pages 43 through 62 of this report.

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

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

Item 9(A). 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, 2009. 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, 2009.

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, 2009.

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, 2009 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Item 9(B). Other Information

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

PART III

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 and Term	Served Since	Principal Occupation for Last Five Years and Other Directorships
Clark D. Stewart (69) Up for re-election for fiscal year end 2010	1989	President of the Company from September 1, 1989 to present.
R. Warren Wagoner (57) Up for re-election for fiscal year end 2010	1986	Chairman of the Board of Directors of the Company since August 30, 1989.
David B. Hayden (63) Up for re-election for fiscal year end 2012	1996	Co-owner and President of Kings Avionics, Inc. since 1974.

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	57	Chairman of the Board of Directors
Clark D. Stewart	69	President and Chief Executive Officer
Christopher J. Reedy	43	Vice President and Secretary
Angela D. Shinabargar	45	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.

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 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 2009, 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.

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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, 2009, 2008 and 2007.

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 January 2009, 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.

Performance Measures and Decision-Making Process for Fiscal Year 2009

The Committee set base salaries for executive officers for 2009 in April 2008, with payment beginning in April 2008.

- The performance measures used by the Committee in determining executive compensation for fiscal year 2009 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 2008. 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 2008, 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 2009 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 2009 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 solely of independent members 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. Clark D. Stewart

Mr. R. Warren Wagoner

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, 2009, 2008 and 2007. 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, 2009, 2008 and 2007:

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 ($)(1)	Total ($)(2)
Clark D. Stewart, CEO	09	367,633	---	---	---	---	---	34,582	402,215
President and Director	08	361,250	---	---	---	---	---	37,236	588,486
(Contract back pay)	08	190,000							
	07	345,479	---	---	---	---	---	47,035	392,514
R. Warren Wagoner	09	228,984	---	---	---	---	---	20,702	249,686
Director - Chairman of	08	219,961	---	---	---	---	---	22,420	242,381
the Board	07	161,010	---	---	---	---	---	18,232	179,242
Christopher J. Reedy	09	178,418	---	---	---	---	---	21,205	199,623
Vice President and	08	175,245	---	---	---	---	---	21,353	196,598
Secretary	07	168,141	---	---	---	---	---	25,444	193,585
Angela D. Shinabargar	09	123,583	20,000	---	---	---	---	10,386	153,969
Chief Financial Officer	08	121,382	---	---	---	---	---	13,880	135,263
	07	112,334	---	---	---	---	---	7,651	119,985

Name	Year	Airplane and Automobile Usage	Health Benefits	Memberships	Matching Contributions to 401(k) (3)
Clark D. Stewart	2009	7,200	4,381	9,201	13,800
R. Warren Wagoner	2009	---	7,087	---	13,615
Christopher J. Reedy	2009	---	2,824	7,516	10,865
Angela D. Shinabargar	2009	---	1,660	---	8,726

(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

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Securities Underlying Unexercised Options at FY-End (no.) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at FY-End ($) 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, 2009 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 2009 or fiscal 2008.

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 $99,057 and $73,758 as of April 30, 2009, and 2008 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.

In the normal course of business, we purchased modifications services and avionics of approximately $74,442, $89,398, and $127,661 from a company partially owned by David Hayden, a director for the Company during fiscal 2009, 2008, and 2007 respectively.

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 2, 2009.

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	3,101,819(2)	5.6%
R. Warren Wagoner 19920 West 161st Street Olathe, Kansas 66062	3,655,074(3)	6.6%

(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.

The following table sets forth, 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, 2009.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
David B. Hayden	1,357,225	2.4%
Christopher J. Reedy	260,747	0.5%
Clark D. Stewart	3,101,819(2)	5.6%
R. Warren Wagoner	3,655,074(3)	6.6%
Angela D. Shinabargar	131,092	0.2%
All Directors and Executive Officers as a Group (5 persons)	8,505,957(4)	15.3%

(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 20,000	$	.9000 .1400 .0625	6,017,229	(1)
Equity compensation plans not approved by stockholders	0		0	0	
Total	1,244,834	$	.7900	6,017,229	

(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, 2008 through April 30, 2009	0		0	6,017,229 shares	(1)
Total	0	$	0	6,017,229 shares	

(1) Shares that may yet be purchased under the Butler National Board action as reported on Form 8-K by the Company on March 28, 2005.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In the normal course of business we purchased modification services and avionics of approximately $74,442, $89,398, and $127,661 from a company partially owned by David Hayden, a director for the Company during fiscal 2009, 2008, and 2007 respectively.

Included in accrued liabilities are $99,057 and $73,758 as of April 30, 2009, and 2008 respectively for amounts owed to our CEO for accrued compensation.

In fiscal 2009, 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 $166,699, $205,070 and $118,805, respectively, for fiscal 2009, $168,452, $181,079, and $120,428, respectively for fiscal 2008 and $185,746, $157,505, and $126,791, respectively for fiscal 2007.

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 2009	Fiscal 2008
Audit fees (a)	$82,850	$93,185
Audit related fees (b)	4,210	7,820
Tax fees (c)	18,715	18,715
All other fees (d)	-	-
	--------	--------
Total	$105,775	$119,720
	=====	=====

(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 2009. 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 AND REPORTS ON FORM 8-K

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

(1) **Financial Statements**:

Description	Page No.
Report of Independent Registered Public Accounting Firm	42
Consolidated Balance Sheets as of April 30, 2009 and 2008	43
Consolidated Statement of Operations for the years ended April 30, 2009, 2008, and 2007	44
Consolidated Statements of Stockholders' Equity for the years ended April 30, 2009, 2008, and 2007	45
Consolidated Statements of Cash Flows for the years ended April 30, 2009, 2008, and 2007	46
Notes to Consolidated Financial Statements	47-62

(2) **Financial Statement Schedules**

Schedule	Description	Page No.
II.	Valuation and Qualifying Accounts and Reserves for the years ended April 30, 2009, 2008, and 2007	62

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.	63
23.1	Consent of Independent Public Accountants.	64
99	Cautionary Statement for Purpose of the "Safe Harbor" Provisions of the Private Securities Reform Act of 1995.	65-69
31.1	Certificate pursuant to 18 U.S.C 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	70
31.2	Certificate pursuant to 18 U.S.C 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	71
32.1	Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	72
32.2	Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	73

* 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 17, 2009

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 17, 2009
/s/ R. Warren Wagoner R. Warren Wagoner	Chairman of the Board and Director	July 17, 2009
/s/ David B. Hayden David B. Hayden	Director	July 17, 2009
/s/ Angela D. Shinabargar Angela D. Shinabargar	Chief Financial Officer (Principal Accounting Officer)	July 17, 2009

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, 2009 and 2008 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended April 30, 2009, and the financial statement schedule listed at Schedule II on page 62. 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, 2009 and 2008 and the consolidated results of its operations, shareholders' equity, and cash flows for each of the three years in the period ended April 30, 2009 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 62 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 17, 2009

BUTLER NATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,978,038	$ 2,969,715
Accounts receivable, net of allowance for doubtful accounts of $111,840 in 2009 and $75,040 in 2008	544,025	1,289,898
Inventories -		
Raw materials	4,817,761	5,094,274
Work in process	1,765,423	370,345
Finished goods	1,760,245	2,170,723
Aircraft	4,819,740	4,772,767
	13,163,169	12,408,109
Prepaid expenses and other current assets	262,026	207,419
Total current assets	15,947,258	16,875,141
PROPERTY, PLANT AND EQUIPMENT		
Land and building	4,119,441	4,216,320
Machinery and equipment	2,312,383	2,069,332
Office furniture and fixtures	818,278	802,127
Leasehold improvements	4,249	4,249
	7,254,351	7,092,028
Accumulated depreciation	(2,635,360)	(2,385,105)
	4,618,991	4,706,923
SUPPLEMENTAL TYPE CERTIFICATES	1,872,121	2,057,019
ADVANCES FOR GAMING DEVELOPMENTS (net of reserves of $3,346,623 in 2009 and in 2008)	1,806,551	1,806,551
OTHER ASSETS (net of accumulated amortization of $104,988 in 2009 and $0 in 2008).	1,553,236	1,658,224
Total Assets	$ 25,798,157	$ 27,103,858

	2009	2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank overdraft payable	$ 100,762	$ 144,024
Promissory notes payable	684,608	711,081
Current maturities of long-term debt and capital lease obligations	2,775,651	4,643,567
Accounts payable	517,483	558,085
Customer deposits	1,119,958	1,417,503
Accrued liabilities		
Compensation and compensated absences	573,884	428,775
Accrued income tax	275,000	324,643
Other	187,033	269,868
Total current liabilities	6,234,379	8,497,546
LONG-TERM DEBT, AND CAPITAL LEASE NET OF CURRENT MATURITIES	6,345,033	6,416,184
Total liabilities	12,579,412	14,913,730
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $5:		
Authorized 50,000,000 shares, all classes		
Designated Classes A and B 200,000 shares		
$1,000 Class A, 9.8%, cumulative if earned liquidation and redemption value $100, no shares issued and outstanding	-	-
$1,000 Class B, 6%, convertible cumulative, liquidation and redemption value $1,000 no shares issued and outstanding	-	-
Common stock, par value $.01: Authorized 100,000,000 shares issued and outstanding 55,997,031 shares in 2009 and 55,091,109 in 2008	559,970	550,911
Common stock, owed but not issued 278,573 shares in 2009 and in 2008	2,786	2,786
Capital contributed in excess of par	11,266,482	11,076,238
Treasury stock at cost (600,000 shares)	(732,000)	(732,000)
Retained earnings	2,121,507	1,292,193
Total stockholders' equity	13,218,745	12,190,128
Total liabilities and stockholders' equity	$ 25,798,157	$ 27,103,858

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, 2009, 2008 AND 2007

	2009	2008	2007
REVENUE			
Aircraft / Modifications	$ 11,713,497	$ 8,646,562	$ 6,696,737
Avionics / Defense	2,255,776	5,024,781	3,538,422
Management / Professional Services	4,123,815	3,975,222	4,445,883
Net Revenue	18,093,088	17,646,565	14,681,042
COST OF SALES			
Aircraft / Modifications	8,444,622	6,084,283	5,927,713
Avionics / Defense	1,135,310	2,362,073	2,061,196
Management / Professional Services	1,921,804	1,653,894	1,645,031
Total Cost of Sales	11,501,736	10,100,250	9,633,940
GROSS PROFIT	6,591,352	7,546,315	5,047,102
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(4,759,470)	(5,343,755)	(3,795,772)
OPERATING INCOME	1,831,882	2,202,560	1,251,330
OTHER INCOME (EXPENSE)			
Interest expense	(504,829)	(639,732)	(568,712)
Other	7,407	72,172	34,607
Other expense	(497,422)	(567,560)	(534,105)
INCOME BEFORE PROVISION FOR INCOME TAXES	1,334,460	1,635,000	717,225
PROVISION FOR INCOME TAXES	505,146	360,522	111,680
NET INCOME	$ 829,314	$ 1,274,478	$ 605,545
BASIC EARNINGS PER COMMON SHARE	$ 0.02	$ 0.02	$ 0.01
Shares used in per share calculation	54,864,138	53,815,092	53,055,224
DILUTED EARNINGS PER COMMON SHARE	$ 0.02	$ 0.02	$ 0.01
Shares used in per share calculation	54,934,092	53,928,434	53,179,990

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, 2009, 2008, AND 2007

	Common Stock	Common Stock Owed but Not Issued	Capital Contributed in Excess of Par	Treasury Stock	Retained Earnings (deficit)	Total Stockholders' Equity
BALANCE, April 30, 2006	493,810	42,708	10,612,420	(732,000)	(587,830)	9,829,108
Issuance of stock owed from prior period	36,831	(36,831)	-	-	-	-
Issuance of stock Benefit Plan	7,606	-	205,372	-	-	212,978
Net income	-	-	-	-	605,545	605,545
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
BALANCE, April 30, 2009	$ 559,970	$ 2,786	$ 11,266,482	$ (732,000)	$ 2,121,507	$ 13,218,745

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, 2009, 2008, AND 2007

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 829,314	$ 1,274,478	$ 605,545
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations -			
Depreciation and amortization	391,826	160,933	158,084
Impairment of fixed assets	111,963	302,537	-
Amortization (STC)	184,898	258,156	232,504
Provision for obsolete inventories	605,760	20,130	21,166
Stock issued for Benefit Plan	199,303	268,019	212,977
(Gain) Loss on disposal of fixed asset	(500)	70,224	-
Changes in assets and liabilities -			
Accounts receivable	745,872	(328,394)	(282,418)
Inventories	(1,472,780)	(811,991)	(941,398)
Prepaid expenses and other current assets	(54,607)	(1,669,910)	(44,769)
Accounts payable	(83,864)	27,912	(218,816)
Customer deposits	(297,546)	859,483	538,020
Accrued liabilities	12,631	179,162	61,885
Cash provided by (used in) operating activities	1,172,270	610,739	342,780
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(198,407)	(2,659,520)	(80,682)
Supplemental Type Certificates (STC)	-	(820,000)	(506,244)
Cash provided by (used in) investing activities	(198,407)	(3,479,520)	(586,926)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings under promissory notes, net	(26,473)	(38,703)	(1,643,823)
Borrowings under long-term debt and capital lease obligations	5,701,562	7,838,718	3,570,587
Repayments of long-term debt and capital lease obligations	(7,640,629)	(3,750,688)	(819,026)
Cash provided by (used in) financing activities	(1,965,540)	4,049,327	1,107,738
NET INCREASE (DECREASE) IN CASH	(991,677)	1,180,546	863,592
CASH, beginning of year	2,969,715	1,789,169	925,577
CASH, end of year	$ 1,978,038	$ 2,969,715	$ 1,789,169
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest paid	$ 510,633	$ 615,649	$ 555,492
Income taxes paid	554,789	95,879	51,680
NON CASH FINANCING ACTIVITIES			
Stock Issued for benefit plan	$ 199,303	$ 268,019	$ 212,977

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 (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 747 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. 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 generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of 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, and airplanes held for resale.

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, 2009 and 2008 obsolete inventory was valued at $1,114,007 and $477,254 respectively. This increase was a result of inventory purchased to support our RVSM STC and is planned to be active for at least ten years and is now reported in the three year obsolescence inventory category.

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: We comply with the provisions of Statement of Financial Standards No. 142, Goodwill and Other Intangible Assets (SFAS No. 142), which requires that we evaluate 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. We determined that as of April 30, 2009 an impairment of $111,963 was necessary for properties in Junction City as a result of the decline in the housing market.

f) Advances for Gaming Developments: We are advancing funds for the establishment of gaming. These funds have been capitalized in accordance with Statements of Financial Accounting Standards No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects (SFAS No. 67). This standard requires 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 $5,153,174 at April 30, 2009 and at April 30, 2008 in gaming developments. We have reserves of $3,346,623, at April 30, 2009 and at April 30, 2008. 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.

In fiscal year 2009 and 2008, we maintained a reserve of approximately $434,000 for Dodge City gaming developments. We determine annually the amount of any increase in reserves based on our determination of the fair value of assets acquired by our advances for gaming developments.

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. The STC amortization of our newly acquired "JET" product line is calculated at 5% of the gross sales. STC capitalized costs are as follows:

	2009	**2008**
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	2,251,264	2,066,366
STC balance	$ 1,872,121	$ 2,057,019

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 appropriate period. 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.

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:

	2009	2008	2007
Net income	$ 829,314	$ 1,274,478	$ 605,545
Weighted average common shares outstanding	54,864,138	53,815,092	53,055,224
Dilutive effect of non-qualified stock option plans	69,954	113,342	124,766
Weighted average common shares outstanding, assuming dilution	54,934,092	53,928,434	53,179,990
Basic earnings per common share	$ .02	$ .02	$ .01
Diluted earnings per common share	$ .02	$ .02	$ .01

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 in accordance with the provisions of Statement of Financial Accounting Standards No. 123(R).

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. We account for these plans under Statement of Financial Accounting Standards No. 123(R). The Company did not grant options for the fiscal years ending 2009, 2008, and 2007; therefore, there are no expenses relating to option grants for those periods. There are 6,017,229 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, 2009 we had $879,970 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, 2009 and 2008 was approximately $1,892,305 and $4,265,743 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, 2009, 2008, 2007 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, 2009, 2008, 2007 our warranty expense was immaterial.

s) In February 2007, the FASB issued the Statement of Financial Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159), which allows the company to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is not effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 did not have a material impact on the Company financial position, results of operation or cash flows.

In September 2006, the FASB issued the Statement of Financial Standards No. 157, Fair Value Measurements (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements, rather, its application will be made pursuant to other accounting pronouncements that require or permit fair value measurements. SFAS No.157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. The provisions of SFAS No. 157 are to be applied prospectively upon adoption, except for limited specified exceptions. The adoption did not have a material impact on our Consolidated Balance Sheet or Statement of Operations.

In December 2007, the FASB issued the Statement of Financial Standards No. 141 (Revised), Business Combinations,(SFAS No. 141 (Revised)), which establishes principals and requirements for how an acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquirer. This statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective for the fiscal year beginning after December 15, 2008. The adoption of SFAS No. 141 (Revised) is not expected to have a material impact on the Company financial position, results of operation or cash flows.

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, 2009 and 2008, consist of the following:

Promissory Notes		**2009**		**2008**
Bank Line of Credit, available LOC $1,000,000 interest at prime plus 2% (7.0% at April 30, 2009 - with a floor of 7%) due August 2009, collateralized by a first or second position on all assets of the Company.	$	684,608	$	711,081
		-------------		--------------
	$	684,608	$	711,081
		========		=========
Other Notes Payable and Capital Lease Obligations				
Note payable, interest at prime plus 1%, (4.25% at April 30, 2009) due August 2009 collateralized by Aircraft Security Agreements.		80,000		200,000
Note payable, interest at prime plus 1%, (4.25% at April 30, 2009) due June 2010 collateralized by Aircraft and Engine Security Agreements		389,841		509,841
Note payable, interest at bank prime (3.25% at April 30, 2009) due March 2013, collateralized by real estate.		539,742		573,995
Note payable, interest at bank prime (3.25% at April 30, 2009) due March 2013, collateralized by real estate.		1,386,836		1,474,848
Note payable, interest at 6.0% due February 28, 2024 collateralized by real estate.		95,291		98,070
Note payable, interest at 7.0% at April 30, 2009, renewed and due October 2009, collateralized by real estate.		632,820		1,053,646
Note payable, interest at 7.0% at April 30, 2009, renewed and due August 2009, collateralized by real estate.		656,050		924,521
Note payable, interest at 7.5% at April 30, 2009, due November 2012, collateralized by real estate.		1,330,186		1,363,175
Note payable, interest at prime plus 2% (7.0% at April 30, 2009 - with a floor of 7%), due January 2014, collateralized by a first or second position on all assets.		1,111,701		1,301,624
Notes payable, interest at prime plus 3.0%, (6.25% at April 30, 2009) renewed May 2009, due May 2014, collateralized by Aircraft and Engine Security Agreements.		1,208,733		1,511,500

Note payable, without interest, with quarterly payments of $125,000 through 2012.	1,480,334	2,000,000
Other Notes Payable and Capital Lease Obligations due September 2009 to May 2013 with interest rates between 3.9% and 8.75%.	209,150	48,531
	--------------	--------------
	$ 9,120,684	$ 11,059,751
Less: Current maturities	2,775,651	4,643,567
	--------------	--------------
	$ 6,345,033	$ 6,416,184
	========	=========

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

Year Ending April 30	Amount
2010	$ 2,775,651
2011	1,255,374
2012	1,297,725
2013	3,239,331
2014	460,701
Thereafter	91,902

	$ 9,120,684
	========

3. INCOME TAXES:

Deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provision of the enacted tax laws. We have cumulative temporary differences which would result in the recognition of net deferred tax assets. A valuation allowance has been provided which reduces the net deferred tax asset to zero.

The deferred taxes are comprised of the following components:

		April 30, 2009		April 30, 2008
Deferred tax assets				
Accounts receivable reserve	$	43,000	$	29,000
Inventory and other reserves		883,000		739,000
Vacation accruals		63,000		63,000
		-----------------		-----------------
Total gross deferred tax assets		989,000		831,000
Valuation allowance		(749,000)		(784,000)
		-----------------		-----------------
Total deferred tax assets	$	240,000	$	47,000
		=========		=========
Deferred tax liabilities:				
Depreciation and amortization	$	240,000	$	47,000
		-----------------		-----------------
Total deferred tax liabilities	$	240,000	$	47,000
		=========		=========

Net deferred tax assets at April 30, 2009 and 2008 have been fully offset by a valuation allowance as management feels it is more likely than not that the Company will not ultimately realize any benefits.

A reconciliation of the provision for income taxes to the statutory federal rate for continuing operations is as follows:

	2009	2008	2007
Statutory federal income tax rate	34.0%	34.0%	34.0%
Change in valuation allowance	(113.1%)	(46.9%)	(72.9%)
Nondeductible expenses	106.1%	34.9%	40.1%
Effective tax rate	27.0%	22.0%	1.2%

Tax expenses of $505,146 are comprised of $561,830 in federal income tax and $56,684 in state income refunds for the year ended April 30, 2009.

As of April 30, 2009, the Company has accrued income taxes due to the federal and state government of $275,000.

4. STOCKHOLDERS' EQUITY:

Common Stock Transactions

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, 2007, we issued 3,683,066 shares of common stock that were owed as of April 30, 2006. As of April 30, 2007, we had 587,768 shares of common stock owed but not issued.

During the year ended April 30, 2007, we issued 760,632 shares valued at $212,978 as the match to the Company 401(k) plan.

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, 2009, 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. We account for these plans under Statement of Financial Accounting Standards No. 123(R). The Company did not grant options for the fiscal years ending 2009, 2008, and 2007; therefore, there are no expenses relating to option grants for those periods. As of April 30, 2009 there are 6,017,229 approved option shares available to grant under these plans. The approved plan expiration date is December 31, 2010.

	2009	2008	2007
Options exercisable at April 30	1,244,834	1,493,763	1,493,763
Weighted average fair value per share Options granted per year	.79	.81	.81

Range of Exercise Prices	Number Outstanding and Exercisable	Weighted Average Remaining Contract Life	Weighted Average Exercise and Outstanding Price
$0.9000	1,071,834	1.7 years	.9000
$0.1400	153,000	3.7 years	.1400
$0.0625	20,000	.7 years	.0625

	Options		Average Price
Outstanding Beginning 04/30/2006	1,493,763	$	0.81
Granted	-		-
Expired	-		-
Exercised	-		-
Outstanding Ending 04/30/2007	1,493,763	$	0.81
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

6. COMMITMENTS:

Lease Commitments

We lease space under operating leases with initial terms of three (3) years for Florida and ten (10) years in Kansas. Total rental expense incurred for the years ended April 30, 2009, 2008, and 2007, was $243,133, $239,600, and $242,411, respectively.

Minimum lease commitments under noncancellable operating leases for the next five (5) years are as follows:

Year Ending April 30		**Amount**
2010	$	187,123
2011		181,715
2012		142,489
2013		142,489
2014		142,489
Thereafter		223,936
	$	1,020,241

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.

8. RELATED-PARTY TRANSACTIONS:

In the normal course of business we purchased modifications services and avionics of approximately $74,442, $89,398, and $127,661 from a company partially owned by David Hayden, a director for the Company during fiscal 2009, 2008, and 2007 respectively.

Included in accrued liabilities are $93,057 and $73,758 as of April 30, 2009, and 2008 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 2009, 2008, and 2007 was approximately $199,303, $268,020, and $212,977 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 2009, 2008, and 2007.

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").

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 (TSD's) 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", "Switching Units").

Aircraft - Acquisition, Modification and Sales - Our subsidiary, Butler National, Inc., purchases airplanes, principally Learjets, modifies the planes and sells the planes directly to customers or receives a broker fee for placing an airplane with a customer. Also, the Company-owned aircraft are sometimes used to prove the design, testing and compliance of STC modifications during the FAA approval process

Services - SCADA (Supervisory Control and Data Acquisition) Systems and Monitoring Services - Principally includes the 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 - Provides 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. We provide these management services and advances through our subsidiary, Butler National Service Corporation ("Management Services", "Gaming" or "BNSC").

Year ended April 30, 2009

	Gaming	Avionics	Modifications	Services	Aircraft	Corporate	Consolidated
Net Revenue	$ 1,298,284	$ 2,255,776	$ 11,713,497	$ 1,771,755	$ 0	$ 1,058,776	$ 18,093,088
Depreciation/Amortization	0	82,444	172,040	18,598	0	303,642	576,724
Operating profit (loss) (a)	655,581	(87,532)	967,085	24,316	0	272,432	1,831,882
Capital Expenditures, net	(96,879)	24,375	223,488	21,021	0	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	4,903,140	6,418,038	25,798,157

Year ended April 30, 2008

	Gaming	Avionics	Modifications	Services	Aircraft	Corporate	Consolidated
Net Revenue	$ 1,507,049	$ 5,024,781	$ 8,646,562	$ 1,557,792	$ 0	$ 910,381	$ 17,646,565
Depreciation/Amortization	0	85,679	26,476	18,154	0	30,624	160,933
Operating profit (loss) (a)	380,979	842,553	814,599	138,133	0	26,296	2,202,560
Capital Expenditures, net	2,015,899	11,019	14,047	0	0	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	4,856,167	6,728,474	27,103,858

Year ended April 30, 2007

	Gaming	Avionics	Modifications	Services	Aircraft	Corporate	Consolidated
Net Revenue	$ 1,668,227	$ 3,538,422	$ 6,696,737	$ 2,403,065	$ 0	$ 374,591	$ 14,681,042
Depreciation/Amortization	0	69,421	32,130	26,291	0	30,242	158,084
Operating profit (loss) (a)	890,465	286,995	(227,368)	185,736	0	115,502	1,251,330
Capital Expenditures	0	63,629	0	17,053	0	0	80,682
Interest Expense							(568,712)
Other income							34,607
Income before tax							717,225
Income taxes							111,680
Net Income							605,545
Identifiable assets	1,989,676	4,719,138	5,598,200	377,595	5,132,518	2,628,349	20,445,477

(a) Operating expenses not specifically identifiable are allocated based upon revenue, costs of sales, square footage or other factors as considered appropriate.

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

	2009	**2008**	**2007**
Modifications	10.9%	N/A*	N/A*
Avionics	N/A*	15.8%	14.3%
Indian Management Services	N/A*	N/A*	10.7%
Environmental Services (City	N/A*	N/A*	12.2%

*Revenue represented less than 10% of consolidated revenue.

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. SUMMARY OF QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth selected unaudited financial information for each quarter of fiscal 2009, 2008, and 2007 (in thousands, except per share amounts).

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					

2007	**First**	**Second**	**Third**	**Fourth**	**Total**
Revenue	$ 3,076	$ 4,355	$ 3,344	$ 3,906	$ 14,681
Operating Income (Loss)	164	432	28	627	1,251
Nonoperating Income (Expense)	(120)	(167)	(147)	(212)	(646)
Net Income (Loss)	44	265	(119)	415	605
Basic Earnings (Loss) per Share*	.01	.01	.01	.01	.01
Diluted Earnings (Loss) per Share*	.01	.01	.01	.01	.01
*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.

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 March 26, 2009 we signed an amendment to the purchase agreement that L-3 communication would provide "Transition Services" through December 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.

15. SUBSEQUENT EVENTS

Obligations related to the gaming facility in Dodge City, Kansas (the Boot Hill Casino and Resort) are expected to be the lease payments by a new subsidiary BHCMC, L.L.C. (BHCMC) related to a build-to-suit lease agreement for the turn-key casino. BNSC and BHC Investment Company, L.C. (BHCI) will jointly own BHCMC. Initially, BHCMC is planned to be 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. The structure of the Lease and build-to-suit arrangement is subject to final approval by the Kansas Lottery and the Kansas Gaming and Racing Commission. This approval is expected in the second quarter 2009.

The terms of the agreement between the Kansas Lottery and BNSC/BHCMC require the completion of an addition to the Boot Hill Casino and Resort to open in late 2013. Funding for this expansion is expected to come from operations and additional debt secured by the Boot Hill Casino and Resort.

In May 2009 the Kansas Lottery approved the structure of the Boot Hill Casino and Resort.

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 towards this purchase.

On June 29, 2009, our subsidiary, Butler National Service Corporation sold a portion of our property in Dodge City, Kansas for $2,000,000. See Note 14 Dodge City Land Acquisition.

SCHEDULE II

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE YEARS ENDED APRIL 30, 2009, 2008 AND 2007

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions	Balance at End of Year
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
Year ended April 30, 2007				
Allowance for doubtful accounts	$ 149,577	$ 4,656	$ -	$ 154,233
Reserve for inventory obsolescence	431,776	21,166	-	452,942
Reserve for gaming development	2,912,440	-	-	2,912,440
Deferred interest (1)	31,620	-	16,174	15,446
Income tax valuation allowance	1,839,000	-	288,000	1,551,000

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

Exhibit 21

Subsidiaries

Avcon Industries, Inc., a Kansas Corporation

Butler National Services, Inc., a Florida Corporation

BCS Design, Inc., a Kansas Corporation

Butler National, Inc., a Nevada Corporation

Butler Temporary Services, Inc., a Missouri Corporation

Butler National Corporation, a Nebraska Corporation

Kansas International Inc., a Kansas Corporation

Butler National Service Corporation, a Kansas Corporation

AVT Corporation, a Texas Corporation

Indian Gaming Corporation, a Kansas Corporation

HMRS Holdings, LLC, a Kansas Corporation

BHMC, LLC, a Kansas Limited Liability Company

Exhibit 23.1

Consent of Independent Public Accountants

We consent to the incorporation by reference in the Form S-8 Registration Statements, File Numbers, 033-65256, 033-65254, 033-65890, 333-07735, 333-46791, 333-46795, 333-46797, and 333-46809 of our report dated July 17, 2009 with respect to the consolidated financial statements and schedule of Butler National Corporation included in the Annual Report Form 10-K for the year ended April 30, 2009.

/s/ Weaver & Martin, LLC
Kansas City, Missouri
July 17, 2009

Exhibit 99

CAUTIONARY STATEMENTS FOR PURPOSE OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The Company desires to take advantage of the new "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and is filing this exhibit in order to do so. The following important factors, among others, could affect the Company actual results and could cause such results to differ materially from those expressed in the Company forward-looking statements:

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 revenues related to the aircraft equipment and modifications would decrease. These events could have a material adverse effect on our Company.

National Economy and Financing: Potential lenders may have suffered losses and additional regulations due to the general weakening of the national economy and increased financial instability of many borrowers. As a result, lenders may become insolvent, tighten their lending standards and incorporate risk adverse lending practices which could make it more difficult for both our customers and us to borrow or obtain new financing on favorable terms, or at all. Our financial condition and results of operation could be adversely effected if our customers or if we are unable to obtain cost-effective financing in the future.

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. 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 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.

Exhibit 31.1

CERTIFICATIONS

I, Clark D. Stewart, certify that:

1. I have reviewed this report for the year ended April 30, 2009 on Form 10-K of Butler National Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly represent in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 17, 2009

/s/ Clark D. Stewart
Clark D. Stewart
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS
I, Angela D. Shinabargar, certify that:

1. I have reviewed this report for the year ended April 30, 2009 on Form 10-K of Butler National Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly represent in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 17, 2009

/s/ Angela D. Shinabargar
Angela D. Shinabargar
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the annual report of Butler National Corporation (the "Company") on Form 10-K for the period ending April 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Clark D. Stewart, Chief Executive Officer of the Company, certify, (to the best of my knowledge), pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002 that;

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Clark D. Stewart
President and Chief Executive Officer
Butler National Corporation
July 17, 2009

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

EXHIBIT 32.2

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

In connection with the annual report of Butler National Corporation (the "Company") on Form 10-K for the period ending April 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Angela D. Shinabargar, Chief Financial Officer of the Company, certify, (to the best of my knowledge), pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002 that;

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Angela D. Shinabargar
Chief Financial Officer
Butler National Corporation
July 17, 2009

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